

**CITY OF ECORSE
WAYNE COUNTY, MICHIGAN**

**Financial Report with
Supplementary Information
June 30, 2018**

City of Ecorse, Michigan
Financial Report
For the Year Ended
June 30, 2018

Table of Contents

Independent Auditor's Report	5-7
Management's Discussion and Analysis	8-13
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	14
Statement of Activities	15-16
Fund Financial Statements:	
Balance Sheet – Governmental Funds	17-18
Statement of Revenue, Expenditures and Changes in Fund Balance – Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Debt Stabilization Fund	21
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Motor Vehicle Highway Major Street Fund	22
Statement of Net Position - Water and Sewer Enterprise Fund	23
Statement of Revenues, Expenses and Changes in Fund Net Position - Water and Sewer Enterprise Fund	24
Statement of Cash Flows - Water and Sewer Enterprise Fund	25
Statement of Fiduciary Assets and Liabilities	26
Notes to Financial Statements	27-54

**City of Ecorse, Michigan
Financial Report
For the Year Ended
June 30, 2018**

Table of Contents

Combining Balance Sheets Nonmajor Governmental Funds - Special Revenue Funds	55
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance-Nonmajor Governmental Funds- Special Revenue Funds	56
Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual Motor Vehicle Highway-Local Street Fund	57
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis) Nonmajor Special Revenue Funds - Rubbish Fund	58
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis) Nonmajor Special Revenue Funds - Drug Enforcement	59
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis) Nonmajor Special Revenue Funds - Justice Training	60
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis) Nonmajor Special Revenue Funds - Vehicle Forfeitures	61
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis) Nonmajor Special Revenue Funds - Library	62
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis) Nonmajor Special Revenue Funds - Community Development Block Grant	63
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis) Nonmajor Governmental Funds - Debt Service Fund - 2012 Bond	64
Required Supplementary Information:	
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual (Budgetary Basis) General Fund	65-66

City of Ecorse, Michigan
Financial Report
For the Year Ended
June 30, 2018

Table of Contents

Required Supplementary Information	
MERS Agent Multiple-Employer Defined Benefit Pension Plan	
Schedule of Changes in City's Net Pension Liability and Related Ratios	67
Required Supplementary Information	
MERS Agent Multiple-Employer Defined Benefit Pension Plan	
Schedule of Contributions	68
Required Supplementary Information	
MERS Agent Multiple-Employer Defined Benefit Pension Plan	
Schedule of Net Pension Liability	69
Required Supplementary Information	
Other Postemployment Benefit Plan	
Schedule of Changes in Net OPEB Liability and Related Ratios Multiyear	70
Required Supplementary Information	
Other Postemployment Benefits Plan	
Schedule of Net OPEB Liability	71
Required Supplementary Information	
Other Postemployment Benefits Plan	
Schedule of Contributions Multiyear	72

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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, 2018, 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, 2018, 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.

Other Matters

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 of Ecorse, Michigan'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 30, 2018

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, 2018. Please read it in conjunction with the City's financial statements.

Financial Highlights

- Total net position (deficit) \$ (34,561,904)
- Change in total net position 7,235,248
- Fund balances, governmental funds 10,707,641
- Change in fund balances, governmental funds 1,343,724
- Unassigned fund balance, general fund 5,998,696
- Change in fund balance, general fund 1,429,553
- Long-term debt outstanding 19,503,568
- Change in long-term debt 1,655,064

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
(continued)

The City as a Whole

The following table shows, in a condensed format, the net position as of June 30, 2018 as compared to the prior year:

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 11,887,689	\$ 10,925,081	\$ 6,978,476	\$ 6,407,846	\$ 18,866,165	\$ 17,332,927
Capital assets, net	4,729,908	3,879,218	18,791,606	18,495,210	23,521,514	22,374,428
Total assets	<u>16,617,597</u>	<u>14,804,299</u>	<u>25,770,082</u>	<u>24,903,056</u>	<u>42,387,679</u>	<u>39,707,355</u>
Deferred outflows	<u>1,952,618</u>	<u>1,923,987</u>	<u>331,215</u>	<u>122,322</u>	<u>2,283,833</u>	<u>2,046,309</u>
Long-term liabilities	12,434,531	14,116,546	7,069,037	7,042,086	19,503,568	21,158,632
Other liabilities	1,274,976	1,656,482	613,843	631,594	1,888,819	2,288,076
Other noncurrent liabilities	39,202,304	27,203,739	3,657,088	1,549,876	42,859,392	28,753,615
Total liabilities	<u>52,911,811</u>	<u>42,976,767</u>	<u>11,339,968</u>	<u>9,223,556</u>	<u>64,251,779</u>	<u>52,200,323</u>
Deferred inflows	<u>220,308</u>	<u>-</u>	<u>38,377</u>	<u>-</u>	<u>258,685</u>	<u>-</u>
Net position:						
Net investment in capital as	4,669,131	3,760,898	11,737,249	11,458,685	16,406,380	15,219,583
Restricted	4,347,532	5,554,721	442,695	634,569	4,790,227	6,189,290
Unrestricted (deficit)	<u>(43,578,567)</u>	<u>(35,564,100)</u>	<u>2,543,008</u>	<u>3,708,568</u>	<u>(41,035,559)</u>	<u>(31,855,532)</u>
Total net position	<u>\$ (34,561,904)</u>	<u>\$ (26,248,481)</u>	<u>\$ 14,722,952</u>	<u>\$ 15,801,822</u>	<u>\$ (19,838,952)</u>	<u>\$ (10,446,659)</u>

The City's combined net position decreased \$9,392,293 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 decreased by \$8,313,423 and the business-type decreased by \$1,078,870, which is due primarily to the increase in the City's post-employment pension and benefit obligation and a decrease in long-term debt. The increase in water and sewer revenue and increase in pension liability was the result of a decrease of net position.

Of the total combined net position, approximately \$16.4 million is net investment in capital assets, while \$4.3 million is restricted for various purposes and cannot be used for general obligations.

CITY OF ECORSE, MICHIGAN
Management's Discussion and Analysis
(continued)

The following table shows the changes of the net position during the current year ended June 30, 2018 as compared to the prior year:

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Program revenues:						
Charges for services	\$ 1,430,308	\$ 1,314,142	\$ 7,665,061	\$ 6,497,308	\$ 9,095,369	\$ 7,811,450
Operating grants	1,754,463	1,643,762	-	-	1,754,463	1,643,762
Capital grants	1,073,572	870,226	-	-	1,073,572	870,226
General Revenues:						
Property taxes	6,760,880	6,791,731	29,102	367,175	6,789,982	7,158,906
Grants and contributions not restricted to specific programs	5,907,136	5,823,037	-	-	5,907,136	5,823,037
Other	193,206	41,127	7,166	6,446	200,372	47,573
Total revenues	<u>17,119,565</u>	<u>16,484,025</u>	<u>7,701,329</u>	<u>6,870,929</u>	<u>24,820,894</u>	<u>23,354,954</u>
Expenses:						
General government	3,552,838	6,412,477	-	-	3,552,838	6,412,477
Public safety	3,025,358	3,431,399	-	-	3,025,358	3,431,399
Public works	1,493,289	1,210,480	-	-	1,493,289	1,210,480
Highways and streets	941,227	887,764	-	-	941,227	887,764
Recreation and culture	139,732	139,718	-	-	139,732	139,718
Community and economic development	156,308	136,916	-	-	156,308	136,916
Interest on long-term debt	575,565	605,392	-	-	575,565	605,392
Water and sewer	-	-	8,780,199	5,238,103	8,780,199	5,238,103
Total expenses	<u>9,884,317</u>	<u>12,824,146</u>	<u>8,780,199</u>	<u>5,238,103</u>	<u>18,664,516</u>	<u>18,062,249</u>
Change in net position	7,235,248	3,659,879	(1,078,870)	1,632,826	6,156,378	5,292,705
Net position:						
Beginning of year & prior year adjustment	<u>(41,797,152)</u>	<u>(29,908,360)</u>	<u>15,801,822</u>	<u>14,168,996</u>	<u>(25,995,330)</u>	<u>(15,739,364)</u>
End of year	<u><u>\$(34,561,904)</u></u>	<u><u>\$(26,248,481)</u></u>	<u><u>\$ 14,722,952</u></u>	<u><u>\$ 15,801,822</u></u>	<u><u>\$(19,838,952)</u></u>	<u><u>\$(10,446,659)</u></u>

Governmental Activities

The City's total governmental revenues net of current year expenses resulted in an increase of approximately \$3,575,369 in net position, compared to the prior year's net increase of approximately \$3,659,879. 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 \$30,851.

CITY OF ECORSE, MICHIGAN
Management's Discussion and Analysis
(continued)

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 a decrease in net position of \$1,078,870 as compared to last year's increase of \$1,632,826. The decrease in net position is primarily due to the increase in the City's post-employment benefit obligation, 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 \$3,552,838 and \$3,025,358 or 35 percent and 30 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 \$86,825 as compared to the prior fiscal year increase of \$57,017. 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 \$970,656 due primarily to the following reasons: expenditures for police and fire were under budget by \$323,534 for salaries due to reduced staffing. Department of public works expenditures were under budget by \$157,660 due to the supervisor position being vacant for several months. Finally, general government expenditures were under budget by \$461,042 due to vacant positions during transitions.

