

**CITY OF ECORSE
WAYNE COUNTY, MICHIGAN**

**Financial Report with
Supplementary Information
June 30, 2017**

**City of Ecorse, Michigan
Financial Report
For the Year Ended
June 30, 2017**

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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and
Members of the City Council
City of Ecorse
Wayne County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Ecorse, Michigan (the "City"), as of and for the year ended June 30, 2017, 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Ecorse, Michigan, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund and the major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Going Concern

The accompanying financial statements have been prepared assuming that the City will continue as a going concern. As discussed in Note 16 to the financial statements, the City has experienced difficulty breaking even on their operating budget in the last several years due to a declining tax base and increases in expenditures. Specifically, the City's faces a significant payment for underfunded pension divisions in the next fiscal year above and additional debt principal payments coming due. These factors raise substantial doubt about the City's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 16. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the schedules for the pension and other postemployment benefit plans, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, 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 and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Darnell & Meyering, P.C.

Darnell & Meyering, P.C.
Taylor, Michigan
November 27, 2017

CITY OF ECORSE, MICHIGAN
Management's Discussion and Analysis

Our discussion and analysis of the City of Ecorse, Michigan's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the City's financial statements.

Financial Highlights

- Total net position (deficit) \$ (10,446,659)
- Change in total net position 5,292,705
- Fund balances, governmental funds 9,363,917
- Change in fund balances, governmental funds (365,109)
- Unassigned fund balance, general fund 4,555,420
- Change in fund balance, general fund 763,408
- Long-term debt outstanding 21,158,632
- Change in long-term debt (1,372,517)

Using this Annual Report

This annual report consists of a series of financial statements. 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's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year and whether the taxpayers have funded the full cost of providing government services.

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 operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. The fiduciary fund statement provides financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

CITY OF ECORSE, MICHIGAN
Management's Discussion and Analysis

The City as a Whole

The following table shows, in a condensed format, the net position as of June 30, 2017 as compared to the prior year:

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 10,925,081	\$ 10,958,538	\$ 6,407,846	\$ 5,192,471	\$ 17,332,927	\$ 16,151,009
Capital assets, net	3,879,218	4,047,921	18,495,210	17,399,358	22,374,428	21,447,279
Total assets	<u>14,804,299</u>	<u>15,006,459</u>	<u>24,903,056</u>	<u>22,591,829</u>	<u>39,707,355</u>	<u>37,598,288</u>
Deferred outflows	<u>1,923,987</u>	<u>2,252,030</u>	<u>122,322</u>	<u>145,020</u>	<u>2,046,309</u>	<u>2,397,050</u>
Long-term liabilities	14,116,546	16,497,709	7,042,086	6,033,440	21,158,632	22,531,149
Other liabilities	1,656,482	1,346,595	631,594	812,354	2,288,076	2,158,949
Other noncurrent liabilities	27,203,739	29,322,545	1,549,876	1,722,059	28,753,615	31,044,604
Total liabilities	<u>42,976,767</u>	<u>47,166,849</u>	<u>9,223,556</u>	<u>8,567,853</u>	<u>52,200,323</u>	<u>55,734,702</u>
Net position:						
Net investment in capital as	3,760,898	3,876,282	11,458,685	11,371,481	15,219,583	15,247,763
Restricted	5,554,721	3,505,575	634,569	683,647	6,189,290	4,189,222
Unrestricted (deficit)	<u>(35,564,100)</u>	<u>(37,290,217)</u>	<u>3,708,568</u>	<u>2,113,868</u>	<u>(31,855,532)</u>	<u>(35,176,349)</u>
Total net position	<u>\$ (26,248,481)</u>	<u>\$ (29,908,360)</u>	<u>\$ 15,801,822</u>	<u>\$ 14,168,996</u>	<u>\$ (10,446,659)</u>	<u>\$ (15,739,364)</u>

The City's combined net position increased \$5,292,705 over the course of the fiscal year. As we look at the governmental activities separately from the business-type activities, we can see that governmental activities net position increased by \$3,659,879 and the business-type increased by \$1,632,826, which is due primarily to the decrease in the City's net pension liability and a decrease in long-term debt. The increase in water and sewer revenue and decrease in pension liability was the result of an increase of net position.

Of the total combined net position, approximately \$15.2 million is net investment in capital assets, while \$6.1 million is restricted for various purposes and cannot be used for general obligations.

CITY OF ECORSE, MICHIGAN
Management's Discussion and Analysis

The following table shows the changes of the net position during the current year ended June 30, 2017 as compared to the prior year:

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Program revenues:						
Charges for services	\$ 1,314,142	\$ 1,022,809	\$ 6,497,308	\$ 5,074,263	\$ 7,811,450	\$ 6,097,072
Operating grants	1,643,762	932,565	-	-	1,643,762	932,565
Capital grants	870,226	996,694	-	-	870,226	996,694
General Revenues:						
Property taxes	6,791,731	9,041,140	367,175	433,061	7,158,906	9,474,201
Grants and contributions not restricted to specific programs	5,823,037	1,501,556	-	-	5,823,037	1,501,556
Other	41,127	59,773	6,446	9,494	47,573	69,267
Total revenues	<u>16,484,025</u>	<u>13,554,537</u>	<u>6,870,929</u>	<u>5,516,818</u>	<u>23,354,954</u>	<u>19,071,355</u>
Expenses:						
General government	6,412,477	6,302,027	-	-	6,412,477	6,302,027
Public safety	3,431,399	4,615,182	-	-	3,431,399	4,615,182
Public works	1,210,480	1,230,093	-	-	1,210,480	1,230,093
Highways and streets	887,764	616,069	-	-	887,764	616,069
Recreation and culture	139,718	324,340	-	-	139,718	324,340
Community and economic development	136,916	107,357	-	-	136,916	107,357
Interest on long-term debt	605,392	696,769	-	-	605,392	696,769
Water and sewer	-	-	5,238,103	5,941,847	5,238,103	5,941,847
Total expenses	<u>12,824,146</u>	<u>13,891,837</u>	<u>5,238,103</u>	<u>5,941,847</u>	<u>18,062,249</u>	<u>19,833,684</u>
Change in net position	3,659,879	(337,300)	1,632,826	(425,029)	5,292,705	(762,329)
Net position:						
Beginning of year	<u>(29,908,360)</u>	<u>(29,571,060)</u>	<u>14,168,996</u>	<u>14,594,025</u>	<u>(15,739,364)</u>	<u>(14,977,035)</u>
End of year	<u><u>\$(26,248,481)</u></u>	<u><u>\$(29,908,360)</u></u>	<u><u>\$ 15,801,822</u></u>	<u><u>\$ 14,168,996</u></u>	<u><u>\$(10,446,659)</u></u>	<u><u>\$(15,739,364)</u></u>

Governmental Activities

The City's total governmental revenues net of current year expenses resulted in an increase of approximately \$3,659,879 in net position, compared to the prior year's net decrease of approximately \$337,300. The increase in net position was primarily due to the decrease in the City's net pension liability and long term debt. Although the property tax revenue decreased by \$2,249,409 due to the elimination of the personal property tax phase out.

CITY OF ECORSE, MICHIGAN
Management's Discussion and Analysis

Business-type Activities

The City's business-type activities consist of the water and sewer enterprise fund. The City provides water to residents from the Detroit water system and sewage treatment through the downriver sewage treatment system.

Business-type activities revenues net of current year expenses resulted in an increase in net position of \$1,632,826 as compared to last year's decrease of \$425,029. The increase in net position is primarily due to the decrease in the City's net pension liability, and an increase in water and sewer revenue due to an increase of charges to residential and commercial users.

The City's Funds

Our analysis of the City's major funds begins with the governmental funds balance sheet, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the City as a whole. The City creates funds to help manage money for specific purposes as well as to show accountability for certain activities. The City's major governmental funds are the general and major streets funds.

The general fund pays for most of the City's governmental services. The most significant areas are general government and public safety, which incurred expenditures of \$7,167,081 and \$3,712,069, or 60 percent and 31 percent, respectfully, of the general fund's total expenditures for the fiscal year. During this fiscal year the main expenditures in the general government were the liability insurances and retiree healthcare costs. The public safety department is comprised of police and fire services. These areas were funded primarily by the City's operating and judgment levy millages.

The fund balance of the major streets special revenue fund increased by \$57,017 as compared to the prior fiscal year increase of \$36,243. This is the result of conservative budgeting practices by the City to keep road maintenance and construction expenditures within amounts received from the State restricted for this purpose.

General Fund Budgetary Highlights

The general fund total expenditures came in under budget by \$474,630 due primarily to the following reasons: expenditures for police and fire were under budget by \$215,274 for salaries due to reduced staffing. Department of public works expenditures were under budget by \$53,726 due to the supervisor position being vacant for several months. Finally, general government expenditures were under budget by \$202,293 due to vacant positions during transitions.

