

**CITY OF ECORSE  
WAYNE COUNTY, MICHIGAN**

**Financial Report with  
Supplementary Information  
June 30, 2019**

**City of Ecorse, Michigan  
Financial Report  
For the Year Ended  
June 30, 2019**

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

### *Management's Responsibility for the Financial Statements*

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

### *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 aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Ecorse, Michigan, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance 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, the schedules for the pension and other postemployment benefit plans and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

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

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the

underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Darnell & Meyering, P.C.*

Darnell & Meyering, P.C.

Taylor, Michigan  
November 30, 2019

## **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, 2019. Please read it in conjunction with the City's financial statements.

#### **Financial Highlights**

- Total net position (deficit) \$ (12,238,843)
- Change in total net position 7,600,109
- Fund balances, governmental funds 12,687,774
- Change in fund balances, governmental funds 1,980,134
- Unassigned fund balance, general fund 6,885,153
- Change in fund balance, general fund 947,566
- Long-term debt outstanding 22,892,516
- Change in long-term debt 3,388,948

#### **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, 2019 as compared to the prior year:

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2018	2019	2018	2019	2018	2019
Current and other assets	\$ 11,887,689	\$ 13,459,856	\$ 6,978,476	\$ 12,243,266	\$ 18,866,165	\$ 25,703,122
Capital assets, net	4,729,908	4,577,315	18,791,606	24,116,656	23,521,514	28,693,971
Total assets	<u>16,617,597</u>	<u>18,037,171</u>	<u>25,770,082</u>	<u>36,359,922</u>	<u>42,387,679</u>	<u>54,397,093</u>
<b>Deferred outflows</b>	<u>1,952,618</u>	<u>1,140,342</u>	<u>331,215</u>	<u>203,473</u>	<u>2,283,833</u>	<u>1,343,815</u>
Long-term liabilities	12,434,531	10,502,843	7,069,037	12,636,129	19,503,568	23,138,972
Other liabilities	1,274,976	1,202,476	613,843	683,669	1,888,819	1,886,145
Other noncurrent liabilities	39,202,304	41,602,529	3,657,088	1,545,840	42,859,392	43,148,369
<b>Total liabilities</b>	<u>52,911,811</u>	<u>53,307,848</u>	<u>11,339,968</u>	<u>14,865,638</u>	<u>64,251,779</u>	<u>68,173,486</u>
<b>Deferred inflows</b>	<u>220,308</u>	<u>(193,735)</u>	<u>38,377</u>	<u>-</u>	<u>258,685</u>	<u>(193,735)</u>
Net position:						
Net investment in capital as	4,669,131	4,577,314	11,737,249	11,866,286	16,406,380	16,443,600
Restricted	4,347,532	4,185,551	442,695	1,376,933	4,790,227	5,562,484
Unrestricted (deficit)	<u>(43,578,567)</u>	<u>(42,699,465)</u>	<u>2,543,008</u>	<u>8,454,538</u>	<u>(41,035,559)</u>	<u>(34,244,927)</u>
<b>Total net position</b>	<u>\$ (34,561,904)</u>	<u>\$ (33,936,600)</u>	<u>\$ 14,722,952</u>	<u>\$ 21,697,757</u>	<u>\$ (19,838,952)</u>	<u>\$ (12,238,843)</u>

The City's combined net deficit position decreased \$7,600,109 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 deficit net position decreased by \$625,304 and the business-type increased by \$6,974,805 which is due primarily to the increase in the City's DUWA asset sewer plant purchase and a decrease in post-employment pension and benefit obligation.

Of the total combined net position, approximately \$28.7 million is net investment in capital assets, while \$5.6 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, 2019 as compared to the prior year:

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2018	2019	2018	2019	2018	2019
Program revenues:						
Charges for services	\$ 1,430,308	\$ 1,357,572	\$ 7,665,061	\$ 12,530,406	\$ 9,095,369	\$ 13,887,978
Operating grants	1,754,463	2,056,395	-	-	1,754,463	2,056,395
Capital grants	1,073,572	1,128,451	-	-	1,073,572	1,128,451
General Revenues:						
Property taxes	6,760,880	6,592,106	29,102	63,853	6,789,982	6,655,959
Grants and contributions not restricted to specific programs	5,907,136	6,464,941	-	-	5,907,136	6,464,941
Other	193,206	171,005	7,166	1,179,959	200,372	1,350,964
<b>Total revenues</b>	<u>17,119,565</u>	<u>17,770,470</u>	<u>7,701,329</u>	<u>13,774,218</u>	<u>24,820,894</u>	<u>31,544,688</u>
Expenses:						
General government	3,552,838	9,432,126	-	-	3,552,838	9,432,126
Public safety	3,025,358	4,719,743	-	-	3,025,358	4,719,743
Public works	1,493,289	1,457,907	-	-	1,493,289	1,457,907
Highways and streets	941,227	882,972	-	-	941,227	882,972
Recreation and culture	139,732	69,109	-	-	139,732	69,109
Community and economic development	156,308	77,019	-	-	156,308	77,019
Interest on long-term debt	575,565	506,290	-	-	575,565	506,290
Water and sewer	-	-	8,780,199	6,799,413	8,780,199	6,799,413
<b>Total expenses</b>	<u>9,884,317</u>	<u>17,145,166</u>	<u>8,780,199</u>	<u>6,799,413</u>	<u>18,664,516</u>	<u>23,944,579</u>
Change in net position	7,235,248	625,304	(1,078,870)	6,974,805	6,156,378	7,600,109
Net position:						
Beginning of year & prior year adjustment	(41,797,152)	(34,561,904)	15,801,822	14,722,952	(25,995,330)	(19,838,952)
<b>End of year</b>	<u>\$(34,561,904)</u>	<u>\$(33,936,600)</u>	<u>\$ 14,722,952</u>	<u>\$ 21,697,757</u>	<u>\$(19,838,952)</u>	<u>\$(12,238,843)</u>

**Governmental Activities**

The City's total governmental revenues net of current year expenses resulted in an increase of approximately \$625,304 in net position, compared to the prior year's net increase of approximately \$7,235,248. The increase in net position was primarily due to the decrease in the City's net pension liability. Although the property tax revenue decreased by \$168,744.

**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 and the DUWA acquired sewer system along with various other communities.

Business-type activities revenues net of current year expenses resulted in an increase in net position of \$6,974,805 as compared to last year's decrease of \$1,078,870. The increase in net position is primarily due to the decrease in water and sewer charges and a gain on the purchase of the DUWA system.

**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 \$9,432,126 and \$4,719,743 or 55 percent and 27 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 \$270,464 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 \$737,009 due primarily to the following reasons: expenditures for police and fire were under budget by \$267,298. Department of public works expenditures were under budget by \$110,366. Finally, general government expenditures were under budget by \$318,198.

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

**Capital Asset and Debt Administration**

During the fiscal year the City had an increase in the sewer system of \$5,934,851 which was a sewer plant purchase from Wayne County along with various other communities (DUWA). The total net capital assets increased from the prior year by \$5,192,760.

	Capital Assets (Net of Depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2018	2019	2018	2019	2018	2019
Land	\$ 197,677	\$ 197,677	\$ 19,174	\$ 19,174	\$ 216,851	\$ 216,851
Land improvements	359,591	361,486	-	-	359,591	361,486
Buildings and systems	758,843	773,411	18,556,271	23,944,915	19,315,114	24,718,326
Vehicles	185,306	156,023	40,810	27,207	226,116	183,230
Equipment	483,906	458,769	172,040	125,360	655,946	584,129
Infrastructure	2,727,593	2,629,949	-	-	2,727,593	2,629,949
<b>Total assets</b>	<b>\$4,712,916</b>	<b>\$4,577,315</b>	<b>\$18,788,295</b>	<b>\$24,116,656</b>	<b>\$23,501,211</b>	<b>\$28,693,971</b>