CITY OF ECORSE, MICHIGAN
Management's Discussion and Analysis
(continued)

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 \$1,147,086. 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	
	2018	2017	2018	2017	2018	2017
Land	\$ 197,677	\$ 231,268	\$ 19,174	\$ 19,174	\$ 216,851	\$ 250,442
Land improvements	359,591	177,088	-	-	359,591	177,088
Buildings and systems	751,797	502,874	18,772,432	18,476,036	19,524,229	18,978,910
Vehicles	199,124	135,077	-	-	199,124	135,077
Equipment	494,126	454,588	-	-	494,126	454,588
Infrastructure	<u>2,727,593</u>	<u>2,378,323</u>	<u>-</u>	<u>-</u>	<u>2,727,593</u>	<u>2,378,323</u>
Total assets	<u><u>\$4,729,908</u></u>	<u><u>\$3,879,218</u></u>	<u><u>\$18,791,606</u></u>	<u><u>\$18,495,210</u></u>	<u><u>\$23,521,514</u></u>	<u><u>\$22,374,428</u></u>

During the current year, the City had additions to the water/sewer systems debt of \$620,900 through the state revolving fund loans.

	General Obligation and Revenue Bonds					
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Fiscal stabilization bonds	\$ -	\$ 325,000	\$ -	\$ -	\$ -	\$ 325,000
Financial recovery bonds	7,610,000	8,455,000	-	-	7,610,000	8,455,000
Emergency loan	4,500,000	5,000,000	-	-	4,500,000	5,000,000
Capital lease	60,777	118,320	-	-	60,777	118,320
State revolving fund loans	-	-	6,672,271	6,610,016	6,672,271	6,610,016
Revenue bonds	<u>-</u>	<u>-</u>	<u>382,082</u>	<u>426,507</u>	<u>382,082</u>	<u>426,507</u>
Total	<u><u>\$12,170,777</u></u>	<u><u>\$13,898,320</u></u>	<u><u>\$ 7,054,353</u></u>	<u><u>\$ 7,036,523</u></u>	<u><u>\$19,225,130</u></u>	<u><u>\$20,934,843</u></u>

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

Economic Factors

The City continues to operate conservatively due to uncertainties in the current economy. The day-to-day operations of the City are supervised by the City Administrator.

CITY OF ECORSE, MICHIGAN
Management's Discussion and Analysis
(continued)

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, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Brownfield Redevelopment Authority
Assets:				
Cash and investments	\$ 9,771,611	\$ 4,824,256	\$ 14,595,867	\$ -
Receivables - Net of Allowances	1,614,247	1,648,707	3,262,954	-
Due From Fiduciary Funds	50,000	-	50,000	-
Due From Component Unit	192,235	-	192,235	-
Prepaid items and other assets	259,596	62,818	322,414	739,219
Restricted assets - cash	-	442,695	442,695	-
Capital Assets Not Being Depreciated	197,677	19,174	216,851	79,696
Capital assets being depreciated, net	4,532,231	18,772,432	23,304,663	-
Total Assets	16,617,597	25,770,082	42,387,679	818,915
Deferred outflows of resources				
Deferred pension amounts	1,952,618	331,215	2,283,833	-
Liabilities				
Accounts payable and accrued liabilities	\$ 1,180,048	\$ 569,884	\$ 1,749,932	\$ 363,782
Accrued Interest Payable	94,928	43,959	138,887	-
Long-term liabilities:				
Due within one year	392,233	616,644	1,008,877	-
Due in more than one year	12,042,298	6,452,393	18,494,691	-
Other noncurrent liabilities:				
Net other postemployment benefit obligation	18,262,108	-	18,262,108	-
Net pension liability	20,940,196	3,657,088	24,597,284	-
Total Liabilities	52,911,811	11,339,968	64,251,779	363,782
Deferred inflows of resources				
Deferred pension amounts	220,308	38,377	258,685	-
Net position:				
Net invested in capital assets	4,669,131	11,737,249	16,406,380	79,696
Restricted for:				
Highways and streets	2,693,798	-	2,693,798	-
Public safety	81,396	-	81,396	-
Public works	462,373	-	462,373	-
Debt Service	1,109,965	-	1,109,965	-
Funds on deposit with Wayne County for sewer debt reserve and capital outlay	-	442,695	442,695	-
Unrestricted (deficit)	(43,578,567)	2,543,008	(41,035,559)	375,437
Total net position (deficit)	\$ (34,561,904)	\$ 14,722,952	\$ (19,838,952)	\$ 455,133

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

City of Ecorse
Statement of Activities
Year Ended June 30, 2018

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	\$ 3,552,838	\$ 1,400,673	\$ 1,142,897	\$ -	\$ (1,009,268)	\$ -	\$ (1,009,268)	\$ -
Public Safety	3,025,358	19,491	2,757	-	(3,003,110)	-	(3,003,110)	-
Public Works	1,493,289	-	555,903	-	(937,386)	-	(937,386)	-
Highways and Streets	941,227	-	-	872,264	(68,963)	-	(68,963)	-
Community and Economic Devl.	156,308	-	-	201,308	45,000	-	45,000	-
Recreation and Culture	139,732	10,144	52,906	-	(76,682)	-	(76,682)	-
Interest on Long-Term Debt	575,565	-	-	-	(575,565)	-	(575,565)	-
Total Governmental Activities	9,884,317	1,430,308	1,754,463	1,073,572	(5,625,974)	-	(5,625,974)	-
Business-type activities:								
Water and sewer	8,780,199	7,665,061	-	-	-	(1,115,138)	(1,115,138)	-
Total primary government	\$ 18,664,516	\$ 9,095,369	\$ 1,754,463	\$ 1,073,572	\$ (5,625,974)	\$ (1,115,138)	\$ (6,741,112)	\$ -
Component unit:								
Brownfield redevelopment authority	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

General Revenues:				
Property taxes	6,760,880	29,102	6,789,982	-
Grants and contributions not restricted to specific programs	5,907,136	-	5,907,136	-
Unrestricted investment earnings	59,900	7,166	67,066	-
Miscellaneous	1,157	-	1,157	-
Special Item - (Loss) on Sale and Disposal of Assets	132,149	-	132,149	-
Total general revenues	<u>12,861,222</u>	<u>36,268</u>	<u>12,897,490</u>	<u>-</u>
Change in net position	7,235,248	(1,078,870)	6,156,378	-
Net position, beginning of year, as previously reported	(26,248,481)	15,801,822	(10,446,659)	455,133
Prior period adjustment (see Note 1)	<u>(15,548,671)</u>	<u>-</u>	<u>(15,548,671)</u>	<u>-</u>
Net position, beginning of year, as restated	<u>(41,797,152)</u>	<u>15,801,822</u>	<u>(25,995,330)</u>	<u>455,133</u>
Net position, end of year	<u><u>\$ (34,561,904)</u></u>	<u><u>\$ 14,722,952</u></u>	<u><u>\$ (19,838,952)</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, 2018

	General Fund	Major Highway Fund	Debt Stabilization Fund	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash and investments	\$ 5,375,991	\$ 1,592,423	\$ 302	\$ 2,802,895	\$ 9,771,611
Receivables:					
Accounts Receivable	40,857	-	-	-	40,857
Accrued Interest	77,033	-	-	12,967	90,000
Intergovernmental	1,164,664	101,339	-	217,387	1,483,390
Due from other governmental funds	150,000	-	-	-	150,000
Due from fiduciary funds	50,000	-	-	-	50,000
Due From Component Units	192,235	-	-	-	192,235
Prepaid Expenses	259,554	-	-	42	259,596
Total Assets	\$ 7,310,334	\$ 1,693,762	\$ 302	\$ 3,033,291	\$ 12,037,689
Liabilities and Fund Balances:					
Liabilities:					
Accounts Payable	\$ 709,006	\$ 11,858	\$ -	\$ 113,295	\$ 834,159
Accrued Payroll	220,637	-	-	2,811	223,448
Due To Other Funds	-	-	-	150,000	150,000
Judgements and litigation payable	122,441	-	-	-	122,441
Total Liabilities	1,052,084	11,858	-	266,106	1,330,048
Fund Balances:					
Nonspendable:					
Prepays	259,554	-	-	42	259,596
Restricted for:					
Highways and streets	-	1,681,904	-	982,592	2,664,496
Public safety	-	-	-	21,189	21,189
Public works	-	-	-	746,188	746,188
Debt service	-	-	-	753,376	753,376
Committed for:					
Recreation and culture	-	-	-	263,798	263,798
Debt service	-	-	302	-	302
Unassigned	5,998,696	-	-	-	5,998,696
Total Fund Balances	6,258,250	1,681,904	302	2,767,185	10,707,641
Total Liabilities and Fund Balances	\$ 7,310,334	\$ 1,693,762	\$ 302	\$ 3,033,291	\$ 12,037,689