CITY OF ECORSE, MICHIGAN
Management's Discussion and Analysis

Capital Asset and Debt Administration

During the fiscal year the City had no significant expenditures for capital assets. The total capital assets increased from the prior year by \$927,149. This net increase was primarily due to significant additions of new assets other than construction in progress from previous years which was completed during the current year.

	Capital Assets (Net of Depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 231,268	\$ 231,268	\$ 19,174	\$ 19,174	\$ 250,442	\$ 250,442
Land improvements	177,088	203,818	-	-	177,088	203,818
Buildings and systems	502,874	526,079	18,476,036	17,380,184	18,978,910	17,906,263
Vehicles	135,077	168,172	-	-	135,077	168,172
Equipment	454,588	453,789	-	-	454,588	453,789
Infrastructure	2,378,323	2,464,795	-	-	2,378,323	2,464,795
Total assets	\$3,879,218	\$4,047,921	\$18,495,210	\$17,399,358	\$22,374,428	\$21,447,279

During the current year, the City had additions to the water/sewer systems debt of \$1,546,919 through the state revolving fund loans.

	General Obligation and Revenue Bonds					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Fiscal stabilization bonds	\$ 325,000	\$ 2,630,000	\$ -	\$ -	\$ 325,000	\$ 2,630,000
Financial recovery bonds	8,455,000	8,690,000	-	-	8,455,000	8,690,000
Emergency loan	5,000,000	5,000,000	-	-	5,000,000	5,000,000
Capital lease	118,320	171,639	-	-	118,320	171,639
State revolving fund loans	-	-	6,610,016	5,569,372	6,610,016	5,569,372
Revenue bonds	-	-	426,507	458,505	426,507	458,505
Total	\$13,898,320	\$16,491,639	\$ 7,036,523	\$ 6,027,877	\$20,934,843	\$22,519,516

Additional information of capital assets and long-term debt can be found in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

As part of the City transitioning away from the Emergency Manager (EM), the City was required to prepare a two-year budget. The former EM put in place a two-year budget with revenues exceeding expenditures through the previous fiscal year. The City continues to operate conservatively due to uncertainties in the current economy. Following the departure of the EM, day-to-day operations of the City are supervised by the City Administrator.

CITY OF ECORSE, MICHIGAN
Management's Discussion and Analysis

The City will continue working on a five-year projection, which includes the general fund to assist with budgeting and provide a financial roadmap for the years ahead.

The City continually monitors the adequacy of the water and sewer rates compared to operating costs; the City will continue to monitor the rates over the years and will adjust, accordingly.

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 the money it receives. If you have questions about this report or need additional information, we welcome you to contact the City Clerk's office.

City of Ecorse
Statement of Net Position
June 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Brownfield Redevelopment Authority
Assets:				
Cash and investments	\$ 9,171,588	\$ 3,464,520	\$ 12,636,108	\$ -
Receivables - Net of Allowances	1,233,528	2,236,018	3,469,546	-
Due From Fiduciary Funds	50,000	-	50,000	-
Due From Component Unit	192,235	-	192,235	-
Prepaid items and other assets	277,730	72,739	350,469	739,219
Restricted assets - cash	-	634,569	634,569	-
Capital Assets Not Being Depreciated	231,268	19,174	250,442	79,696
Capital assets being depreciated, net	3,647,950	18,476,036	22,123,986	-
Total Assets	14,804,299	24,903,056	39,707,355	818,915
Deferred outflows of resources				
Deferred pension amounts	1,923,987	122,322	2,046,309	-
Liabilities				
Accounts payable and accrued liabilities	\$ 1,561,164	\$ 589,219	\$ 2,150,383	\$ 363,782
Accrued Interest Payable	95,318	42,375	137,693	-
Long-term liabilities:				
Due within one year	691,332	612,324	1,303,656	-
Due in more than one year	13,425,214	6,429,762	19,854,976	-
Other noncurrent liabilities:				
Net other postemployment benefit obligation	2,826,164	-	2,826,164	-
Net pension liability	24,377,575	1,549,876	25,927,451	-
Total Liabilities	42,976,767	9,223,556	52,200,323	363,782
Net position:				
Net invested in capital assets	3,760,898	11,458,685	15,219,583	79,696
Restricted for:				
Highways and streets	2,602,208	-	2,602,208	-
Public safety	109,591	-	109,591	-
Public works	162,580	-	162,580	-
Debt Service	2,672,248	-	2,672,248	-
Community development	8,094	-	8,094	-
Funds on deposit with Wayne County for sewer debt reserve and capital outlay	-	634,569	634,569	-
Unrestricted (deficit)	(35,564,100)	3,708,568	(31,855,532)	375,437
Total net position (deficit)	\$ (26,248,481)	\$ 15,801,822	\$ (10,446,659)	\$ 455,133

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

City of Ecorse
Statement of Activities
Year Ended June 30, 2017

Functions/programs	Program Revenue				Net (Expense) Revenue and Changes in Net Postiton			
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government			Component Unit
					Governmental Activities	Business-Type Activities	Total	
Governmental activities:								
General Government	\$ 6,412,477	\$ 1,279,136	\$ 1,056,300	\$ -	\$ (4,077,041)	\$ -	\$ (4,077,041)	\$ -
Public Safety	3,431,399	20,705	49,941	-	(3,360,753)	-	(3,360,753)	-
Public Works	1,210,480	-	490,443	-	(720,037)	-	(720,037)	-
Highways and Streets	887,764	-	-	678,351	(209,413)	-	(209,413)	-
Community and Economic Devl.	136,916	-	-	191,875	54,959	-	54,959	-
Recreation and Culture	139,718	14,301	47,078	-	(78,339)	-	(78,339)	-
Interest on Long-Term Debt	605,392	-	-	-	(605,392)	-	(605,392)	-
Total Governmental Activities	12,824,146	1,314,142	1,643,762	870,226	(8,996,016)	-	(8,996,016)	-
Business-type activities:								
Water and sewer	5,238,103	6,497,308	-	-	-	1,259,205	1,259,205	-
Total primary government	\$ 18,062,249	\$ 7,811,450	\$ 1,643,762	\$ 870,226	\$ (8,996,016)	\$ 1,259,205	\$ (7,736,811)	\$ -
Component unit:								
Brownfield redevelopment authority	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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

General Revenues:				
Property taxes	6,791,731	367,175	7,158,906	-
Grants and contributions not restricted to specific programs	5,823,037	-	5,823,037	-
Unrestricted investment earnings	38,958	6,446	45,404	-
Miscellaneous	2,169	-	2,169	-
Total general revenues	<u>12,655,895</u>	<u>373,621</u>	<u>13,029,516</u>	<u>-</u>
Change in net position	3,659,879	1,632,826	5,292,705	-
Net position, beginning of year	<u>(29,908,360)</u>	<u>14,168,996</u>	<u>(15,739,364)</u>	<u>455,133</u>
Net position, end of year	<u><u>(\$ 26,248,481)</u></u>	<u><u>\$ 15,801,822</u></u>	<u><u>(\$ 10,446,659)</u></u>	<u><u>\$ 455,133</u></u>

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

City of Ecorse
Balance Sheet
Governmental Funds
June 30, 2017

	General Fund	Major Highway Fund	Debt Stabilization Fund	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash and investments	\$ 4,604,465	\$ 1,569,641	\$ 245,890	\$ 2,751,592	\$ 9,171,588
Receivables:					
Taxes Receivable	-	-	-	-	-
Accounts Receivable	294,294	-	-	-	294,294
Accrued Interest	60,414	82	-	10,251	70,747
Intergovernmental	585,372	94,898	-	188,217	868,487
Due from other governmental funds	151,240	-	-	-	151,240
Due from fiduciary funds	50,000	-	-	-	50,000
Due From Component Units	192,235	-	-	-	192,235
Prepaid Expenses	273,277	-	-	4,453	277,730
Total Assets	<u>\$ 6,211,297</u>	<u>\$ 1,664,621</u>	<u>\$ 245,890</u>	<u>\$ 2,954,513</u>	<u>\$ 11,076,321</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts Payable	\$ 746,620	\$ 67,002	\$ -	\$ 106,261	\$ 919,883
Accrued Payroll	166,039	2,540	-	2,761	171,340
Due To Other Funds	-	-	-	151,240	151,240
Judgements and litigation payable	469,941	-	-	-	469,941
Total Liabilities	<u>1,382,600</u>	<u>69,542</u>	<u>-</u>	<u>260,262</u>	<u>1,712,404</u>
Fund Balances:					
Nonspendable	-	-	-	-	-
Prepays	273,277	-	-	4,453	277,730
Restricted for:					
Highways and streets	-	1,595,079	-	1,098,719	2,693,798
Public safety	-	-	-	81,396	81,396
Public works	-	-	-	462,373	462,373
Debt service	-	-	-	864,075	864,075
Committed for:					
Recreation and culture	-	-	-	183,235	183,235
Debt service	-	-	245,890	-	245,890
Unassigned	4,555,420	-	-	-	4,555,420
Total Fund Balances	<u>4,828,697</u>	<u>1,595,079</u>	<u>245,890</u>	<u>2,694,251</u>	<u>9,363,917</u>
Total Liabilities and Fund Balances	<u>\$ 6,211,297</u>	<u>\$ 1,664,621</u>	<u>\$ 245,890</u>	<u>\$ 2,954,513</u>	<u>\$ 11,076,321</u>