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

Clean Water Bonds	-	-	660,000	630,000	660,000	630,000
DUWA	\$ -	\$ -	\$ -	\$ 6,213,105	\$ -	\$ 6,213,105
Financial recovery bonds	7,610,000	6,950,000	-	-	7,610,000	6,950,000
Emergency loan	4,500,000	3,000,000	-	-	4,500,000	3,000,000
Unamortized discount	(129,496)	(122,302)	-	-	(129,496)	(122,302)
Capital lease	60,777	-	-	-	60,777	-
Compensated Absences	393,250	428,689	14,684	15,460	407,934	444,149
State revolving fund loans	-	-	6,012,271	5,705,444	6,012,271	5,705,444
Revenue bonds	-	-	382,082	72,120	382,082	72,120
<b>Total</b>	<b>\$12,434,531</b>	<b>\$10,256,387</b>	<b>\$ 7,069,037</b>	<b>\$ 12,636,129</b>	<b>\$19,503,568</b>	<b>\$22,892,516</b>

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, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Brownfield Redevelopment Authority
<b>Assets:</b>				
Cash and investments	\$ 10,942,356	\$ 7,965,094	\$ 18,907,450	\$ -
Receivables - Net of Allowances	1,754,005	2,882,126	4,636,131	-
Due From Fiduciary Funds	250,000	-	250,000	-
Due From Component Unit	192,235	-	192,235	-
Prepaid items and other assets	321,260	19,112	340,372	739,219
Restricted assets - cash	-	253,306	253,306	-
Restricted prepaid items	-	1,123,628	1,123,628	-
Capital Assets Not Being Depreciated	197,677	19,174	216,851	79,696
Capital assets being depreciated, net	4,379,638	24,097,482	28,477,120	-
<b>Total Assets</b>	<b>18,037,171</b>	<b>36,359,922</b>	<b>54,397,093</b>	<b>818,915</b>
<b>Deferred outflows of resources</b>				
Deferred pension amounts	1,140,342	203,473	1,343,815	-
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$ 772,082	\$ 570,984	\$ 1,343,066	\$ 363,782
Accrued Interest Payable	76,850	112,684	189,534	-
Long-term liabilities:				
Due within one year	353,544	464,762	818,306	-
Due in more than one year	9,902,843	11,801,067	21,703,910	-
Other noncurrent liabilities:				
DUWA obligation	-	370,300	370,300	-
Net other postemployment benefit obligation	18,047,157	-	18,047,157	-
Net pension liability	23,555,372	1,545,840	25,101,212	-
<b>Total Liabilities</b>	<b>52,707,848</b>	<b>14,865,638</b>	<b>67,573,486</b>	<b>363,782</b>
<b>Deferred inflows of resources</b>				
Deferred pension amounts	(193,735)	-	(193,735)	-
<b>Net position:</b>				
Net invested in capital assets	4,577,315	11,866,286	16,443,601	79,696
Restricted for:				
Highways and streets	2,664,496	-	2,664,496	-
Public safety	21,189	-	21,189	-
Public works	746,188	1,123,628	1,869,816	-
Debt Service	753,678	-	753,678	-
Funds on deposit with Wayne County for sewer debt reserve and capital outlay	-	253,306	253,306	-
Unrestricted (deficit)	(42,099,465)	8,454,538	(33,644,928)	375,437
<b>Total net position (deficit)</b>	<b>\$ (33,336,600)</b>	<b>\$ 21,697,757</b>	<b>\$ (11,638,843)</b>	<b>\$ 455,133</b>

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

City of Ecorse  
Statement of Activities  
Year Ended June 30, 2019

Functions/programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government			Component Unit
					Governmental Activities	Business-Type Activities	Total	
Governmental activities:								
General Government	\$ 8,832,126	\$ 1,334,798	\$ 1,210,384	\$ -	\$ (6,286,944)	\$ -	\$ (6,286,944)	\$ -
Public Safety	4,719,743	4,405	174,812	-	(4,540,526)	-	(4,540,526)	-
Public Works	1,457,907	-	466,723	-	(991,185)	-	(991,185)	-
Highways and Streets	882,972	-	-	997,844	114,872	-	114,872	-
Public Works	-	-	-	-	-	-	-	-
Community and Economic Devl.	77,019	-	-	130,607	53,588	-	53,588	-
Recreation and Culture	69,109	18,370	204,476	-	153,736	-	153,736	-
Interest on Long-Term Debt	506,289	-	-	-	(506,289)	-	(506,289)	-
Unallocated Depreciation	-	-	-	-	-	-	-	-
<b>Total Governmental Activities</b>	<b>16,545,166</b>	<b>1,357,572</b>	<b>2,056,395</b>	<b>1,128,451</b>	<b>(12,002,748)</b>	<b>-</b>	<b>(12,002,748)</b>	<b>-</b>
Business-type activities:								
Water and sewer	6,799,414	12,530,406	-	-	-	5,730,992	5,730,992	-
<b>Total primary government</b>	<b>\$ 23,344,580</b>	<b>\$ 13,887,978</b>	<b>\$ 2,056,395</b>	<b>\$ 1,128,451</b>	<b>\$ (12,002,748)</b>	<b>\$ 5,730,992</b>	<b>\$ (6,271,757)</b>	<b>\$ -</b>
Component unit:								
Brownfield redevelopment authority	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