Total Governmental Fund Balances	\$ 10,707,641
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	\$ 197,677
Capital assets being depreciated, net	4,532,231
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	(12,170,777)
Unamortized bond discount	129,496
Accrued interest on bonds payable	(94,928)
Net other postemployment benefit obligation	(18,262,108)
Compensated absences	(393,250)
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	(20,940,196)
Deferred inflows related to the net pension liability	(220,308)
Deferred outflows related to the net pension liability	1,952,618
Net position of governmental activities	<u>\$ (34,561,904)</u>

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

City of Ecorse
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
June 30, 2018

	General Fund	Major Highway Fund	Debt Stabilization Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 5,790,878	\$ -	\$ -	\$ 970,002	\$ 6,760,880
Licenses and permits	487,275	-	-	-	487,275
Intergovernmental	5,907,136	630,623	-	1,789,912	8,327,671
Charges for services	71,595	-	-	-	71,595
Fines and forfeiture	458,429	-	-	19,491	477,920
Interest Income	46,803	1,104	689	11,304	59,900
Other	578,374	782	-	10,519	589,675
Total Revenues	13,340,490	632,509	689	2,801,228	16,774,916
Expenditures:					
Current:					
General Government	6,358,458	-	-	-	6,358,458
Public Safety	3,639,334	-	-	82,455	3,721,789
Public works	807,323	-	-	588,940	1,396,263
Highways & Streets	483,585	245,684	-	658,872	1,388,141
Community & Economic Devel.	-	-	-	156,308	156,308
Recreation & Culture	-	-	-	113,929	113,929
Debt Payments:					
Principal	512,543	-	325,000	890,000	1,727,543
Interest	23,658	-	7,313	519,790	550,761
Bond redemption premium	-	-	-	18,000	18,000
Total Expenditures	11,824,901	245,684	332,313	3,028,294	15,431,192
Revenues Over (Under) Expenditures	1,515,589	386,825	(331,624)	(227,066)	1,343,724
Other Financing Sources (Uses):					
Transfer from General Fund	-	-	86,036	-	86,036
Transfer from Major Highway	-	-	-	300,000	300,000
Transfer to Local Highway	-	(300,000)	-	-	(300,000)
Transfer to Justice	-	-	-	-	-
Transfer to Debt Service	(86,036)	-	-	-	(86,036)
Total Other Financing Sources (Uses):	(86,036)	(300,000)	86,036	300,000	-
Net Change in Fund Balances	1,429,553	86,825	(245,588)	72,934	1,343,724
Fund Balances:					
Beginning of Year	4,828,697	1,595,079	245,890	2,694,251	9,363,917
End of Year	<u>\$ 6,258,250</u>	<u>\$ 1,681,904</u>	<u>\$ 302</u>	<u>\$ 2,767,185</u>	<u>\$ 10,707,641</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, 2018

Net change in fund balances total governmental funds **\$ 1,343,724**

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	1,171,167
Depreciation expense	(257,626)
Payments received related to capital assets	(195,000)
Gain on disposal of capital assets	132,149

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position.

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal payments on long-term liabilities	1,727,543
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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	390
Amortization of bond discount	(7,194)
Change in net pension liability and related deferred amounts	3,190,224
Change in net other postemployment benefit obligation	168,205
Change in the accrual for compensated absences	(38,334)

Change in net position of governmental activities	\$ 7,235,248
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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
For the Fiscal Year Ended June 30, 2018

	DEBT STABILIZATION FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ACTUAL OVER (UNDER) FINAL BUDGET
REVENUES:				
Investment income	\$ -	\$ 689	\$ 689	\$ -
TOTAL REVENUES	-	689	689	-
EXPENDITURES:				
Debt Payments:				
Principal	325,000	325,000	325,000	-
Interest	7,313	7,313	7,313	-
TOTAL EXPENDITURES	332,313	332,313	332,313	-
Revenues Over (Under) Expenditures	(332,313)	(331,624)	(331,624)	-
OTHER FINANCING SOURCES (USES):				
Transfers to other funds	-	(27,172)	-	27,172
Transfers from other funds	133,209	113,208	86,036	(27,172)
TOTAL OTHER FINANCING SOURCES (USES)	133,209	86,036	86,036	-
NET CHANGE IN FUND BALANCES	(199,104)	(245,588)	(245,588)	-
FUND BALANCE, beginning	245,890	245,890	245,890	-
FUND BALANCE, ending	\$ 46,786	\$ 302	\$ 302	\$ -

City of Ecorse
Statement of Revenues, Expenditures
and Changes in Fund Balance-
Budget and Actual
For the Fiscal Year Ended June 30, 2018

	MOTOR VEHICLE HIGHWAY MAJOR STREET FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ACTUAL OVER (UNDER) FINAL BUDGET
REVENUES:				
State sources	\$ 427,000	\$ 642,000	\$ 630,623	\$ (11,377)
Interest income	500	1,104	1,104	-
Other revenue	-	-	782	782
TOTAL REVENUES	427,500	643,104	632,509	(10,595)
EXPENDITURES:				
Highways and streets	219,715	333,194	245,684	(87,510)
TOTAL EXPENDITURES	219,715	333,194	245,684	(87,510)
Revenues Over (Under) Expenditures	207,785	309,910	386,825	76,915
OTHER FINANCING SOURCES (USES):				
Transfers to other funds	(180,000)	(300,000)	(300,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(180,000)	(300,000)	(300,000)	-
NET CHANGE IN FUND BALANCES	27,785	9,910	86,825	76,915
FUND BALANCE, beginning	1,595,079	1,595,079	1,595,079	-
FUND BALANCE, ending	\$ 1,622,864	\$ 1,604,989	\$ 1,681,904	\$ 76,915

City of Ecorse
Statement of Net Position
Water and Sewer Enterprise Fund
June 30, 2018

Assets

Current Assets:

Cash and investments	\$ 4,824,256
Receivables - net of allowances	1,471,228
Due from other government	177,479
Prepaid expenses	62,818
Total Current Assets	6,535,781

Noncurrent assets:

Restricted cash	442,695
Capital assets, net	18,791,606
Total Noncurrent Assets	19,234,301

Total Assets

25,770,082

Deferred outflows of resources

Deferred pension amounts	331,215
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Liabilities

Current Liabilities:

Accounts payable	485,524
Accrued liabilities	15,874
Due to other government	68,486
Accrued interest payable	43,959
Bonds, loans and compensated absences payable, current portion	616,644
Total Current Liabilities	1,230,487

Noncurrent Liabilities:

Net pension liability	3,657,088
Bonds, loans and compensated absences payable, net of current portion	6,452,393
Total Noncurrent Liabilities	10,109,481

Total Liabilities

11,339,968

Deferred inflows of resources

Deferred pension amounts	38,377
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Net position

Net invested in capital assets	11,737,249
Restricted for funds on deposit with Wayne County for sewer debt reserve and capital outlay	442,695
Unrestricted	2,543,008
Total net position	14,722,952

Total net position

\$ 14,722,952

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, 2018

Operating revenues:	
Charges for services:	
Water operations	\$ 3,007,847
Sewer operations	3,408,007
Intergovernmental revenue	1,005,087
Other revenue	244,120
Total operating revenues	7,665,061
Operating expenses:	
Personnel	2,175,508
Administrative fee	355,000
Repair and maintenance	72,286
Utilities	3,313,262
Contractual and other	2,007,154
Depreciation	671,583
Total operating expenses	8,594,793
 Net operating income (loss)	 (929,732)
Nonoperating revenues (expenses):	
Property taxes	29,102
Investment income	7,166
Interest expense	(185,406)
Total nonoperating revenues (expenses)	(149,138)
 Change in net position	 (1,078,870)
 Net position, beginning of year	 15,801,822
 Net position, end of year	 \$ 14,722,952

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, 2018

Cash flows provided by (used in) operating activities:	
Cash received from customers	\$ 8,252,372
Cash payments to suppliers for goods and services	(5,825,602)
Cash payments to employees	<u>(229,691)</u>
Net cash provided by operating activities	<u>2,197,079</u>
Cash flows from for capital and related financing activities:	
Acquisition of capital assets	(967,979)
Proceeds from issuance of long-term debt	637,656
Principal payments on long-term debt	(619,826)
Interest payments on long-term debt	<u>(183,822)</u>
Net cash (used) for capital and related financing activities	<u>(1,133,971)</u>
Cash flows from noncapital financing activities	
Property taxes	<u>97,588</u>
Cash flows from investing activities:	
Interest and dividends	<u>7,166</u>
Net cash provided (used) by investing activities	<u>7,166</u>
Net increase (decrease) in cash and investments	1,167,862
Cash and cash equivalents at beginning of year	<u>4,099,089</u>
Cash at end of year	<u><u>\$ 5,266,951</u></u>
Reconciliation of cash and investments per statement of net position:	
Cash and investments	\$ 4,824,256
Restricted cash	442,695
	<u>\$ 5,266,951</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (929,732)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	671,583
Changes in assets and liabilities:	
Accounts receivable, net	570,437
Due from other government	16,874
Prepaid items	9,921
Accounts payable	(98,649)
Accrued liabilities	10,828
Net pension liability and deferred amounts	1,936,696
Accrued compensated absences	<u>9,121</u>
Net cash provided by operating activities	<u><u>\$ 2,197,079</u></u>

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

City of Ecorse
Statement of Fiduciary
Assets and Liabilities
June 30, 2018

	Agency Funds
Assets:	
Cash and investments	\$ 101,155
Due from other funds	776
Total Assets	\$ 101,931
Liabilities:	
Undistributed receipts	\$ 101,931
Total Liabilities	\$ 101,931

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

City of Ecorse, Michigan
Notes to Financial Statements
June 30, 2018

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, 2018
(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.