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

Total Governmental Fund Balances \$ 9,363,917

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

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

Capital assets not being depreciated	\$ 231,268
Capital assets being depreciated, net	3,647,950

Long term liabilities are not due and payable in the current period and are not reported in the funds

Bonds, loans and capital leases payable	(13,898,320)
Unamortized bond discount	136,690
Accrued interest on bonds payable	(95,318)
Net other postemployment benefit obligation	(2,826,164)
Compensated absences	(354,916)

Certain pension-related amounts, such as the net pension liability and deferred 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	(24,377,575)
Deferred outflows related to the net pension liability	1,923,987

Net position of governmental activities (\$ 26,248,481)

City of Ecorse
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
June 30, 2017

	General Fund	Major Highway Fund	Debt Stabilization Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 5,782,399	\$ -	\$ -	\$ 1,009,332	\$ 6,791,731
Licenses and permits	292,752	-	-	-	292,752
Intergovernmental	5,871,794	490,581	-	1,567,150	7,929,525
Charges for services	121,616	-	-	-	121,616
Fines and forfeiture	508,638	-	-	20,705	529,343
Interest Income	31,118	1,294	203	6,343	38,958
Other	356,130	2,170	-	14,301	372,601
Total Revenues	<u>12,964,447</u>	<u>494,045</u>	<u>203</u>	<u>2,617,831</u>	<u>16,076,526</u>
Expenditures:					
Current:					
General Government	7,167,081	-	-	-	7,167,081
Public Safety	3,712,069	-	-	51,677	3,763,746
Public works	638,710	-	-	518,484	1,157,194
Highways & Streets	296,664	277,028	-	314,072	887,764
Community & Economic Devel.	-	-	-	136,916	136,916
Recreation & Culture	-	-	-	115,651	115,651
Debt Payments:					
Principal	-	-	2,305,000	289,481	2,594,481
Interest	7,099	-	69,421	542,282	618,802
Total Expenditures	<u>11,821,623</u>	<u>277,028</u>	<u>2,374,421</u>	<u>1,968,563</u>	<u>16,441,635</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,142,824</u>	<u>217,017</u>	<u>(2,374,218)</u>	<u>649,268</u>	<u>(365,109)</u>
Other Financing Sources (Uses):					
Transfer from General Fund	-	-	377,823	1,593	379,416
Transfer from Major Highway	-	-	-	160,000	160,000
Transfer to Local Highway	-	(160,000)	-	-	(160,000)
Transfer to Justice	(1,593)	-	-	-	(1,593)
Transfer to Debt Service	(377,823)	-	-	-	(377,823)
Total Other Financing Sources (Uses):	<u>(379,416)</u>	<u>(160,000)</u>	<u>377,823</u>	<u>161,593</u>	<u>-</u>
Net Change in Fund Balances	763,408	57,017	(1,996,395)	810,861	(365,109)
Fund Balances:					
Beginning of Year	4,065,289	1,538,062	2,242,285	1,883,390	9,729,026
End of Year	<u>\$ 4,828,697</u>	<u>\$ 1,595,079</u>	<u>\$ 245,890</u>	<u>\$ 2,694,251</u>	<u>\$ 9,363,917</u>

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

City of Ecorse
 Reconciliation of the Statement of Revenues,
 Expenditures and Changes in Fund Balances of Governmental Funds
 To the Statement of Activities
 Year Ended June 30, 2017

Net change in fund balances total governmental funds \$ (365,109)

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

Governmental funds report capital outlays as expenditures in the statement of activities.

These costs are allocated over their estimated useful lives as depreciation. Losses and gains on disposals of assets are not used in governmental funds.

Capital outlay	71,594
Depreciation expense	(240,298)

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	2,593,319
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Change in accrued interest payable on bonds and capital leases	21,766
Amortization of bond discount	(7,194)
Change in net pension liability and related deferred amounts	2,036,249
Change in net other postemployment benefit obligation	(245,486)
Change in the accrual for compensated absences	(204,962)

Change in net position of governmental activities	\$ 3,659,879
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The accompanying notes are an integral part of the financial statements.

City of Ecorse
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Budgetary Basis)
General Fund
June 30, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ACTUAL OVER (UNDER) FINAL BUDGET
Revenues				
Property taxes	7,887,503	5,603,824	5,782,399	178,575
Licenses and permits	137,450	248,964	292,752	43,788
Intergovernmental	1,466,500	5,818,480	5,871,794	53,314
Charges for services	100,000	98,184	121,616	23,432
Fines and forfeitures	400,000	470,000	508,638	38,638
Investment income	-	31,118	31,118	-
Other	101,000	437,799	356,130	(81,669)
Total revenues	10,092,453	12,708,369	12,964,447	256,078
Expenditures				
Current:				
General government:				
Attorney	1,007,000	915,389	937,820	(22,431)
Finance	224,550	261,097	250,269	10,828
City hall	445,000	521,246	506,653	14,593
Retiree pension	1,244,658	3,507,768	3,507,693	75
Retiree health care	1,711,000	1,256,866	1,256,658	208
Other	1,031,439	1,314,508	1,115,488	199,020
Less reimbursements	(482,500)	(407,500)	(407,500)	-
Total general government	5,181,147	7,369,374	7,167,081	202,293
Public Safety:				
Police and fire	3,289,603	3,580,689	3,378,056	202,633
Building inspection	212,254	346,654	334,013	12,641
Total public safety	3,501,857	3,927,343	3,712,069	215,274
Public works:				
Department of public works	468,480	692,436	638,710	53,726
Highway and streets:				
Street lighting	350,000	300,000	296,664	3,336
Debt service:				
Interest on long-term debt	18,193	7,100	7,099	1
Total expenditures	9,519,677	12,296,253	11,821,623	474,630

continued...

City of Ecorse
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Budgetary Basis)
General Fund
June 30, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ACTUAL OVER (UNDER) FINAL BUDGET
Revenues over expenditures	572,776	412,116	1,142,824	730,708
Other financing sources (uses)				
Transfer to other funds	(549,999)	(377,823)	(379,416)	(1,593)
Total other financing sources (uses)	(549,999)	(377,823)	(379,416)	(1,593)
Net change in fund balance	22,777	34,293	763,408	729,115
Fund balance, beginning of year	4,065,289	4,065,289	4,065,289	-
Fund balance, end of year	4,088,066	4,099,582	4,828,697	729,115

concluded.

City of Ecorse
Statement of Revenues, Expenditures
and Changes in Fund Balance-
Budget and Actual
For the Fiscal Year Ended June 30, 2017

MOTOR VEHICLE HIGHWAY MAJOR STREET FUND				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ACTUAL OVER (UNDER) FINAL BUDGET
REVENUES:				
State sources	\$ 380,957	\$ 440,000	\$ 490,581	\$ 50,581
Interest income	1,000	1,275	1,294	19
Other revenue	-	2,179	2,170	(9)
TOTAL REVENUES	381,957	443,454	494,045	50,591
EXPENDITURES:				
Highways and streets	357,462	283,335	277,028	6,307
TOTAL EXPENDITURES	357,462	283,335	277,028	6,307
Excess of Revenues (Under) Expenditures	24,495	160,119	217,017	56,898
OTHER FINANCING SOURCES (USES):				
Transfers to other funds	-	(160,000)	(160,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	-	(160,000)	(160,000)	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (EXPENDITURES AND OTHER USES)	24,495	119	57,017	56,898
FUND BALANCE, beginning	1,538,062	1,538,062	1,538,062	-
FUND BALANCE, ending	\$ 1,562,557	\$ 1,538,181	\$ 1,595,079	\$ 56,898

City of Ecorse
Statement of Net Position
Water and Sewer Enterprise Fund
June 30, 2017

Assets

Current Assets:

Cash and investments	\$ 3,464,520
Receivables - net of allowances	2,041,665
Due from other government	194,353
Prepaid expenses	72,739
Total Current Assets	5,773,277

Noncurrent assets:

Restricted cash	634,569
Capital assets, net	18,495,210
Total Noncurrent Assets	19,129,779

Total Assets

24,903,056

Deferred outflows of resources

Deferred pension amounts	122,322
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Liabilities

Current Liabilities:

Accounts payable	584,173
Accrued liabilities	5,046
Accrued interest payable	42,375
Bonds, loans and compensated absences payable, current portion	612,324
Total Current Liabilities	1,243,918

Noncurrent Liabilities:

Net pension liability	1,549,876
Bonds, loans and compensated absences payable, net of current portion	6,429,762
Total Noncurrent Liabilities	7,979,638

Total Liabilities

9,223,556

Net position

Net invested in capital assets	11,458,685
Restricted for funds on deposit with Wayne County for sewer debt reserve and capital outlay	634,569
Unrestricted	3,708,568
	15,801,822