General Revenues:				
Property taxes	6,592,106	63,853	6,655,959	-
Grants and contributions not restricted to specific programs	6,464,941	-	6,464,941	-
Unrestricted investment earnings	152,298	120,939	273,238	-
Miscellaneous	18,707	-	18,707	-
Within Primary Government	-	-	-	-
Special Item - Gain on DUWA acquisition	-	1,059,020	1,059,020	-
Total general revenues	<u>13,228,052</u>	<u>1,243,813</u>	<u>14,471,864</u>	<u>-</u>
Change in net position	1,225,304	6,974,804	8,200,108	-
Net position, beginning of year	<u>(34,561,904)</u>	<u>14,722,952</u>	<u>(19,838,952)</u>	<u>455,133</u>
Net position, end of year	<u><u>\$ (33,336,600)</u></u>	<u><u>\$ 21,697,757</u></u>	<u><u>\$ (11,638,844)</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, 2019

	General Fund	Major Highway Fund	Debt Stabilization Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Cash and investments	\$ 5,633,087	\$ 1,848,578	\$ -	\$ 3,460,691	\$ 10,942,356
<b>Receivables:</b>					
Accounts Receivable	49,758	-	-	-	49,758
Accrued Interest	77,033	-	-	12,966	89,999
Intergovernmental	1,226,341	110,456	-	277,451	1,614,248
Due from other governmental funds	100,000	-	-	-	100,000
Due from fiduciary funds	250,000	-	-	-	250,000
Due From Component Units	192,235	-	-	-	192,235
Prepaid Expenses	320,663	-	-	597	321,260
<b>Total Assets</b>	<b>\$ 7,849,117</b>	<b>\$ 1,959,034</b>	<b>\$ -</b>	<b>\$ 3,751,706</b>	<b>\$ 13,559,856</b>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts Payable	\$ 371,579	\$ 6,666	\$ -	\$ 118,853	\$ 497,098
Accrued Payroll	184,526	-	-	3,263	187,789
Due To Other Funds	-	-	-	100,000	100,000
Judgements and litigation payable	85,107	-	-	-	85,107
<b>Total Liabilities</b>	<b>643,301</b>	<b>6,666</b>	<b>-</b>	<b>222,115</b>	<b>872,082</b>
<b>Fund Balances:</b>					
<b>Nonspendable:</b>					
Prepays	320,663	-	-	597	321,260
<b>Restricted for:</b>					
Highways and streets	-	1,952,368	-	1,201,966	3,154,334
Public safety	-	-	-	13,278	13,278
Public works	-	-	-	861,877	861,877
Debt service	-	-	-	946,709	946,709
<b>Committed for:</b>					
Recreation and culture	-	-	-	501,575	501,575
Debt service	-	-	-	-	-
Unassigned	6,885,153	-	-	-	6,885,153
<b>Total Fund Balances</b>	<b>7,205,816</b>	<b>1,952,368</b>	<b>-</b>	<b>3,529,590</b>	<b>12,687,774</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 7,849,117</b>	<b>\$ 1,959,034</b>	<b>\$ -</b>	<b>\$ 3,751,706</b>	<b>\$ 13,559,856</b>