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.

City of Ecorse, Michigan
Notes to Financial Statements
June 30, 2018
(Continued)

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.

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.

City of Ecorse, Michigan
Notes to Financial Statements
June 30, 2018
(Continued)

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 \$442,695 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, 2018
(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, 2018
(Continued)

Pensions

The City offers a defined benefit pension plan to its employees. The City records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose 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 pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension 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, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The net pension liability has historically been liquidated from the funds from which the individual salaries are paid, which are the General Fund and Water and Sewer Fund.

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 Municipal Employees Retirement System (MERS) of Michigan 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.

Other Postemployment Benefit Costs

The city offers retiree healthcare benefits to retirees. The City records a net OPEB liability for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB liability and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The net OPEB obligation has generally been liquidated from the funds which the individual salaries are paid, which are the General Fund and Water and Sewer Fund.

City of Ecorse, Michigan
Notes to Financial Statements
June 30, 2018
(Continued)

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.

Adoption of New Accounting Standards

As of June 30, 2018, the city adopted Governmental Accounting Standards Board (GASB) Statements No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*. Statement No. 75 requires governments providing postemployment benefits to recognize their unfunded OPEB benefit obligation as a liability for the first time. Statement No. 75 requires a government to recognize a beginning deferred outflow of resources for its OPEB contributions, if any, made subsequent to the measurement date of the beginning net OPEB liability. The statements also enhance accountability and transparency through revised note disclosures and required supplementary information. In accordance with this new pronouncement, the city has reported a beginning net OPEB liability of \$15,548,671 as the effects of these changes in accounting principles to unrestricted net position (deficit) as of July 1, 2017. The effects of these changes are summarized below.

City of Ecorse, Michigan
Notes to Financial Statements
June 30, 2018
(Continued)

	Governmental Activities
Net position at June 30, 2017 - As previously reported	\$ (26,248,481)
Net OPEB liabilities	(15,548,671)
Net position (deficit) at June 30, 2017 - As restated	\$ (41,797,152)

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.

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.

City of Ecorse, Michigan
Notes to Financial Statements
June 30, 2018
(Continued)

4. DEPOSITS AND INVESTMENTS

Following is a reconciliation of cash and investments as of June 30, 2018:

	Primary Government
Statement of net position	
Cash investments	\$ 14,595,867
Restricted cash	442,695
Statement of fiduciary net position	
Cash and investments	101,155
	15,139,717
Deposits and investments	
Bank deposits (checking, sweep and money market accounts)	12,428,799
Investments	2,268,223
Cash on deposit with Wayne County	442,695
	\$ 15,139,717

The City chooses to disclose its investments by specifically identifying each. At June 30, 2018, the City had the following investments.

Investment	Maturity	Amortized Cost	Rating (Moody's)
Municipal bonds	5/1/2023	\$ 2,268,223	Aa1

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.

City of Ecorse, Michigan
Notes to Financial Statements
June 30, 2018
(Continued)

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, 2018, \$12,003,785 of the City's total bank balance of \$12,584,877 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.

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 21% accounts receivable and 79% due from other governments. Business-type activities receivables (net of an estimated allowance of \$270,511 for uncollectible accounts) are 100% due from customers.

City of Ecorse, Michigan
Notes to Financial Statements
June 30, 2018
(Continued)

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 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	\$ -	\$ (33,591)	\$ 197,677
Subtotal	<u>231,268</u>	<u>-</u>	<u>(33,591)</u>	<u>197,677</u>
Capital assets being depreciated				
Land improvements	2,011,040	220,244		2,231,284
Buildings	2,671,398	280,320	(1,164,450)	1,787,268
Vehicles	1,937,499	122,622	(224,913)	1,835,208
Equipment	752,237	101,067	(25,400)	827,904
Infrastructure	11,088,299	446,914		11,535,213
Subtotal	<u>18,460,473</u>	<u>1,171,167</u>	<u>(1,414,763)</u>	<u>18,216,877</u>
Less accumulated depreciation for:				
Land improvements	(1,833,952)	(37,741)		(1,871,693)
Buildings	(2,168,524)	(15,970)	1,149,023	(1,035,471)
Vehicles	(1,802,422)	(46,268)	212,606	(1,636,084)
Equipment	(297,649)	(60,003)	23,874	(333,778)
Infrastructure	(8,709,976)	(97,644)		(8,807,620)
Subtotal	<u>(14,812,523)</u>	<u>(257,626)</u>	<u>1,385,503</u>	<u>(13,684,646)</u>
Net capital assets being depreciated	<u>3,647,950</u>	<u>913,541</u>	<u>(29,260)</u>	<u>4,532,231</u>
Capital assets-net of depreciation	<u>\$ 3,879,218</u>	<u>\$ 913,541</u>	<u>\$ (62,851)</u>	<u>\$ 4,729,908</u>

Depreciation was charged to functions as follows:

Governmental activities:	
General Government	\$ 58,188
Public Safety, Fire & Police	76,609
Department of Public Works	97,026
Parks & Recreation	<u>25,803</u>
Total governmental activities depreciation expense	<u>\$ 257,626</u>

City of Ecorse, Michigan
Notes to Financial Statements
June 30, 2018
(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	160,000	-	233,400
Water and sewer mains	13,659,042	200,787	-	13,859,829
Sewage system	20,526,051	607,192	-	21,133,243
	<u>34,517,211</u>	<u>967,979</u>	<u>-</u>	<u>35,485,190</u>
Less accumulated depreciation for:				
Land improvements	(3,700)		-	(3,700)
Buildings	(179,614)	(4,369)	-	(183,983)
Vehicles	(13,603)	(13,603)	-	(27,206)
Equipment	(14,680)	(46,680)	-	(61,360)
Water and sewer mains	(9,677,468)	(184,266)	-	(9,861,734)
Sewage system	(6,152,110)	(422,665)	-	(6,574,775)
	<u>(16,041,175)</u>	<u>(671,583)</u>	<u>-</u>	<u>(16,712,758)</u>
Total capital assets being depreciated, net	<u>18,476,036</u>	<u>296,396</u>	<u>-</u>	<u>18,772,432</u>
Business-type activities capital assets, net	<u>\$ 18,495,210</u>	<u>\$ 296,396</u>	<u>\$ -</u>	<u>\$ 18,791,606</u>

7. PAYABLES

Payables in the governmental activities are 67% accounts payable and accrued liabilities and 33% other. Business-type activities payables are entirely accounts payable, accrued liabilities and accrued interest.

City of Ecorse, Michigan
Notes to Financial Statements
June 30, 2018
(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	150,000	
Brownfield	192,235	
Current Tax Collection Fund		776
Comm.Dev. Block Grant:		
General Fund		150,000
Brownfield:		
General Fund		192,235
Water Fund		171,547
Water Fund:		
Brownfield	171,547	
Current Tax Collection Fund:		
General Fund	776	
Totals	514,558	514,558

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	-	86,036
Stabilization Bond Fund	86,036	-
Major Streets Fund	-	300,000
Local Streets Fund	300,000	-
Justice Training Grant Fund	-	-
Totals	386,036	386,036

City of Ecorse, Michigan
Notes to Financial Statements
June 30, 2018
(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, 2018 is as follows:

The carrying value and accumulated depreciation of the asset related to the capital lease as of June 30, 2018 was \$-0- and fully depreciated..