Total net position

\$ 15,801,822

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

City of Ecorse
Statement of Revenues, Expenses
And Changes in Fund Net Position
Water and Sewer Enterprise Fund
June 30, 2017

Operating revenues:	
Charges for services:	
Water operations	\$ 2,999,175
Sewer operations	2,774,587
Intergovernmental revenue	548,985
Other revenue	174,561
Total operating revenues	<u>6,497,308</u>
Operating expenses:	
Personnel	191,068
Administrative fee	355,000
Repair and maintenance	34,180
Utilities	3,146,761
Other	739,839
Depreciation	592,483
Total operating expenses	<u>5,059,331</u>
Net operating income (loss)	<u>1,437,977</u>
Nonoperating revenues (expenses):	
Property taxes	367,175
Investment income	6,447
Interest expense	(178,772)
Total nonoperating revenues (expenses)	<u>194,850</u>
Change in net position	1,632,827
Net position, beginning of year	<u>14,168,995</u>
Net position, end of year	<u><u>\$ 15,801,822</u></u>

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

City of Ecorse
Statement of Cash Flows
Water and Sewer Enterprise Fund
For the Year Ended June 30, 2017

Cash flows provided by (used in) operating activities:	
Cash received from customers	\$ 5,820,014
Cash payments to suppliers for goods and services	(4,687,565)
Cash payments to employees	<u>(191,068)</u>
Net cash provided by operating activities	<u>941,381</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(1,688,335)
Proceeds from issuance of long-term debt	1,553,684
Principal payments on long-term debt	(545,038)
Interest payments on long-term debt	<u>(169,185)</u>
Net cash (used) for capital and related financing activities	<u>(848,874)</u>
Cash flows from noncapital financing activities	
Property taxes	<u>367,175</u>
Cash flows from investing activities:	
Net Proceeds (Used) from sale of cash equivalents	
Sale of investments	
Purchase of investments	
Interest and dividends	<u>6,447</u>
Net cash provided (used) by investing activities	<u>6,447</u>
Net increase (decrease) in cash and investments	466,129
Cash and cash equivalents at beginning of year	<u>3,632,960</u>
Cash at end of year	<u><u>\$ 4,099,089</u></u>
Reconciliation of cash and investments per statement of net position:	
Cash and investments	\$ 3,464,520
Restricted cash	<u>634,569</u>
	<u><u>\$ 4,099,089</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 1,437,977
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	592,483
Changes in assets and liabilities:	
Accounts receivable, net	(697,184)
Due from other government	19,890
Prepaid items	(71,952)
Accounts payable	(191,545)
Accrued liabilities	1,197
Net pension liability and deferred amounts	(149,485)
Accrued compensated absences	<u>-</u>
Net cash provided by operating activities	<u><u>\$ 941,381</u></u>

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

City of Ecorse
Statement of Fiduciary
Assets and Liabilities
June 30, 2017

	<u>Agency Funds</u>
Assets:	
Cash and investments	\$ 111,135
Due from other funds	<u>854</u>
Total Assets	<u><u>\$ 111,989</u></u>
Liabilities:	
Undistributed receipts	<u>\$ 111,989</u>
Total Liabilities	<u><u>\$ 111,989</u></u>

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

City of Ecorse, Michigan
Notes to Financial Statements
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Ecorse (the "City") is a municipal corporation currently governed and administered by a city council along with the Transition Advisory Board appointed by the State of Michigan. The accompanying financial statements present the government and its component unit, an entity for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. The discretely presented component unit has a June 30 year end.

Discretely Presented Component Unit. The Ecorse Brownfield Redevelopment Authority (EBRA), whose board is appointed by the City Council, was created to facilitate the implementation of plans relating to the identification and treatment of environmentally distressed areas to promote revitalization within the brownfield redevelopment zone.

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 unit. 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 legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function 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.

City of Ecorse, Michigan
Notes to Financial Statements
June 30, 2017
(Continued)

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, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period or within one year for reimbursement-based grants, if any. 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 taxes, intergovernmental revenue, licenses, 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 government.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those accounted for and reported in another fund.

The *major streets special revenue fund* accounts for the expenditure of motor fuel taxes that are earmarked by state law for major street and highway purposes.

Debt service stabilization fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest on fiscal stabilization debt of governmental funds.

City of Ecorse, Michigan
Notes to Financial Statements
June 30, 2017
(Continued)

The government reports the following major proprietary fund –

The *water and sewer enterprise fund* accounts for the activities of the water distribution and sewage disposal systems, which are financed primarily by user charges.

Additionally, the government 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.

Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest on long-term general obligation debt of governmental funds.

The *agency funds* account for undistributed tax collections and fire insurance escrow payments.

As a general rule the effect of inter fund 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 government's water and sewer function and various other functions of the government. 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 water and sewer enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund includes 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.

Assets, Deferred Outflows of Resources, Liabilities, and Equity

Deposits and Investments

The government's cash and investments 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.

City of Ecorse, Michigan
Notes to Financial Statements
June 30, 2017
(Continued)

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers' acceptances, and mutual funds composed of otherwise legal investments. The City's investments in municipal bonds are reported at amortized cost.

Receivables and Payables

Activity 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 inter fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter fund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Prepaid Items

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.

Restricted Cash

Restricted cash of \$634,569 in the enterprise fund represents amounts held by Wayne County for a sewer debt reserve and capital outlay.

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 government defines capital assets as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition cost 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 assets 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.

City of Ecorse, Michigan
Notes to Financial Statements
June 30, 2017
(Continued)

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

	<u>Years</u>
Land improvements	20
Buildings	20-50
Vehicles	5-8
Equipment	5-15
Infrastructure	40
Water and sewer systems	50

Deferred Outflows of Resources

The City reports deferred outflows of resources for change in expected and actual investment returns assumptions, and benefits provided in its pension plans.

Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. A liability for vacation and sick pay benefits is accrued when incurred in the government-wide and enterprise 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. The compensated absence liability will be liquidated primarily by the general fund and the water and sewer fund.

Long-term Obligations

In the government-wide financial statements, and the enterprise fund 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 enterprise fund 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.

City of Ecorse, Michigan
Notes to Financial Statements
June 30, 2017
(Continued)

Pensions

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

Fund Balances

Governmental funds report *non spendable 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 the resources by grantors, contributors, or laws or regulations of other governments. *Committed fund balance* is reported for amounts that can be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority; a formal resolution or action is required to establish, modify or rescind a fund balance commitment. *Assigned fund balance* is reported for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. *Unassigned fund balance* is the residual classification for the general fund. When the City incurs expenditures for purposes for which various fund balance classifications can be used, it is the City's policy to use restricted fund balance first, then committed, assigned, and finally unassigned fund balance.

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. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at fiscal year end. Budgets may be amended by the City Council with the approval of the Transition Advisory Board.

City of Ecorse, Michigan
Notes to Financial Statements
June 30, 2017
(Continued)

Actuarial valuations of an ongoing plan involve 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 Board and the State Treasurer. The budget document is prepared by fund, function and department. The legal level of budgetary control is the department level for the general fund and the fund level for the special revenue funds.

3. EXCESS OF EXPENDITURES OVER BUDGET

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, 2017, the government incurred the following excess of expenditures of appropriations:

Fund / Department	Final Budget	Actual	Over Budget
Attorney	\$ 915,389	\$ 937,820	\$ 22,431

4. DEPOSITS AND INVESTMENTS

Following is a reconciliation of cash and investments as of June 30, 2017:

	<u>Primary Government</u>
Statement of net position	
Cash investments	\$ 12,636,108
Restricted cash	634,569
Statement of fiduciary net position	
Cash and investments	<u>111,135</u>
	<u><u>13,381,812</u></u>
Deposits and investments	
Bank deposits (checking, sweep and money market accounts)	10,425,376
Investments	2,321,867
Cash on deposit with Wayne County	<u>634,569</u>
	<u><u>\$ 13,381,812</u></u>

City of Ecorse, Michigan
Notes to Financial Statements
June 30, 2017
(Continued)

The City chooses to disclose its investments by specifically identifying each. At June 30, 2017, the City had the following investments.

Investment	Maturity	Amortized Cost	Rating (Moody's)
Municipal bonds	5/1/2023	\$ 2,321,867	Aal

Investment and deposit risk

Interest Rate Risk. Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. State law limits investment maturities for commercial paper to no more than 270 days after date of purchase. The City's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest. The maturity date for the investment held at year-end is disclosed in the table above.

Credit Risk. State law limits investments to specific government 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 investments. Commercial paper must be rated within the two highest classification established by not less than two standard rating services. The City's investment policy does not have specific limits in excess of state law on investment credit risk. The credit rating for the investments held at year end is identified above.