<b>Total Governmental Fund Balances</b>	\$ 12,687,774
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	4,379,638
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	(9,950,000)
Unamortized bond discount	122,302
Accrued interest on bonds payable	(76,850)
Net other postemployment benefit obligation	(18,047,157)
Compensated absences	(428,689)
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	(23,555,372)
Deferred inflows related to the net pension liability	193,735
Deferred outflows related to the net pension liability	1,140,342
<b>Net position of governmental activities</b>	<u>\$ (33,336,600)</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, 2019

	General Fund	Major Highway Fund	Debt Stabilization Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 5,654,196	\$ -	\$ -	\$ 937,910	\$ 6,592,106
Licenses and permits	353,528	-	-	-	353,528
Intergovernmental	6,636,907	667,917	-	1,937,463	9,242,287
Charges for services	111,121	-	-	-	111,121
Fines and forfeiture	242,441	-	-	4,405	246,846
Interest Income	93,359	28,008	3	44,109	165,479
Other	627,708	5,526	-	18,370	651,603
Total Revenues	<u>13,719,259</u>	<u>701,451</u>	<u>3</u>	<u>2,942,257</u>	<u>17,362,970</u>
<b>Expenditures:</b>					
Current:					
General Government	6,639,998	-	-	-	6,639,998
Public Safety	3,564,334	-	-	16,357	3,580,691
Public works	685,782	-	-	669,438	1,355,220
Highways & Streets	327,079	250,987	-	304,906	882,972
Community & Economic Devel.	-	-	-	77,019	77,019
Recreation & Culture	-	-	-	108,985	108,985
Debt Payments:					
Principal	1,510,778	-	-	710,000	2,220,778
Interest	43,028	-	-	466,145	509,173
Bond redemption premium	-	-	-	8,000	8,000
Total Expenditures	<u>12,770,999</u>	<u>250,987</u>	<u>-</u>	<u>2,360,851</u>	<u>15,382,836</u>
Revenues Over (Under) Expenditures	<u>948,261</u>	<u>450,464</u>	<u>3</u>	<u>581,406</u>	<u>1,980,134</u>
<b>Other Financing Sources (Uses):</b>					
Transfer from Capital Projects	305	-	-	-	305
Transfer from General Fund	-	-	-	1,000	1,000
Transfer from Major Highway	-	-	-	180,000	180,000
Transfer to Local Highway	-	(180,000)	-	-	(180,000)
Transfer to General Fund	-	-	(305)	-	(305)
Transfer to Justice	(1,000)	-	-	-	(1,000)
Total Other Financing Sources (Uses):	<u>(695)</u>	<u>(180,000)</u>	<u>(305)</u>	<u>181,000</u>	<u>-</u>
Net Change in Fund Balances	947,566	270,464	(302)	762,406	1,980,134
<b>Fund Balances:</b>					
Beginning of Year	6,258,250	1,681,904	302	2,767,184	10,707,640
End of Year	<u>\$ 7,205,816</u>	<u>\$ 1,952,368</u>	<u>\$ -</u>	<u>\$ 3,529,590</u>	<u>\$ 12,687,774</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, 2019

**Net change in fund balances total governmental funds** \$ 1,980,134

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	137,055
Depreciation expense	(272,656)

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal payments on long-term liabilities	2,220,777
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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	18,078
Amortization of bond discount	(7,194)
Change in net pension liability and related deferred amounts	(2,949,583)
Change in net other postemployment benefit obligation and related deferred amounts	134,132
Change in the accrual for compensated absences	(35,439)

Change in net position of governmental activities	\$ 1,225,304
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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, 2019

	DEBT STABILIZATION FUND		
	ORIGINAL & FINAL BUDGET	ACTUAL	ACTUAL OVER (UNDER) FINAL BUDGET
REVENUES:			
Investment income	\$ 3	\$ 3	\$ -
<b>TOTAL REVENUES</b>	<b>3</b>	<b>3</b>	-
EXPENDITURES:			
Debt Payments:			
Principal	-	-	-
Interest	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>-</b>	-
Revenues Over (Under) Expenditures & Net Change In Fund Balances	<b>3</b>	<b>3</b>	-
OTHER FINANCING SOURCES (USES):			
Transfers to other funds	(305)	(305)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(305)</b>	<b>(305)</b>	-
NET CHANGE IN FUND BALANCES	(302)	(302)	-
<b>FUND BALANCE, beginning</b>	<b>302</b>	<b>302</b>	-
<b>FUND BALANCE, ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