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

	<u>Emergency Loans</u>		<u>Financial Recovery Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	-	22,147	260,000	466,145
2020	-	22,147	275,000	450,630
2021	300,000	20,670	295,000	434,100
2022	500,000	18,209	310,000	416,555
2023	500,000	15,749	330,000	397,995
2024-2028	2,500,000	41,832	1,965,000	1,668,710
2029-2033	700,000	984	2,690,000	944,175
2034-2036	-	-	1,485,000	111,638
	<u>\$ 4,500,000</u>	<u>\$ 141,738</u>	<u>\$ 7,610,000</u>	<u>\$ 4,889,948</u>

City of Ecorse, Michigan
Notes to Financial Statements
June 30, 2018
(Continued)

	Capital Lease	
	Principal	Interest
2019	60,777	3,416
2020	-	-
2021	-	-
2022	-	-
2023		
2024-2028	-	-
2029-2030	-	-
	\$ 60,777	\$ 3,416

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	730,676	171,737	902,413
2020	467,052	150,022	617,074
2021	459,899	138,532	598,431
2022	454,732	126,934	581,666
2023	465,750	115,398	581,148
2024-2028	2,485,321	392,134	2,877,455
2029-2033	1,816,437	102,886	1,919,323
2034-2036	174,486	2,961	177,447
	\$ 7,054,353	\$ 1,200,604	\$ 8,254,957

City of Ecorse, Michigan
Notes to Financial Statements
June 30, 2018
(Continued)

The following is a summary of long-term obligations of the City for the year ended June 30, 2018:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
<u>Bonds Payable</u>					
Fiscal Stabilization Bonds	325,000	-	325,000	-	-
Financial Recovery Bonds	8,455,000		845,000	7,610,000	260,000
Total Bonds	<u>8,780,000</u>	<u>-</u>	<u>1,170,000</u>	<u>7,610,000</u>	<u>260,000</u>
<u>Loans & Other Payables</u>					
Emergency Loans	5,000,000	-	500,000	4,500,000	-
Capital Lease(fire truck)	118,320	-	57,543	60,777	60,777
Unamortized Discount	(136,690)		(7,194)	(129,496)	(7,194)
Total Notes	<u>4,981,630</u>	<u>-</u>	<u>550,349</u>	<u>4,431,281</u>	<u>53,583</u>
Compensated Absences	354,916	38,334	-	393,250	78,650
Total	<u>\$ 14,116,546</u>	<u>\$ 38,334</u>	<u>\$ 1,720,349</u>	<u>\$ 12,434,531</u>	<u>\$ 392,233</u>
Business-Type Activities:					
State Revolving Fd.Loans	5,920,016	620,900	528,645	6,012,271	548,205
Revenue Bonds	426,507	16,756	61,181	382,082	35,502
Compensated Absences	5,563	9,121	-	14,684	2,937
Clean Water Bonds	690,000	-	30,000	660,000	30,000
Total	<u>\$ 7,042,086</u>	<u>\$ 646,777</u>	<u>\$ 619,826</u>	<u>\$ 7,069,037</u>	<u>\$ 616,644</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, 2018, 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, 2018
(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 \$112,181,206 (not including \$4,732,300 taxable value of industrial facility tax abated property). The government's general operating tax rate for fiscal year 2017-18 was 18.6713 for general operating, 2.9481 mills for sanitation, 0.2500 mills for police and fire pension, 0.4913 mills for longevity, 26.5874 mills for police and fire special assessment, 0.2456 mills for library (library special revenue fund), 1.0000 mills for library special assessments, and 2.6892 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, or age 55 with 15 years of service, depending on division/bargaining unit. Member contributions range from 0% to 5.0%. The plan is currently closed to new hires in all divisions, except for fire and general union employees.

City of Ecorse, Michigan
Notes to Financial Statements
June 30, 2018
(Continued)

Employees Covered by Benefit Terms. At December 31, 2017, plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	134
Inactive employees entitled to but not yet receiving benefits	13
Active employees	<u>25</u>
Total membership	<u><u>172</u></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, 2018, employer contributions ranged from \$3,910 to \$52,702. 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, 2017, 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, 2017 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 2.5% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%.

Mortality rates used were based on the RP-2014 Healthy Annuitant Mortality Table and the RP-2014 Employee Mortality Table and the RP-2014 Juvenile 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, 2018
(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 2017. 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, 2018
(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, 2016	41,661,704	15,734,253	25,927,451
Changes for the year:			
Service cost	189,305	-	189,305
Interest	3,189,721	-	3,189,721
Differences between expected and actual experience	160,460	-	160,460
Changes in assumptions	-	-	-
Employer contributions	-	2,809,524	(2,809,524)
Employee contributions	-	81,354	(81,354)
Net investment income	-	2,009,273	(2,009,273)
Benefit payments, including refunds of employee contributions	(3,769,681)	(3,769,681)	-
Administrative expense	-	(31,880)	31,880
Other changes	(1,382)	-	(1,382)
Net changes	<u>(231,577)</u>	<u>1,098,590</u>	<u>(1,330,167)</u>
Balance as of December 2017	<u>41,430,127</u>	<u>16,832,843</u>	<u>24,597,284</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	\$28,235,898	\$24,597,284	\$21,450,910

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, 2018
(Continued)

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

For the year ended June 30, 2018, the City recognized pension expense of \$2,400,862. 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	\$ (258,685)
Contributions subsequent to the measurement date	<u>2,283,833</u>
Total	\$ 2,025,148

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, 2019. Other amounts reported as pension-related deferred outflows of resources will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2019	\$ 96,348
2020	40,817
2021	(230,818)
2022	(165,032)
2023	<u>-</u>
Total	<u>\$ (258,685)</u>

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.

City of Ecorse, Michigan
Notes to Financial Statements
June 30, 2018
(Continued)

13. POSTEMPLOYMENT HEALTH CARE BENEFITS

General Information About the Plan

Plan Description. The City provides other postemployment benefits (OPEB) to certain retirees and their beneficiaries. The benefits are provided through the City of Ecorse Retiree Health Care Plan (the Plan). The Plan is a single-employer defined benefit health care plan administered by the City. Administrative costs of the plan are paid for by the City's general fund. The plan was adopted and established by action of the City Council. The Plan does not issue a separate or stand-alone report.

The City has established a qualifying trust with Municipal Employees' Retirement System (MERS) of Michigan for purposes of funding the retiree health benefits thru the MERS Retiree Health Funding Vehicle. MERS is an agent multiple-employer retirement system that pools assets of the participating employers for investment purposes, but maintains separate accounts for each individual employee in the Health Care Savings Program and each individual employer in the Retiree Health Funding Vehicle. Since 1996, MERS is solely administered by a nine-member retirement board. Participating municipalities can contribute monies to the Trust as desired and no contribution method is imposed. These funds constitute a health care fund, which enable municipalities to accumulate monies to provide or subsidize health benefits for retirees and beneficiaries as defined by Code Section 213. The Retiree Health Funding Vehicle accounts are invested in the MERS portfolio choices and earnings are tax exempt as a result of the MERS Private Letter Ruling.

Benefits Provided. The Plan benefits vary by division/bargaining unit. The Plan provides health care, dental, prescription drug and life insurance benefits for retirees and their spouse. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan, except for participant contributions as described below. Eligibility for health benefits are as follows:

- **General Union and General Non-Union:** Normal retirement age 50 with 25 years of service is eligible for medical for both the retiree and spouse. Normal retirement age 55 with 15 years of service is eligible for prescription drug for both the retiree and spouse. Normal retirement age 60 with 10 years of service is eligible for life insurance for retiree only. Retirees only are provided life insurance in the amount of \$5,000. No dental coverage is offered during retirement. Retirees do not receive reimbursement for Medicare Part B Premiums.
- **Police and Fire:** Normal retirement is 25 years of service regardless of age is eligible for medical, prescription drug and dental for both the retiree and spouse. Retirees are only provided with life insurance in the amount of \$5,000. Retirees do not receive reimbursement for Medicare Part B Premiums.

City of Ecorse, Michigan
Notes to Financial Statements
June 30, 2018
(Continued)

Employees Covered by Benefit Terms. At December 31, 2017, plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	102
Inactive employees entitled to but not yet receiving benefits	0
Active employees	29
Total membership	131

The Plan is closed to General (Union and Non-Union) members hired on or after July 1, 2017. The Plan is closed to Police members hired on or after January 1, 2012. The Plan is closed to Fire members hired on or after July 1, 2017.

Contributions. The City Council establishes contribution rates based on an actuarially determined rate per funding valuation. There are no long-term contracts for contributions to the Plan. Retiree healthcare costs are paid by the City on a “pay-as-you-go” basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment. Plan participants are not required to contribute to the Plan. For the year ended June 30, 2018, the City contributed \$1,152,088 to pay current premiums and \$255,000 to fund the OPEB trust. Effective for retirements on or after December 21, 2011, Plan members are required to contribute as follows:

- **General Non-Union and General Union:** Normal retirement age 50 with 25 years of service retiree and spouse share of cost is 20% of medical. Normal retirement age 55 with 15 years of service retiree and spouse share of cost is 20% of prescription drug. Normal retirement age 60 with 10 years of service the retiree has 0% share of cost on life insurance benefit.
- **Police and Fire:** Normal retirement is 25 years of service regardless of age the retiree and spouse share of cost are 20% on medical, prescription drug and dental. Retiree has 0% share of cost on life insurance benefit.