Custodial Credit Risk - Deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance. As of June 30, 2017, \$9,391,807 of the City's total bank balance of \$10,511,818 was exposed to custodial credit risk.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the City does not have a policy for investment custodial credit risk. None of the City's investments are subject to custodial credit risk because their existence is not evidenced by securities in physical or book form.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The City's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

City of Ecorse, Michigan
Notes to Financial Statements
June 30, 2017
(Continued)

In accordance with the City's investment policy and State law, all deposits are uncollateralized and held in the City's name. Due to the dollar amounts of cash 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.

5. RECEIVABLES

Receivables in the governmental activities are 16.5% accounts receivable and 83.5% due from other governments. Business-type activities receivables (net of an estimated allowance of \$271,500 for uncollectible accounts) are 100% due from customers.

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows:

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 231,268	\$ -	\$ -	\$ 231,268
Subtotal	<u>231,268</u>	<u>-</u>	<u>-</u>	<u>231,268</u>
Capital assets being depreciated				
Land improvements	2,011,040			2,011,040
Buildings	2,671,398			2,671,398
Vehicles	1,903,119	34,380		1,937,499
Equipment	715,023	37,214		752,237
Infrastructure	11,088,299			11,088,299
Subtotal	<u>18,388,879</u>	<u>71,594</u>	<u>-</u>	<u>18,460,473</u>
Less accumulated depreciation for:				
Land improvements	(1,807,222)	(26,730)		(1,833,952)
Buildings	(2,145,319)	(23,205)		(2,168,524)
Vehicles	(1,734,947)	(67,475)		(1,802,422)
Equipment	(261,234)	(36,415)		(297,649)
Infrastructure	(8,623,504)	(86,472)		(8,709,976)
Subtotal	<u>(14,572,226)</u>	<u>(240,297)</u>	<u>-</u>	<u>(14,812,523)</u>
Net capital assets being depreciated	3,816,653	(168,703)	-	3,647,950
Capital assets-net of depreciation	<u>\$ 4,047,921</u>	<u>\$ (168,703)</u>	<u>\$ -</u>	<u>\$ 3,879,218</u>

City of Ecorse, Michigan
Notes to Financial Statements
June 30, 2017
(Continued)

Depreciation was charged to functions as follows:

Governmental activities:	
General Government	\$ 54,274
Public Safety, Fire & Police	71,456
Department of Public Works	90,500
Parks & Recreation	<u>24,067</u>
Total governmental activities depreciation expense	<u><u>\$ 240,297</u></u>

City of Ecorse, Michigan
Notes to Financial Statements
June 30, 2017
(Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets not being depreciated:				
Land	\$ 19,174	\$ -	\$ -	\$ 19,174
	<u>19,174</u>	<u>-</u>	<u>-</u>	<u>19,174</u>
Capital assets being depreciated:				
Land improvements	3,700	-	-	3,700
Buildings	187,002	-	-	187,002
Vehicles	-	68,016	-	68,016
Equipment	-	73,400	-	73,400
Water and sewer mains	13,659,042	-	-	13,659,042
Sewage system	18,979,132	1,546,919	-	20,526,051
	<u>32,828,876</u>	<u>1,688,335</u>	<u>-</u>	<u>34,517,211</u>
Less accumulated depreciation for:				
Land improvements	(3,700)		-	(3,700)
Buildings	(175,245)	(4,369)	-	(179,614)
Vehicles	-	(13,603)	-	(13,603)
Equipment	-	(14,680)	-	(14,680)
Water and sewer mains	(9,497,220)	(180,248)	-	(9,677,468)
Sewage system	(5,772,527)	(379,583)	-	(6,152,110)
	<u>(15,448,692)</u>	<u>(592,483)</u>	<u>-</u>	<u>(16,041,175)</u>
Total capital assets being depreciated, net	<u>17,380,184</u>	<u>1,095,852</u>	<u>-</u>	<u>18,476,036</u>
Business-type activities capital assets, net	<u>\$ 17,399,358</u>	<u>\$ 1,095,852</u>	<u>\$ -</u>	<u>\$ 18,495,210</u>

7. PAYABLES

Payables in the governmental activities are 80% accounts payable and accrued liabilities and 20% other. Business-type activities payables are entirely accounts payable, accrued liabilities and accrued interest.

City of Ecorse, Michigan
Notes to Financial Statements
June 30, 2017
(Continued)

8. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

The composition of inter fund receivables and payables at year end was as follows:

	Receivable	Payable
General Fund:		
Comm.Dev. Block Grant	151,240	
Brownfield	192,235	
Current Tax Collection Fund		854
Comm.Dev. Block Grant:		
General Fund		151,240
Brownfield:		
General Fund		192,235
Water Fund		171,547
Water Fund:		
Brownfield	171,547	
Current Tax Collection Fund:		
General Fund	854	
Totals	515,876	515,876

These balances resulted from the time lag between the dates that (1) inter fund goods and services are provided or reimbursable expenditures occur and (2) payments between funds are made.

	Transfers In	Transfers Out
Governmental Funds:		
General Fund		379,416
Stabilization Bond Fund	377,823	
Major Streets Fund		160,000
Local Streets Fund	160,000	
Justice Training Grant Fund	1,593	
Totals	539,416	539,416

City of Ecorse, Michigan
Notes to Financial Statements
June 30, 2017
(Continued)

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

9. LONG-TERM DEBT

The City issues long-term debt to provide funds for the acquisition and construction of major capital facilities for governmental and business-type activities and to provide working capital for governmental activities (or financial resources for governmental funds) in the case of fiscal stabilization bonds and emergency loans. General obligation debt, including fiscal stabilization bonds, emergency loans and capital leases, pledge the full faith and credit of the government whereas revenue bonds, including State revolving fund loans, pledge the income of the water and sewer operations for the repayment of the debt.

A summary of long-term debt outstanding as of June 30, 2017 is as follows:

The carrying value and accumulated depreciation of the asset related to the capital lease as of June 30, 2017 was \$384,000 and \$384,000, respectively.

Annual debt service requirements to maturity for governmental activities bonds, loans and leases are as follows:

	<u>Fiscal Stabilization Bonds</u>		<u>Financial Recovery Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 325,000	\$ 7,312	\$ 245,000	\$ 519,790
2019	-	-	260,000	505,145
2020	-	-	275,000	489,630
2021	-	-	295,000	473,100
2022	-	-	310,000	455,555
2023-2027	-	-	1,855,000	1,976,030
2028-2032	-	-	2,520,000	1,306,500
2033-2036	-	-	2,695,000	364,488
	<u>\$ 325,000</u>	<u>\$ 7,312</u>	<u>\$ 8,455,000</u>	<u>\$ 6,090,238</u>

City of Ecorse, Michigan
Notes to Financial Statements
June 30, 2017
(Continued)

	<u>Emergency Loans</u>		<u>Capital Lease</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ -	\$ 17,008	\$ 57,543	\$ 6,649
2019	-	24,607	60,777	3,416
2020	300,000	24,607	-	-
2021	500,000	23,130	-	-
2022	500,000	20,670	-	-
2023-2027	2,500,000	66,438	-	-
2028-2030	1,200,000	10,335	-	-
	<u>\$ 5,000,000</u>	<u>\$ 186,795</u>	<u>\$ 118,320</u>	<u>\$ 10,065</u>

Annual debt service requirements to maturity for business-type activities debt are as follows:

Fiscal Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 611,211	\$ 174,361	\$ 785,572
2019	620,967	159,785	780,752
2020	461,187	145,977	607,164
2021	451,201	134,662	585,863
2022	448,021	123,263	571,284
2023-2027	2,401,670	439,140	2,840,810
2028-2032	1,670,860	138,154	1,809,014
2033-2036	371,406	18,773	390,179
	<u>\$ 7,036,523</u>	<u>\$ 1,334,115</u>	<u>\$ 8,370,638</u>

City of Ecorse, Michigan
Notes to Financial Statements
June 30, 2017
(Continued)

The following is a summary of long-term obligations of the City for the year ended June 30, 2017:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
<u>Bonds Payable</u>					
Fiscal Stabilization Bonds	2,630,000	-	2,305,000	325,000	325,000
Financial Recovery Bonds	8,690,000		235,000	8,455,000	245,000
Total Bonds	<u>11,320,000</u>	<u>-</u>	<u>2,540,000</u>	<u>8,780,000</u>	<u>570,000</u>
<u>Loans & Other Payables</u>					
Emergency Loans	5,000,000	-	-	5,000,000	-
Capital Lease(fire truck)	171,639	-	53,319	118,320	57,543
Unamortized Discount	(143,884)		(7,194)	(136,690)	(7,194)
Total Notes	<u>5,027,755</u>	<u>-</u>	<u>46,125</u>	<u>4,981,630</u>	<u>50,349</u>
Compensated Absences	149,954	204,962	-	354,916	70,983
Total	<u>\$ 16,497,709</u>	<u>\$ 204,962</u>	<u>\$2,586,125</u>	<u>\$ 14,116,546</u>	<u>\$ 691,332</u>
Business-Type Activities:					
State Revolving Fd.Loans	5,569,372	1,529,101	488,457	6,610,016	550,030
Revenue Bonds	458,505	24,583	56,581	426,507	61,181
Compensated Absences	5,563	-	-	5,563	1,113
Total	<u>\$ 6,033,440</u>	<u>\$1,553,684</u>	<u>\$ 545,038</u>	<u>\$ 7,042,086</u>	<u>\$ 612,324</u>

10. RISK MANAGEMENT

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2017, the government carried insurance through various commercial carriers to cover risks of losses. The government has had settled claims resulting from these risks that exceeded its commercial coverage.