City of Ecorse  
Statement of Revenues, Expenditures  
and Changes in Fund Balance-  
Budget and Actual  
For the Fiscal Year Ended June 30, 2019

MOTOR VEHICLE HIGHWAY MAJOR STREET FUND				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ACTUAL OVER (UNDER) FINAL BUDGET
<b>REVENUES:</b>				
State sources	\$ 491,000	\$ 529,675	\$ 667,917	\$ 138,242
Interest income	500	28,000	28,008	8
Other revenue	-	4,205	5,526	1,321
<b>TOTAL REVENUES</b>	<b>491,500</b>	<b>561,880</b>	<b>701,451</b>	<b>139,571</b>
<b>EXPENDITURES:</b>				
Highways and streets	304,183	360,080	250,987	(109,093)
<b>TOTAL EXPENDITURES</b>	<b>304,183</b>	<b>360,080</b>	<b>250,987</b>	<b>(109,093)</b>
Revenues Over (Under) Expenditures	<b>187,317</b>	<b>201,800</b>	<b>450,464</b>	<b>248,664</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers to other funds	(180,000)	(180,000)	(180,000)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(180,000)</b>	<b>(180,000)</b>	<b>(180,000)</b>	<b>-</b>
Revenues Over (Under) Expenditures & Net Change In Fund Balances	7,317	21,800	270,464	248,664
<b>FUND BALANCE, beginning</b>	<b>1,681,904</b>	<b>1,681,904</b>	<b>1,681,904</b>	<b>-</b>
<b>FUND BALANCE, ending</b>	<b>\$ 1,689,221</b>	<b>\$ 1,703,704</b>	<b>\$ 1,952,368</b>	<b>\$ 248,664</b>

City of Ecorse  
Statement of Net Position  
Water and Sewer Enterprise Fund  
June 30, 2019

<b>Assets</b>	
Current Assets:	
Cash and investments	\$ 7,965,094
Receivables - net of allowances	2,550,835
Due from other government	331,292
Prepaid expenses	19,112
Total Current Assets	<u>10,866,333</u>
Noncurrent assets:	
Restricted cash	253,306
Restricted prepaid expense	1,123,628
Capital assets, net	24,116,656
Less accumulated depreciation	-
Total Noncurrent Assets	<u>25,493,590</u>
<b>Total Assets</b>	<u>36,359,922</u>
<b>Deferred outflows of resources</b>	
Deferred pension amounts	<u>203,473</u>
<b>Liabilities</b>	
Current Liabilities:	
Accounts payable	527,399
Accrued liabilities	21,634
Due to other government	21,951
Accrued interest payable	112,684
Bonds, loans and compensated absences payable, current portion	464,762
Total Current Liabilities	<u>1,148,430</u>
Noncurrent Liabilities:	
Net pension liability	1,545,840
DUWA obligation	370,300
Bonds, loans and compensated absences payable, net of current portion	11,801,067
Total Noncurrent Liabilities	<u>13,717,207</u>
<b>Total Liabilities</b>	<u>14,865,638</u>
<b>Deferred inflows of resources</b>	
Deferred pension amounts	<u>-</u>
<b>Net position</b>	
Net invested in capital assets	11,866,286
Restricted prepaid assets	1,123,628
Restricted for funds on deposit with Wayne County for sewer debt reserve and capital outlay	253,306
Unrestricted	8,454,538
<b>Total net position</b>	<u>\$ 21,697,757</u>

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, 2019

<b>Operating revenues:</b>	
Charges for services:	
Water operations	\$ 4,760,089
Sewer operations	5,408,547
Intergovernmental revenue	219,985
Other revenue	2,141,785
<b>Total operating revenues</b>	12,530,406
 <b>Operating expenses:</b>	
Personnel	358,209
Administrative fee	355,000
Repair and maintenance	234,952
Utilities	3,474,425
Contractual and other	1,136,608
Depreciation & amortization	846,056
<b>Total operating expenses</b>	6,405,250
Net operating income (loss)	6,125,156
 <b>Nonoperating revenues (expenses):</b>	
Property taxes	63,853
Investment income	120,939
DUWA project gain	1,059,020
Interest expense	(394,164)
<b>Total nonoperating revenues (expenses)</b>	849,648
<b>Change in net position</b>	6,974,804
Net position, beginning of year	14,722,952
<b>Net position, end of year</b>	\$ 21,697,757