Net OPEB Liability. The City's net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, which used updated procedures to roll forward the estimated OPEB liability to June 30, 2018. The roll-forward procedure increases the December 31, 2017 actuarial accrued liability with normal cost and interest and decreases it with expected benefit payments. The valuation used the following actuarial assumptions, applied to all periods included in the measurement:

City of Ecorse, Michigan
Notes to Financial Statements
June 30, 2018
(Continued)

Inflation	2.50 %
Salary increases	4.00 to 17.00 % in the long term
Healthcare cost trend rate	9.00 % initial trend gradually decreasing to an ultimate trend of 4.0% in year 10.
Investment rate of return	4.00 % net of OPEB Plan investment expense.

No load was applied in connection with the “Cadillac” tax.

Although no specific price inflation assumptions are needed for the valuation, the 4.00% to 17.00% long-term wage inflation assumption would be consistent with a price inflation of 2.5%.

The rationale for the rates of merit and seniority salary increase, retirement rates, early retirement rates, rates of separation from active membership, and disability rates used in the valuation is included in the MERS 5-year experience study for the period January 1, 2004 to December 31, 2008 issued March 2, 2010. All assumptions are expectations of future experience, not market measures.

Mortality rates used were based on the RP-2000 Mortality table projected 20 years with Scale BB.

Investment Policy. The objectives of the Plan are to accommodate the varying needs of the participants by providing appropriate and diversified investment options. The investment options will include an assortment of investment choices across a range of asset classes, risk levels, and investment strategies, at a reasonable cost. Each investment option should be an appropriate building block to forming a reasonably diversified portfolio.

Annual Money Weighted Rate of Return. For the year ended June 30, 2018, the annual-money weighted rate of return on OPEB Plan investments, net of investment expenses was 7.68%. The annual money weighted rate of return on OPEB plan investments is calculated as the internal rate of return on OPEB plan investments, net of investment expenses. This expresses investment performance adjusted for the changing amounts actually invested throughout the year, measured on monthly inputs with expenses measured on an accrual basis.

Investment Rate of Return. The long term expected rate of return on the OPEB plan investments was determined using a forward looking estimate of capital market returns model for each investment major asset class. Other municipalities have different investment choices depending on their individual preferences and expected need for resources to fund their OPEB obligations. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and investment expenses. The target allocation and best estimates of arithmetic real rates of return for each asset class are summarized in the following table:

City of Ecorse, Michigan
Notes to Financial Statements
June 30, 2018
(Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>	<u>Real Rate of Return</u>
Global equity	55.50%	8.65%	4.80%
Global fixed income	18.50%	3.76%	0.70%
Real Assets	13.50%	9.72%	1.31%
Diversifying strategies	12.50%	7.50%	0.94%
	<u>100.00%</u>		

Discount Rate. Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the plan’s fiduciary net position is projected to be sufficient to pay benefits) and (2) tax exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met). For the purpose of this valuation, the expected rate of return on OPEB plan investments is 5.75%; the municipal bond rate is 3.62% (based on the daily rate closest to but not later than the measurement date of the Fidelity “20-Year Municipal GO AA Index”); and the resulting Single Discount Rate is 5.75%.

A Single Discount Rate of 5.75% was used to measure the Total OPEB Liability. This Single Discount Rate was based on the expected rate of return on OPEB plan investments of 5.75%. The projection of cash flows used to determine this Single Discount Rate assumed that employer contributions will be made at rates equal to the projected benefit payments each year while an unfunded actuarial accrued liability exists and at rates equal to the actuarially determined service cost thereafter. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the Total OPEB Liability.

City of Ecorse, Michigan
Notes to Financial Statements
June 30, 2018
(Continued)

Changes in Net OPEB Liability

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

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at July 1, 2017	\$ 18,374,835	\$ -	\$ 18,374,835
Changes for the year:			
Service cost	159,886	-	159,886
Interest	1,028,027	-	1,028,027
Differences between expected and actual experience	103,617	-	-
Changes in assumptions	-	-	-
Employer contributions	-	1,407,088	(1,407,088)
Employee contributions	-	-	-
Net investment income	-	-	-
Benefit payments, including refunds of employee contributions	(1,152,088)	(1,152,088)	-
Administrative expense	-	(186)	186
Other changes	-	(2,645)	2,645
Net changes	<u>139,442</u>	<u>252,169</u>	<u>(112,727)</u>
Balance as of June 30, 2018	<u>\$ 18,514,277</u>	<u>\$ 252,169</u>	<u>\$ 18,262,108</u>

The Plan fiduciary net position represents 1.36 percent of the total OPEB liability.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate. The following presents the net OPEB liability of the City, calculated using the discount rate of 5.75%, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1% lower (4.75%) or 1% higher (6.75%) than the current rate:

	1% Decrease (4.75%)	Discount Rate (5.75%)	1% Increase (6.75%)
City's net OPEB liability	\$20,502,491	\$18,262,108	\$16,402,521

City of Ecorse, Michigan
Notes to Financial Statements
June 30, 2018
(Continued)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate. The following presents the net OPEB liability of the City, calculated using the discount rate of 5.75%, as well as what the City's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1% lower (4.75%) or 1% higher (6.75%) than the current rate:

	1% Decrease (4.75%)	Discount Rate (5.75%)	1% Increase (6.75%)
City's net OPEB liability	\$16,425,197	\$18,262,108	\$20,409,335

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

For the year ended June 30, 2018, the City recognized OPEB expense of \$1,238,883. The City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 49,678
Net differences between projected and actual earnings on OPEB plan investments	5,800
Total	<u>\$ 55,478</u>

OPEB-related deferred outflows of resources will be recognized in OPEB expense as follows:

Year Ending June 30,	Amount
2019	\$ 51,128
2020	1,450
2021	1,450
2022	1,450
Total	<u>\$ 55,478</u>

City of Ecorse, Michigan
Notes to Financial Statements
June 30, 2018
(Continued)

OPEB Plan Fiduciary Net Position. Detailed information about the OPEB plan’s fiduciary net position is not available in the separately issued financial report. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the plan’s fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the plan. The plan uses economic resources measurement focus and the full accrual basis of accounting. Investments are valued at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

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 \$122,441 which is down from the prior year amount of \$469,941 and is recorded in the general fund. In addition, the City has eleven pending cases but none of them offer any serious estimated potential liability exposures. 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	\$ 197,677.00	\$ 19,174
Capital assets being depreciated, net	4,532,231	18,772,432
	4,729,908	18,791,606
 Related debt		
Due within one year	392,233	616,644
Due in more than one year	12,042,298	6,452,393
Less noncapital related debt, net of discount	(11,980,504)	-
Less compensated absences	(393,250)	(14,684)
	60,777	7,054,353
 Net investment in capital assets	 \$ 4,669,131	 \$ 11,737,253

City of Ecorse
Combining Balance Sheets
Nonmajor Governmental Funds
June 30, 2018

	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	\$ 954,520	\$ 813,756	\$ 8,897	\$ 3,131	\$ 9,161	\$ 242,329	\$ 88,178	\$ 682,923	\$ 2,802,895	
Accrued interest	-	-	-	-	-	-	-	12,967	12,967	
Due from other governments	38,483	33,496	-	-	-	26,100	61,822	57,486	217,387	
Prepaid Expenses	-	-	-	-	-	42	-	-	42	
TOTAL ASSETS	\$ 993,003	\$ 847,252	\$ 8,897	\$ 3,131	\$ 9,161	\$ 268,471	\$ 150,000	\$ 753,376	\$ 3,033,291	
LIABILITIES AND FUND BALANCE:										
LIABILITIES										
Accounts payable	\$ 10,411	\$ 101,064	\$ -	\$ -	\$ -	\$ 1,820	\$ -	\$ -	\$ 113,295	
Accrued wages	-	-	-	-	-	2,811	-	-	2,811	
Due to other funds	-	-	-	-	-	-	150,000	-	150,000	
TOTAL LIABILITIES	10,411	101,064	-	-	-	4,631	150,000	-	266,106	
Fund Balance:										
Nonspendable	-	-	-	-	-	-	-	-	-	
Prepays	-	-	-	-	-	42	-	-	42	
Restricted for:										
Highways and streets	982,592	-	-	-	-	-	-	-	982,592	
Public safety	-	-	8,897	3,131	9,161	-	-	-	21,189	
Public works	-	746,188	-	-	-	-	-	-	746,188	
Debt service	-	-	-	-	-	-	-	753,376	753,376	
Community development	-	-	-	-	-	-	-	-	-	
Committed for:										
Recreation and culture	-	-	-	-	-	263,798	-	-	263,798	
TOTAL FUND BALANCES	982,592	746,188	8,897	3,131	9,161	263,840	-	753,376	2,767,185	
TOTAL LIABILITIES AND FUND BALANCE	\$ 993,003	\$ 847,252	\$ 8,897	\$ 3,131	\$ 9,161	\$ 268,471	\$ 150,000	\$ 753,376	\$ 3,033,291	

City of Ecorse
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
June 30, 2018