City of Ecorse, Michigan
Notes to Financial Statements
June 30, 2017
(Continued)

11. PROPERTY TAXES

The government's property taxes are levied each July 1 on the taxable valuation of property located in the City as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest through August 1; as of March 1 of the succeeding year, unpaid real property taxes are sold to and collected by Wayne County.

Assessed values as established annually by the government, and subject to acceptance by the County, are equalized by the State at an estimated 50% of current market value. The taxable value of real and personal property in the City totaled \$112,234,347 (not including \$5,371,800 taxable value of industrial facility tax abated property). The government's general operating tax rate for fiscal year 2016-17 was 18.6713 for general operating, 2.9481 mills for sanitation, 0.2500 mills for police and fire pension, 0.4913 mills for longevity, 20.4850 mills for police and fire special assessment, 12.3146 mills for other court ordered judgment levies, 0.2456 mills for library (library special revenue fund), 1.0000 mills for library special assessments, and 2.4203 mills for lighting special assessment.

12. PENSION PLAN

General Information About the Plan

Plan Description. The City participates in the Municipal Employees' Retirement System (MERS) of Michigan, a defined benefit pension plan providing certain retirement, disability and death benefits to plan members and beneficiaries. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. Public Act 427 of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the MERS website at: www.mersofmich.com.

Benefits Provided. Pension benefits vary by division/bargaining unit and are calculated as final average compensation (based on a 3 year period) and multipliers ranging from 2.0% to 2.50%. Participants are considered to be fully vested in the plan after 10 years. Normal retirement age is 60 with early retirement at age 50 with 25 years of service, age 55 with 25 years of service, or age 55 with 15 years of service, depending on division/bargaining unit. Member contributions range from 0% to 5.0%.

City of Ecorse, Michigan
Notes to Financial Statements
June 30, 2017
(Continued)

Employees Covered by Benefit Terms. At December 31, 2016, plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	136
Inactive employees entitled to but not yet receiving benefits	14
Active employees	<u>24</u>
Total membership	<u>174</u>

Contributions. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2017, employer contributions ranged from 45.70% to 445.15% of annual payroll. In addition, the employer may establish contribution rates to be paid by its covered employees.

Net Pension Liability. The City's net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50	%
Salary increases	3.75	% in the long term
Investment rate of return	7.75	% net of investment expense and including inflation

Although no specific price inflation assumptions are needed for the valuation, the 4.5% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%.

Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2009-2013.

City of Ecorse, Michigan
Notes to Financial Statements
June 30, 2017
(Continued)

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>	<u>Expected Money Weighted Rate of Return</u>
Global equity	57.50%	5.02%	2.88%
Global fixed income	20.00%	2.18%	0.44%
Real Assets	12.50%	4.23%	0.53%
Diversifying strategies	10.00%	6.56%	0.65%
	<u>100.00%</u>		

Discount Rate. The discount rate used to measure the total pension liability is 8.00% for 2016. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. 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 Ecorse, Michigan
Notes to Financial Statements
June 30, 2017
(Continued)

Changes in 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 December 31, 2015	41,803,250	13,339,324	28,463,926
Changes for the year:			
Service cost	186,962	-	186,962
Interest	3,200,465	-	3,200,465
Differences between expected and actual experience	263,363	-	263,363
Changes in assumptions	-	-	-
Employer contributions	-	4,684,468	(4,684,468)
Employee contributions	-	86,226	(86,226)
Net investment income	-	1,434,495	(1,434,495)
Benefit payments, including refunds of employee contributions	(3,781,830)	(3,781,830)	-
Administrative expense	-	(28,430)	28,430
Other changes	(10,506)	-	(10,506)
Net changes	<u>(141,546)</u>	<u>2,394,929</u>	<u>(2,536,475)</u>
Balance as of December 2016	<u>41,661,704</u>	<u>15,734,253</u>	<u>25,927,451</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 8.00%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower (7.00%) or 1% higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's net pension liability	\$22,200,326	\$25,927,451	\$29,143,598

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Plan financial statements.

City of Ecorse, Michigan
Notes to Financial Statements
June 30, 2017
(Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2017, the City recognized pension expense of \$2,738,304. The City reported deferred outflows of resources related to pensions from the following sources:

Net difference between projected and actual earnings on pension plan investments	\$ 662,820
Contributions subsequent to the measurement date	<u>1,383,489</u>
Total	\$ 2,046,309

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2018. Other amounts reported as pension-related deferred outflows of resources will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2018	\$ 261,379
2019	261,379
2020	205,849
2021	<u>(65,786)</u>
Total	<u>\$ 662,821</u>

Payable to the Pension Plan. At June 30, 2017, the City reported a payable of \$133,582 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

Other Matter. Due to the City's underfunded position in several plan divisions, MERS has informed the City of a new payment schedule requiring them to make additional payments to meet minimum funding requirements in each plan division over the next few years. The City's payment for fiscal year 2017-2018 is expected to be approximately \$2 million, with additional payments over the next several years. See note 16 for additional information.

City of Ecorse, Michigan
Notes to Financial Statements
June 30, 2017
(Continued)

13. POSTEMPLOYMENT HEALTH CARE BENEFITS

The City provides postemployment health care benefits to certain retirees and their beneficiaries, which are provided on a pay-as-you-go basis. The plan is a single-employer defined benefit health care plan administered by the City. The plan was adopted and established by action of the City Council. The plan does not issue a separate or stand-alone report.

Plan membership consisted of the following at December 31, 2014 (the date of the latest actuarial valuation):

Retirees currently receiving benefits	106
Terminated employees entitled to but not yet receiving benefits	0
Active participants	28

The City has no obligation to make contributions in advance of when the insurance premiums or benefits are due for payment; in other words, the plan may be financed on a pay-as-you-go basis. Administrative costs of the plan are paid for by the City's general fund. Plan participants are not required to contribute to the plan. For the year ended June 30, 2017, the City did not make any contributions to advance-fund the plan, but paid benefits totaling \$1,250,282.

For the year ended June 30, 2017, the City estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2014. Such a valuation computes an annual required contribution (ARC) that represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

For the year ended June 30, 2017, the components of the City's annual OPEB (other postemployment benefit) cost for the year, the amount actually contributed to the plan (including pay-as-you-go amounts), and changes in the City's net OPEB obligation to the plan are as follows:

Annual required contribution	1,522,195
Interest on net OPEB obligation	103,227
Adjustment to annual required contribution	<u>(129,654)</u>
Annual OPEB cost	1,495,768
Payments of current cost	<u>(1,250,282)</u>
Change in net OPEB obligation	245,486
Net OPEB obligation, beginning of year	<u>2,580,678</u>
Net OPEB obligation, end of year	<u><u>2,826,164</u></u>

City of Ecorse, Michigan
Notes to Financial Statements
June 30, 2017
(Continued)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2017 and the preceding two years were as follows:

Three-Year Trend Information			
Year Ended	OPEB Cost	% of Annual OPEB Cost Contribution	Net OPEB Obligation
2015	1,659,409	78.8 %	2,187,843
2016	1,661,351	76.4 %	3,580,678
2017	1,495,768	83.6 %	2,826,164

The funded status of the plan as of December 31, 2014, the date of the latest actuarial valuation, was as follows:

Actuarial accrued liabilities (AAL)	\$ 22,623,093
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	\$ 22,623,093
Funded ratio	0.0%

Actuarial valuations of an ongoing plan involve 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 to 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 that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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 benefit costs between the employer and plan members to that point. The actuarial 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 Ecorse, Michigan
Notes to Financial Statements
June 30, 2017
(Continued)

Significant methods and assumptions were as follows:

Actuarial valuation date	12/31/2014
Actuarial cost method	Entry age
Amortization method	level percent of payroll or level of
contributions	dollar depending on division; open
Remaining amortization period	29 years: open basis
Actuarial assumptions	
Investment rate of return	4.0%
Projected salary increases	4.0%
Healthcare inflation rate	9.0% initially, 4.0% ultimately

14. CLAIMS AND JUDGMENTS

The City is and has been the defendant in a number of lawsuits that are currently pending, on appeal and/or have resulted in judgments against the City. Judgments that are currently a liability in the amount of \$469,941 which has not changed from the prior year and is recorded in the general fund. In addition, the City has nine pending cases with estimated potential liability exposures totaling from approximately \$700,000 to \$900,000. No liability has been recorded in the financial statements for these potential liabilities.