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, 2019

<b>Cash flows provided by (used in) operating activities:</b>	
Cash received from customers	\$ 9,275,103
Cash payments to suppliers for goods and services	(5,196,086)
Cash payments to employees	(358,209)
	<u>3,720,808</u>
<b>Net cash provided by operating activities</b>	<u>3,720,808</u>
<b>Cash flows from for capital and related financing activities:</b>	
Acquisition of capital assets	(6,178,494)
Proceeds from issuance of long-term debt	6,463,942
Principal payments on long-term debt	(867,626)
Interest payments on long-term debt	(325,439)
	<u>(907,617)</u>
<b>Net cash (used) for capital and related financing activities</b>	<u>(907,617)</u>
<b>Cash flows from noncapital financing activities</b>	
Property taxes	17,318
	<u>17,318</u>
<b>Cash flows from investing activities:</b>	
Interest and dividends	120,939
	<u>120,939</u>
<b>Net cash provided (used) by investing activities</b>	<u>120,939</u>
<b>Net increase (decrease) in cash and investments</b>	2,951,448
Cash and cash equivalents at beginning of year	<u>5,266,951</u>
Cash at end of year	<u><u>\$ 8,218,399</u></u>
<b>Reconciliation of cash and investments per statement of net position:</b>	
Cash and investments	\$ 7,965,094
Restricted cash	253,306
	<u><u>\$ 8,218,400</u></u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	
Operating income (loss)	\$ 6,125,156
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	846,056
Changes in assets and liabilities:	
Accounts receivable, net	(1,079,607)
Due from other government	(153,813)
Prepaid items	43,706
Accounts payable	41,875
Accrued liabilities	5,760
Due to other government	(46,535)
Net pension liability and deferred amounts	(2,062,566)
Accrued compensated absences	776
	<u>776</u>
<b>Net cash provided by operating activities</b>	<u><u>\$ 3,720,808</u></u>

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

City of Ecorse  
Statement of Fiduciary  
Assets and Liabilities  
June 30, 2019

	Agency Funds
<b>Assets:</b>	
Cash and investments	\$ 311,045
Due from other funds	175
Total Assets	\$ 311,220
 <b>Liabilities:</b>	
Undistributed receipts	\$ 311,220
Total Liabilities	\$ 311,220

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

City of Ecorse, Michigan  
Notes to Financial Statements  
June 30, 2019

## 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, 2019  
(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, 2019  
(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, 2019  
(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 \$249,340 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, 2019  
(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, 2019  
(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, 2019  
(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.

***New Accounting Standards***

In January 2017, the Governmental Accounting Standards Board issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2020.

In June 2017, the Governmental Accounting Standards Board issued GASB Statement NO. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an

City of Ecorse, Michigan  
Notes to Financial Statements  
June 30, 2019  
(Continued)

intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2020.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which simplifies accounting for interest cost incurred before the end of construction and requires those costs to be expensed in the period incurred. As a result, interest cost incurred before the end of a construction period will not be capitalized and included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of the standard will be applied prospectively and result in increased interest expense during periods of construction. The provisions of this statement are effective for the City's financial statements for the June 30, 2020 fiscal year.

In August 2018, the Governmental Accounting Standards Board issued Statement No. 90, *Majority Equity Interests*. This statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. The City has no majority equity interest in a legally separate organization at this time that would cause the use of Statement 90.

## **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.

City of Ecorse, Michigan  
Notes to Financial Statements  
June 30, 2019  
(Continued)

**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.

Retiree Pension - \$195

**4. DEPOSITS AND INVESTMENTS**

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

	Primary Government
Statement of net position	
Cash investments	\$ 18,116,177
Restricted cash	253,306
Statement of fiduciary net position	
Cash and investments	249,824
	18,619,307
Deposits and investments	
Bank deposits (checking, sweep and money market accounts)	16,155,389
Investments	2,214,578
Cash on deposit with Wayne County	249,340
	\$ 18,619,307

The City chooses to disclose its investments by specifically identifying each. At June 30, 2019, the City had the following investments.