	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	\$ -	\$ 316,477	\$ -	\$ -	\$ -	\$ 127,031	\$ -	\$ 526,494	\$ 970,002
Intergovernmental	241,641	555,903	-	2,757	-	52,906	201,308	735,397	1,789,912
Fines and forfeiture	-	-	19,491	-	-	-	-	-	19,491
Interest Income	1,104	-	-	-	-	-	-	10,200	11,304
Other Revenues	-	375	-	-	-	10,144	-	-	10,519
TOTAL REVENUES	242,745	872,755	19,491	2,757	-	190,081	201,308	1,272,091	2,801,228
EXPENDITURES:									
Public Safety	-	-	54,786	810	26,859	-	-	-	82,455
Public works	-	588,940	-	-	-	-	-	-	588,940
Highways & Streets	658,872	-	-	-	-	-	-	-	658,872
Community & Economic Devel.	-	-	-	-	-	-	156,308	-	156,308
Recreation & Culture	-	-	-	-	-	113,929	-	-	113,929
Debt payments:									
Principal	-	-	-	-	-	-	45,000	845,000	890,000
Interest	-	-	-	-	-	-	-	519,790	519,790
Bond redemption premium	-	-	-	-	-	-	-	18,000	18,000
TOTAL EXPENDITURES	658,872	588,940	54,786	810	26,859	113,929	201,308	1,382,790	3,028,294
REVENUES OVER (UNDER) EXPENDITURES	(416,127)	283,815	(35,295)	1,947	(26,859)	76,152	-	(110,699)	(227,066)
OTHER FINANCING SOURCES (USES):									
Transfer from Major Highway	300,000	-	-	-	-	-	-	-	300,000
Total Other Financing Sources	300,000	-	-	-	-	-	-	-	300,000
NET CHANGE IN FUND BALANCES	(116,127)	283,815	(35,295)	1,947	(26,859)	76,152	-	(110,699)	72,934
FUND BALANCE, beginning	1,098,719	462,373	44,192	1,184	36,020	187,688	-	864,075	2,694,251
FUND BALANCE, ending	\$ 982,592	\$ 746,188	\$ 8,897	\$ 3,131	\$ 9,161	\$ 263,840	\$ -	\$ 753,376	\$ 2,767,185

City of Ecorse
Statement of Revenues, Expenditures
and Changes in Fund Balance -
Budget and Actual
For the Fiscal Year Ended June 30, 2018

MOTOR VEHICLE HIGHWAY LOCAL STREET FUND				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ACTUAL OVER (UNDER) FINAL BUDGET
REVENUES:				
State sources	\$ 164,000	\$ 233,000	\$ 241,641	\$ 8,641
Interest income	500	1,104	1,104	-
TOTAL REVENUES	164,500	234,104	242,745	8,641
EXPENDITURES:				
Highways and streets	339,895	705,487	658,872	(46,615)
TOTAL EXPENDITURES	339,895	705,487	658,872	(46,615)
Revenues Over (Under) Expenditures	(175,395)	(471,383)	(416,127)	55,256
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	180,000	300,000	300,000	-
TOTAL OTHER FINANCING SOURCES (USES)	180,000	300,000	300,000	-
NET CHANGE IN FUND BALANCES	4,605	(171,383)	(116,127)	55,256
FUND BALANCE, beginning	1,098,719	1,098,719	1,098,719	-
FUND BALANCE, ending	\$ 1,103,324	\$ 927,336	\$ 982,592	\$ 55,256

City of Ecorse
Statement of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual (Budgetary Basis)
Nonmajor Special Revenue Funds
June 30, 2018

	RUBBISH FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ACTUAL OVER (UNDER) FINAL BUDGET
REVENUES:				
Property taxes	\$ 279,880	\$ 304,231	\$ 316,477	\$ 12,246
State sources	219,877	555,903	555,903	-
Other		375	375	-
TOTAL REVENUES	499,757	860,509	872,755	12,246
EXPENDITURES:				
Public works	532,200	592,200	588,940	(3,260)
TOTAL EXPENDITURES	532,200	592,200	588,940	(3,260)
Revenues Over (Under) Expenditures & Net Change In Fund Balances	(32,443)	268,309	283,815	15,506
FUND BALANCE, beginning	462,373	462,373	462,373	-
FUND BALANCE, ending	\$ 429,930	\$ 730,682	\$ 746,188	\$ 15,506

City of Ecorse
Statement of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual (Budgetary Basis)
Nonmajor Special Revenue Funds
June 30, 2018

	DRUG ENFORCEMENT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ACTUAL OVER (UNDER) FINAL BUDGET
REVENUES:				
Fines and forfeiture	\$ 19,491	\$ 19,491	\$ 19,491	\$ -
TOTAL REVENUES	19,491	19,491	19,491	-
EXPENDITURES:				
Public safety	13,713	54,786	54,786	-
TOTAL EXPENDITURES	13,713	54,786	54,786	-
Revenues Over (Under) Expenditures & Net Change In Fund Balances	5,778	(35,295)	(35,295)	-
FUND BALANCE, beginning	44,192	44,192	44,192	-
FUND BALANCE, ending	\$ 49,970	\$ 8,897	\$ 8,897	\$ -

City of Ecorse
Statement of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual (Budgetary Basis)
Nonmajor Special Revenue Funds
June 30, 2018

JUSTICE TRAINING				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ACTUAL OVER (UNDER) FINAL BUDGET
REVENUES:				
State sources	\$ 1,341	\$ 2,757	\$ 2,757	-
TOTAL REVENUES	1,341	2,757	2,757	-
EXPENDITURES:				
Public safety	1,341	1,341	810	(531)
TOTAL EXPENDITURES	1,341	1,341	810	(531)
Revenues Over (Under) Expenditures & Net Change In Fund Balances	-	1,416	1,947	531
FUND BALANCE, beginning	1,184	1,184	1,184	-
FUND BALANCE, ending	\$ 1,184	\$ 2,600	\$ 3,131	\$ 531

City of Ecorse
Statement of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual (Budgetary Basis)
Nonmajor Special Revenue Funds
June 30, 2018

	VEHICLE FORFEITURES		
	ORIGINAL & FINAL BUDGET	ACTUAL	ACTUAL OVER (UNDER) FINAL BUDGET
REVENUES:			
Fines and forfeiture	\$ -	\$ -	\$ -
TOTAL REVENUES	-	-	-
EXPENDITURES:			
Public safety	26,859	26,859	-
TOTAL EXPENDITURES	26,859	26,859	-
Revenues Over (Under) Expenditures & Net Change In Fund Balances	(26,859)	(26,859)	-
FUND BALANCE, beginning	36,020	36,020	-
FUND BALANCE, ending	\$ 9,161	\$ 9,161	-

City of Ecorse
Statement of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual (Budgetary Basis)
Nonmajor Special Revenue Funds
June 30, 2018

	LIBRARY			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ACTUAL OVER (UNDER) FINAL BUDGET
REVENUES:				
Property taxes	\$ 126,533	\$ 126,533	\$ 127,031	\$ 498
State sources	24,317	52,311	52,906	595
Other	33,600	13,900	10,144	(3,756)
TOTAL REVENUES	184,450	192,744	190,081	(2,663)
EXPENDITURES:				
Recreation and culture	173,715	180,135	113,929	(66,206)
TOTAL EXPENDITURES	173,715	180,135	113,929	(66,206)
Revenues Over (Under) Expenditures & Net Change In Fund Balances	10,735	12,609	76,152	63,543
FUND BALANCE, beginning	187,688	187,688	187,688	-
FUND BALANCE, ending	\$ 198,423	\$ 200,297	\$ 263,840	\$ 63,543

City of Ecorse
Statement of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual (Budgetary Basis)
Nonmajor Special Revenue Funds
June 30, 2018

COMMUNITY DEVELOPMENT BLOCK GRANT				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ACTUAL OVER (UNDER) FINAL BUDGET
REVENUES:				
Federal program revenue	\$ 122,000	\$ 201,309	\$ 201,308	\$ 1
TOTAL REVENUES	122,000	201,309	201,308	1
 EXPENDITURES:				
Community projects	72,000	156,309	156,308	(1)
Debt service:				
Principal	50,000	45,000	45,000	-
TOTAL EXPENDITURES	122,000	201,309	201,308	(1)
Revenues Over (Under) Expenditures & Net Change In Fund Balances	-	-	-	-
FUND BALANCE, beginning	-	-	-	-
FUND BALANCE, ending	\$ -	\$ -	\$ -	\$ -

City of Ecorse
Statement of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual (Budgetary Basis)
Nonmajor Governmental Fund
June 30, 2018

	DEBT SERVICE FUND - 2012 BOND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ACTUAL OVER (UNDER) FINAL BUDGET
REVENUES:				
Property taxes	\$ 478,050	\$ 518,673	\$ 526,494	\$ 7,821
State sources	290,873	735,397	735,397	-
Interest on savings and investments	-	7,377	10,200	2,823
TOTAL REVENUES	768,923	1,261,447	1,272,091	10,644
EXPENDITURES:				
Debt payments:				
Principal	245,000	845,000	845,000	-
Interest	519,790	519,790	519,790	-
Bond redemption premium		18,000	18,000	-
TOTAL EXPENDITURES	764,790	1,382,790	1,382,790	-
Revenues Over (Under) Expenditures & Net Change In Fund Balances	4,133	(121,343)	(110,699)	10,644
FUND BALANCE, beginning	864,075	864,075	864,075	-
FUND BALANCE, ending	\$ 868,208	\$ 742,732	\$ 753,376	\$ 10,644