15. NET INVESTMENT IN CAPITAL ASSETS

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

	Governmental Activities	Business-type Activities
Capital assets		
Capital assets not being depreciated	\$ 231,268.00	\$ 19,174.00
Capital assets being depreciated, net	3,647,950	18,476,036
	<u>3,879,218</u>	<u>18,495,210</u>
Related debt		
Due within one year	691,332	612,324
Due in more than one year	13,425,214	6,429,762
Less noncapital related debt, net of discount	(13,643,310)	-
Less compensated absences	(354,916)	(5,563)
	<u>118,320</u>	<u>7,036,523</u>
Net investment in capital assets	<u>\$ 3,760,898</u>	<u>\$ 11,458,687</u>

City of Ecorse, Michigan
Notes to Financial Statements
June 30, 2017
(Continued)

16. GOING CONCERN

The City has experienced financial distress over the last several years, which has resulted in significant cuts to expenditures and City services. While the City has steadily built general fund balance over the last several years due primarily to cuts in the operating budget made by the former Emergency Manager, this trend was reversed during the past two years and it appears that this positive trend will not be able to continue due to the City's long-term obligations coming due.

Prior to the recording of the net pension liability in accordance with GASB 68, the City carried a negative net position at the government-wide level due to significant borrowing. The City has been able to bond to pay for liabilities and postpone payment on them due to favorable repayment terms in the near-term. However, the City paid \$2,367,109 on stabilization bond debt in the current year, which left a balance of \$325,000. This was a positive move to reduce debt. Additionally, the City projects to have to pay roughly \$4 million to MERS for underfunded divisions in its pension plan in fiscal year 2016-2017. Before taking into account this payment, the City's operating budget is roughly \$13.2 million, and the City has little room to cut expenditures further. The City does not project to increase normal revenue streams significantly from property taxes or water and sewer payments as the City faces a declining tax base and water and sewer consumption.

Management plans to conservatively manage expenditures to create room in the budget to pay all current expenditures. Additionally, the City's management is in contact with the State and the Department of Treasury in an attempt to determine if other measures are available to provide the City with additional funding for operating costs.

17. SUBSEQUENT EVENT

A bid was accepted of \$338,854.25 for the City's 2017 Sewer Separation Program to be funded by the "Financially Distressed Cities, Villages and Townships (FDCVT) Grant Award."

REQUIRED SUPPLEMENTARY INFORMATION

City of Ecorse
Combining Balance Sheets
Nonmajor Governmental Funds
June 30, 2017

	SPECIAL REVENUE FUNDS							DEBT SERVICE	TOTAL NONMAJOR GOVERNMENTAL FUNDS
	LOCAL HIGHWAY	RUBBISH	DRUG ENFORCEMENT	JUSTICE TRAINING	VEHICLE FORFEITURE	LIBRARY	COMMUNITY DEVELOPMENT BLOCK GRANT	2012 BOND	
ASSETS:									
Cash and investments	\$ 1,070,882	\$ 556,538	\$ 44,192	\$ 1,184	\$ 36,020	\$ 173,370	\$ 15,500	\$ 853,906	\$ 2,751,592
Accrued interest	82	-	-	-	-	-	-	10,169	10,251
Due from other governments	36,322	-	-	-	-	15,693	136,202	-	188,217
Prepaid Expenses	-	-	-	-	-	4,453	-	-	4,453
TOTAL ASSETS	\$ 1,107,286	\$ 556,538	\$ 44,192	\$ 1,184	\$ 36,020	\$ 193,516	\$ 151,702	\$ 864,075	\$ 2,954,513
LIABILITIES AND FUND BALANCE:									
LIABILITIES									
Accounts payable	\$ 8,567	\$ 94,165	\$ -	\$ -	\$ -	\$ 3,067	\$ 462	\$ -	\$ 106,261
Accrued wages	-	-	-	-	-	2,761	-	-	2,761
Due to other funds	-	-	-	-	-	-	151,240	-	151,240
TOTAL LIABILITIES	8,567	94,165	-	-	-	5,828	151,702	-	260,262
Fund Balance:									
Nonspendable	-	-	-	-	-	-	-	-	-
Prepays	-	-	-	-	-	4,453	-	-	4,453
Restricted for:									
Highways and streets	1,098,719	-	-	-	-	-	-	-	1,098,719
Public safety	-	-	44,192	1,184	36,020	-	-	-	81,396
Public works	-	462,373	-	-	-	-	-	-	462,373
Debt service	-	-	-	-	-	-	-	864,075	864,075
Community development	-	-	-	-	-	-	-	-	-
Committed for:									
Recreation and culture	-	-	-	-	-	183,235	-	-	183,235
TOTAL FUND BALANCES	1,098,719	462,373	44,192	1,184	36,020	187,688	-	864,075	2,694,251
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,107,286	\$ 556,538	\$ 44,192	\$ 1,184	\$ 36,020	\$ 193,516	\$ 151,702	\$ 864,075	\$ 2,954,513

City of Ecorse
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
June 30, 2017

	SPECIAL REVENUE FUNDS							DEBT SERVICE	TOTAL NONMAJOR GOVERNMENTAL FUNDS
	LOCAL HIGHWAY	RUBBISH	DRUG ENFORCEMENT	JUSTICE TRAINING	VEHICLE FORFEITURE	LIBRARY	COMMUNITY DEVELOPMENT BLOCK GRANT	2012 BOND	
REVENUES:									
Taxes	\$ -	\$ 327,834	\$ -	\$ -	\$ -	\$ 132,944	\$ -	\$ 548,554	\$ 1,009,332
Intergovernmental	187,770	490,443	-	1,184	-	47,078	191,875	648,800	1,567,150
Fines and forfeiture	-	-	20,705	-	-	-	-	-	20,705
Interest Income	875	-	-	-	-	-	-	5,468	6,343
Other Revenues	-	-	-	-	-	14,301	-	-	14,301
TOTAL REVENUES	188,645	818,277	20,705	1,184	-	194,323	191,875	1,202,822	2,617,831
EXPENDITURES:									
Public Safety	-	-	2,617	3,466	45,594	-	-	-	51,677
Public works	-	518,484	-	-	-	-	-	-	518,484
Highways & Streets	314,072	-	-	-	-	-	-	-	314,072
Community & Economic Devel.	-	-	-	-	-	-	136,916	-	136,916
Recreation & Culture	-	0	-	-	-	115,651	-	-	115,651
Debt payments:									
Principal	-	-	-	-	-	-	54,481	235,000	289,481
Interest	-	-	-	-	-	-	8,572	533,710	542,282
TOTAL EXPENDITURES	314,072	518,484	2,617	3,466	45,594	115,651	199,969	768,710	1,968,563
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(125,427)	299,793	18,088	(2,282)	(45,594)	78,672	(8,094)	434,112	649,268
OTHER FINANCING SOURCES (USES):									
Transfer from General Fund	-	-	-	1,593	-	-	-	-	1,593
Transfer from Major Highway	160,000	-	-	-	-	-	-	-	160,000
Total Other Financing Sources	160,000	-	-	1,593	-	-	-	-	161,593
NET CHANGE IN FUND BALANCES	34,573	299,793	18,088	(689)	(45,594)	78,672	(8,094)	434,112	810,861
FUND BALANCE, beginning	1,064,146	162,580	26,104	1,873	81,614	109,016	8,094	429,963	1,883,390
FUND BALANCE, ending	\$ 1,098,719	\$ 462,373	\$ 44,192	\$ 1,184	\$ 36,020	\$ 187,688	\$ -	\$ 864,075	\$ 2,694,251

City of Ecorse
Statement of Revenues, Expenditures
and Changes in Fund Balance -
Budget and Actual
For the Fiscal Year Ended June 30, 2017

	MOTOR VEHICLE HIGHWAY LOCAL STREET FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ACTUAL OVER (UNDER) FINAL BUDGET
REVENUES:				
State sources	\$ 192,634	\$ 168,500	\$ 187,770	\$ 19,270
Interest income	1,000	850	875	25
TOTAL REVENUES	193,634	169,350	188,645	19,295
EXPENDITURES:				
Highways and streets	186,150	327,917	314,072	13,845
TOTAL EXPENDITURES	186,150	327,917	314,072	13,845
Excess of Revenues (Under) Expenditures	7,484	(158,567)	(125,427)	33,140
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	-	160,000	160,000	-
TOTAL OTHER FINANCING SOURCES (USES)	-	160,000	160,000	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (EXPENDITURES AND OTHER USES)	7,484	1,433	34,573	33,140
FUND BALANCE, beginning	1,064,146	1,064,146	1,064,146	-
FUND BALANCE, ending	\$ 1,071,630	\$ 1,065,579	\$ 1,098,719	\$ 33,140

City of Ecorse
Statement of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual (Budgetary Basis)
Nonmajor Special Revenue Funds
June 30, 2017