REQUIRED SUPPLEMENTARY INFORMATION

City of Ecorse
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Budgetary Basis)
General Fund
June 30, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ACTUAL OVER (UNDER) FINAL BUDGET
Revenues				
Property taxes	5,569,098	5,655,164	5,790,878	135,714
Licenses and permits	137,334	454,617	487,275	32,658
Intergovernmental	3,382,488	5,839,235	5,907,136	67,901
Charges for services	100,000	90,000	71,595	(18,405)
Fines and forfeitures	400,000	490,000	458,429	(31,571)
Investment income	-	29,289	46,803	17,514
Other	101,000	596,325	578,374	(17,951)
Total revenues	9,689,920	13,154,630	13,340,490	185,860
Expenditures				
Current:				
General government:				
Attorney	890,217	1,046,500	898,199	(148,301)
Finance	231,793	322,530	285,307	(37,223)
City hall	200,850	315,665	279,390	(36,275)
Retiree pension	1,439,148	2,576,338	2,576,336	(2)
Retiree health care	1,378,900	1,486,352	1,408,440	(77,912)
Other	1,014,281	1,479,615	1,318,286	(161,329)
Less reimbursements	(407,500)	(407,500)	(407,500)	-
Total general government	4,747,689	6,819,500	6,358,458	(461,042)
Public Safety:				
Police and fire	3,802,777	3,758,460	3,434,926	(323,534)
Building inspection	205,464	225,012	204,408	(20,604)
Total public safety	4,008,241	3,983,472	3,639,334	(344,138)
Public works:				
Department of public works	488,225	964,983	807,323	(157,660)
Highway and streets:				
Street lighting	309,000	491,401	483,585	(7,816)
Debt service:				
Principal and interest on long-term debt	20,153	536,201	536,201	-
Total expenditures	9,573,308	12,795,557	11,824,901	(970,656)

continued...

City of Ecorse
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Budgetary Basis)
General Fund
June 30, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ACTUAL OVER (UNDER) FINAL BUDGET
Revenues over (under) expenditures	116,612	359,073	1,515,589	1,156,516
Other financing sources (uses)				
Transfer to other funds	(113,209)	(113,209)	(86,036)	27,173
Total other financing sources (uses)	(113,209)	(113,209)	(86,036)	27,173
Net change in fund balance	3,403	245,864	1,429,553	1,183,689
Fund balance, beginning of year	4,828,697	4,828,697	4,828,697	-
Fund balance, end of year	4,832,100	5,074,561	6,258,250	1,183,689

concluded.

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 December 31			
	2017	2016	2015	2014
Total Pension Liability				
Service Cost	\$ 189,305	\$ 186,962	\$ 194,132	\$ 191,053
Interest	3,189,721	3,200,465	3,141,599	3,174,890
Changes in benefit terms	-	-	-	-
Differences between expected and actual experience	160,460	263,363	395,764	-
Changes in assumptions	-	-	1,979,630	-
Benefits payments, including refunds of employee contributions	(3,769,681)	(3,781,830)	(3,760,544)	(3,760,437)
Other	(1,382)	(10,506)	(10,522)	(10,517)
Net change in total pension liability	(231,577)	(141,546)	1,940,059	(405,011)
Total pension liability - beginning of year	41,661,704	41,803,250	39,863,191	40,268,202
Total pension liability - end of year	41,430,127	41,661,704	41,803,250	39,863,191
Plan Fiduciary Net Position				
Contributions - Employer	2,809,524	4,684,468	2,429,229	1,602,541
Contributions - Member	81,354	86,226	85,425	84,791
Net Investment income(loss)	2,009,273	1,434,495	(189,400)	952,166
Benefit payments, including refunds	(3,769,681)	(3,781,830)	(3,760,544)	(3,760,437)
Administrative expenses	(31,880)	(28,430)	(30,625)	(34,427)
Net change in plan fiduciary net position	1,098,590	2,394,929	(1,465,915)	(1,155,366)
Plan fiduciary net position - beginning of year	15,734,253	13,339,324	14,805,239	15,960,605
Plan fiduciary net position - end of year	16,832,843	15,734,253	13,339,324	14,805,239
City's net pension liability - Ending	\$ 24,597,284	\$ 25,927,451	\$ 28,463,926	\$ 25,057,952
Plan fiduciary net position as a percentage of total pension liability	40.6%	37.8%	31.9%	37.1%
Covered employee payroll	\$ 1,650,070	\$ 1,612,357	\$ 1,688,425	\$ 1,668,040
City's net pension liability as a percentage of covered payroll	1490.7%	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%
2018	41,430,127	16,332,843	24,597,284	40.60%	1,650,070	1490.7%

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 Post Employment Benefit Plan
Schedule of Changes in Net OPEB Liability and Related Ratios Multiyear

	Year Ended June 30, 2018
Total OPEB Liability	
Service Cost	\$ 159,886
Interest on the Total OPEB Liability	1,028,027
Changes of benefit terms	-
Difference between expected and actual experience	103,617
Changes of assumptions	-
Benefit payments, including refunds of employee contributions	(1,152,088)
Net change in total OPEB liability	139,442
Total OPEB liability - beginning of year	18,374,835
Total OPEB liability - end of year	18,514,277
 Plan Fiduciary Net Position	
Employer contributions	1,407,088
Nonemployer contributing entities contributions	-
Benefit payments, including refunds	(1,152,088)
OPEB plan administrative expenses	(186)
Other	(2,645)
Net change in plan fiduciary net position	252,169
Plan fiduciary net position - beginning	-
Plan fiduciary net position - ending	252,169
 Net OPEB Liability - ending	\$ 18,262,108
 Plan fiduciary net position as a percentage of total OPEB liability	1.36%
 Covered employee payroll	\$ 1,755,718
 City's net OPEB liability as a percentage of covered-employee payroll	1040.15%

City of Ecorse, Michigan
 Required Supplementary Information
 Other Post Employment Benefit Plan
 Schedule of Net OPEB Liability

Fiscal Year Ended June 30,	Total OPEB Liability	Plan Net Position	Net OPEB Liability	Plan Net Position as a % of Total OPEB Liability	Covered Payroll	Net OPEB Liabilit as a % of Covered Payroll
2018	\$ 18,514,277	\$ 252,169	\$ 18,262,108	1.36%	\$ 1,755,718	1040.15%

City of Ecorse, Michigan
 Required Supplementary Information
 Other Post Employment Benefit Plan
 Schedule of Contributions Multiyear

Fiscal Year Ended June 30,	Actuarilly Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2018	\$ 1,527,178	\$ 1,407,088	\$ 120,090.00	\$ 1,755,718	80.14%

Methods and Assumptions Used to Determine Contribution Amounts for the Fiscal Year Ending June 30, 2018

Actuarial cost method	Entry-age Normal
Amortization method	Level percentage of payroll Level dollar for police and fire
Remaining Amortization Period	22 years for police and fire, closed 28 years for general union and general non-union
Asset valuation method	Market value of assets
Price Inflation	2.5 percent
Salary increases	4 to 17 percent
Investment rate of return	4 percent, net of OPEB plan investment expense
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	The RP-2000 Mortality Table projected 20 years with Scale BB.
Health Care Trend Rates	Initial trend of 9 percent gradually decreasing to an ultimate trend of 4 percent in year 10.
Excise Tax	No load was applied in connection with the "Cadillac" tax.
Aging Factors	Based on an internal GRS study using several pricing manuals from National Health Care Consultant groups and incorporating analysis and data from a SOA survey regarding aging practices used in health care valuations.

Other Information:

Notes
 Since the December 31, 2014 valuation, the retiree health care plan is now closed to new hires. In addition, the interest rate has increased to 5.75 percent. This change impacts contributions beginning with the fiscal year ending June 30, 2019.

DARNELL & MEYERING, P.C.

Certified Public Accountants

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CERTIFIED PUBLIC ACCOUNTANTS
MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

November 30, 2018

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

We have audited the 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 City of Ecorse (the City) for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 30, 2018. Professional standards also require that we communicate to you the following related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the current year. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We did not identify any sensitive estimates.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We did not identify any sensitive disclosures.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 30, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the City’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

During our audit of capital assets we noted that “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.” We recommend that the individual cost threshold be increased from \$2,500 to an amount that is comparable to similar size municipalities.

Other Matters

We applied certain limited procedures to the Management’s Discussion and Analysis and Budgetary Comparison information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

City of Ecorse
November 30, 2018
Page 4

With respect to these supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing them have not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Mayor, City Council and management of City of Ecorse and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Darnell & Meyering, P.C.

Darnell & Meyering, P.C.