RUBBISH FUND				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ACTUAL OVER (UNDER) FINAL BUDGET
REVENUES:				
Property taxes	\$ 505,228	\$ 317,811	\$ 327,834	\$ 10,023
State sources	-	490,443	490,443	-
TOTAL REVENUES	505,228	808,254	818,277	10,023
EXPENDITURES:				
Public works	604,500	532,200	518,484	13,716
TOTAL EXPENDITURES	604,500	532,200	518,484	13,716
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(99,272)	276,054	299,793	23,739
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	103,000	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	103,000	-	-	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (EXPENDITURES AND OTHER USES)	3,728	276,054	299,793	23,739
FUND BALANCE, beginning	162,580	162,580	162,580	-
FUND BALANCE, ending	\$ 63,308	\$ 438,634	\$ 462,373	\$ 23,739

City of Ecorse
Statement of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual (Budgetary Basis)
Nonmajor Special Revenue Funds
June 30, 2017

	DRUG ENFORCEMENT		
	ORIGINAL & FINAL BUDGET	ACTUAL	ACTUAL OVER (UNDER) FINAL BUDGET
REVENUES:			
Fines and forfeiture	\$ 20,705	\$ 20,705	-
TOTAL REVENUES	20,705	20,705	-
EXPENDITURES:			
Public safety	2,617	2,617	-
TOTAL EXPENDITURES	2,617	2,617	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	18,088	18,088	-
FUND BALANCE, beginning	26,104	26,104	-
FUND BALANCE, ending	\$ 44,192	\$ 44,192	-

City of Ecorse
Statement of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual (Budgetary Basis)
Nonmajor Special Revenue Funds
June 30, 2017

	JUSTICE TRAINING		
	ORIGINAL & FINAL BUDGET	ACTUAL	ACTUAL OVER (UNDER) FINAL BUDGET
REVENUES:			
State sources	\$ 1,184	\$ 1,184	-
TOTAL REVENUES	1,184	1,184	-
EXPENDITURES:			
Public safety	3,466	3,466	-
TOTAL EXPENDITURES	3,466	3,466	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,282)	(2,282)	-
OTHER FINANCING SOURCES (USES):			
Transfers from other funds	1,593	1,593	-
TOTAL OTHER FINANCING SOURCES (USES)	1,593	1,593	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (EXPENDITURES AND OTHER USES)	(689)	(689)	-
FUND BALANCE, beginning	1,873	1,873	-
FUND BALANCE, ending	\$ 1,184	\$ 1,184	-

City of Ecorse
Statement of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual (Budgetary Basis)
Nonmajor Special Revenue Funds
June 30, 2017

	VEHICLE FORFEITURES		
	ORIGINAL & FINAL BUDGET	ACTUAL	ACTUAL OVER (UNDER) FINAL BUDGET
REVENUES:			
Fines and forfeiture	\$	-	\$ -
TOTAL REVENUES	-	-	-
EXPENDITURES:			
Public safety	45,594	45,594	-
TOTAL EXPENDITURES	45,594	45,594	-
EXCESS OF REVENUES OVER EXPENDITURES	(45,594)	(45,594)	-
FUND BALANCE, beginning	81,614	81,614	-
FUND BALANCE, ending	\$ 36,020	\$ 36,020	\$ -

City of Ecorse
Statement of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual (Budgetary Basis)
Nonmajor Special Revenue Funds
June 30, 2017

	LIBRARY			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ACTUAL OVER (UNDER) FINAL BUDGET
REVENUES:				
Property taxes	\$ 218,500	\$ 135,811	\$ 132,944	(\$ 2,867)
State sources	3,000	46,857	47,078	221
Other	19,000	35,297	14,301	(20,996)
TOTAL REVENUES	240,500	217,965	194,323	(23,642)
EXPENDITURES:				
Recreation and culture	232,458	192,614	115,651	76,963
TOTAL EXPENDITURES	232,458	192,614	115,651	76,963
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	8,042	25,351	78,672	53,321
FUND BALANCE, beginning	109,016	109,016	109,016	-
FUND BALANCE, ending	\$ 117,058	\$ 134,367	\$ 187,688	\$ 53,321

City of Ecorse
Statement of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual (Budgetary Basis)
Nonmajor Special Revenue Funds
June 30, 2017

COMMUNITY DEVELOPMENT BLOCK GRANT				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ACTUAL OVER (UNDER) FINAL BUDGET
REVENUES:				
Federal program revenue	\$ 93,000	\$ 274,699	\$ 191,875	\$ (82,824)
TOTAL REVENUES	93,000	274,699	191,875	(82,824)
EXPENDITURES:				
Community projects	43,000	219,740	136,916	82,824
Debt service:				
Principal	-	54,481	54,481	-
Interest	50,000	8,572	8,572	-
TOTAL EXPENDITURES	93,000	282,793	199,969	82,824
EXCESS OF REVENUES OVER EXPENDITURES	-	(8,094)	(8,094)	-
FUND BALANCE, beginning	8,094	8,094	8,094	-
FUND BALANCE, ending	\$ 8,094	\$ -	\$ -	\$ -

City of Ecorse
Statement of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual (Budgetary Basis)
Nonmajor Governmental Fund
June 30, 2017

DEBT SERVICE FUND - 2012 BOND				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ACTUAL OVER (UNDER) FINAL BUDGET
REVENUES:				
Property taxes	\$ 773,000	\$ 542,032	\$ 548,554	\$ 6,522
State sources	-	648,800	648,800	-
Interest on savings and investments	-	5,461	5,468	7
TOTAL REVENUES	773,000	1,196,293	1,202,822	6,529
EXPENDITURES:				
Debt payments:				
Principal	235,000	235,000	235,000	-
Interest	533,710	533,710	533,710	-
TOTAL EXPENDITURES	768,710	768,710	768,710	-
NET CHANGE IN FUND BALANCES	4,290	427,583	434,112	6,529
FUND BALANCE, beginning	429,963	429,963	429,963	-
FUND BALANCE, ending	\$ 434,253	\$ 857,546	\$ 864,075	\$ 6,529

City of Ecorse, Michigan
Required Supplementary Information
MERS Agent Multiple-Employer Defined Benefit Pension Plan
Schedule of Changes in City's Net Pension Liability and Related Ratios

	Year Ended June 30		
	2017	2016	2015
Total Pension Liability			
Service Cost	\$ 186,962	\$ 194,132	\$ 191,053
Interest	3,200,465	3,141,599	3,174,890
Changes in benefit terms			
Differences between expected and actual experience	263,363	395,764	-
Changes in assumptions	-	1,979,630	-
Benefits payments, including refunds of employee contributions	(3,781,830)	(3,760,544)	(3,760,437)
Other	(10,506)	(10,522)	(10,517)
Net change in total pension liability	(141,546)	1,940,059	(405,011)
Total pension liability - beginning of year	41,803,250	39,863,191	40,268,202
Total pension liability - end of year	41,661,704	41,803,250	39,863,191
Plan Fiduciary Net Position			
Contributions - Employer	4,684,468	2,429,229	1,602,541
Contributions - Member	86,226	85,425	84,791
Net Investment income(loss)	1,434,495	(189,400)	952,166
Benefit payments, including refunds	(3,781,830)	(3,760,544)	(3,760,437)
Administrative expenses	(28,430)	(30,625)	(34,427)
Net change in plan fiduciary net position	2,394,929	(1,465,915)	(1,155,366)
Plan fiduciary net position - beginning of year	13,339,324	14,805,239	15,960,605
Plan fiduciary net position - end of year	15,734,253	13,339,324	14,805,239
City's net pension liability - Ending	\$ 25,927,451	\$ 28,463,926	\$ 25,057,952
Plan fiduciary net position as a percentage of total pension liability	37.8%	31.9%	37.1%
Covered employee payroll	\$ 1,612,357	\$ 1,688,425	\$ 1,668,040
City's net pension liability as a percentage of covered payroll	1608.0%	1685.8%	1502.2%

Notes:

The amounts presented for each fiscal year were determined as December 31 of the preceding year.

GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

City of Ecorse, Michigan
 Required Supplementary Information
 MERS Agent Multiple-Employer Defined Benefit Pension Plan
 Schedule of Net Pension Liability

Fiscal Year Ended June 30,	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as Percentage of Total Pension Liability	Covered Employee Payroll	Net Pension Liability as Percentage of Covered Payroll
2015	\$ 39,863,191	\$ 14,805,239	\$ 25,057,952	37.1%	\$ 1,668,040	1502.2%
2016	41,803,250	13,339,324	28,463,926	31.9%	1,688,425	1685.8%
2017	41,661,704	15,734,253	25,927,451	37.8%	1,612,357	1608.0%

Notes:

The amounts presented for each fiscal year were determined as December 31 of the preceding year.

GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

City of Ecorse, Michigan
 Required Supplementary Information
 Other Postemployment Benefits Plan

Schedule of Funding Progress

Actuarial Valuation Date December 31,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio
2009	\$ -	\$ 40,060,838	\$ 40,060,838	0.0%
2011	-	25,165,686	25,165,686	0.0%
2014	-	22,623,093	\$ 22,623,093	0.0%

Schedule of Employer Contributions

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2014	\$ 1,649,534	74.4%
2015	1,649,280	78.8%
2016	1,649,280	76.4%
2017	1,522,195	83.6%