Investment	Maturity	Amortized Cost	Rating (Moody's)
Municipal bonds	5/1/2023	\$ 2,214,578	Aaa

City of Ecorse, Michigan  
Notes to Financial Statements  
June 30, 2019  
(Continued)

*Investment and deposit risk*

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

*Credit Risk.* State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investments. Commercial paper must be rated within the two highest classification established by not less than two standard rating services. The City's investment policy does not have specific limits in excess of state law on investment credit risk. The credit rating for the investments held at year end is identified above.

*Custodial Credit Risk - Deposits.* Deposits are exposed to custodial credit risk if they are not covered by depository insurance. As of June 30, 2019, \$15,814,093 of the City's total bank balance of \$16,106,559 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.

City of Ecorse, Michigan  
Notes to Financial Statements  
June 30, 2019  
(Continued)

**5. RECEIVABLES**

Receivables in the governmental activities are 10% accounts receivable and 90% due from other governments. Business-type activities receivables (net of an estimated allowance of \$270,511 for uncollectible accounts) are 100% due from customers.

**6. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2019 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	\$ 197,677	\$ -	\$ -	\$ 197,677
Subtotal	<u>197,677</u>	<u>-</u>	<u>-</u>	<u>197,677</u>
Capital assets being depreciated				
Land improvements	2,231,284	40,149	-	2,271,433
Buildings	1,787,268	27,035	-	1,814,303
Vehicles	1,835,658	42,800	-	1,878,458
Equipment	825,022	27,071	-	852,093
Infrastructure	11,535,213	-	-	11,535,213
Subtotal	<u>18,214,445</u>	<u>137,055</u>	<u>-</u>	<u>18,351,500</u>
Less accumulated depreciation for:				
Land improvements	(1,871,693)	(38,254)	-	(1,909,947)
Buildings	(1,028,425)	(12,467)	-	(1,040,892)
Vehicles	(1,650,352)	(72,083)	-	(1,722,435)
Equipment	(341,116)	(52,208)	-	(393,324)
Infrastructure	(8,807,620)	(97,644)	-	(8,905,264)
Subtotal	<u>(13,699,206)</u>	<u>(272,656)</u>	<u>-</u>	<u>(13,971,862)</u>
Net capital assets being depreciated	<u>4,515,239</u>	<u>(135,601)</u>	<u>-</u>	<u>4,379,638</u>
Capital assets-net of depreciation	<u>\$ 4,712,916</u>	<u>\$ (135,601)</u>	<u>\$ -</u>	<u>\$ 4,577,315</u>

Depreciation was charged to functions as follows:

Governmental activities:	
General Government	\$ 61,583
Public Safety, Fire & Police	81,078
Department of Public Works	102,687
Parks & Recreation	<u>27,308</u>
Total governmental activities depreciation expense	<u>\$ 272,656</u>

City of Ecorse, Michigan  
Notes to Financial Statements  
June 30, 2019  
(Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
<b>Business-type activities</b>				
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	187,000	-	-	187,000
Vehicles	68,016	-	-	68,016
Equipment	233,400	-	-	233,400
DUWA	-	5,934,851	-	5,934,851
Water and sewer mains	13,859,830	-	-	13,859,830
Sewage system	21,133,244	243,643	-	21,376,887
	<u>35,485,190</u>	<u>6,178,494</u>	<u>-</u>	<u>41,663,684</u>
Less accumulated depreciation and amortization for:				
Land improvements	(3,700)	-	-	(3,700)
Buildings	(187,000)	-	-	(187,000)
Vehicles	(27,206)	(13,603)	-	(40,809)
Equipment	(61,360)	(46,680)	-	(108,040)
DUWA	-	(178,046)	-	(178,046)
Water and sewer mains	(9,861,734)	(184,266)	-	(10,046,000)
Sewage system	(6,575,069)	(427,538)	-	(7,002,607)
	<u>(16,716,069)</u>	<u>(850,133)</u>	<u>-</u>	<u>(17,566,202)</u>
Total capital assets being depreciated and amortized, net	<u>18,769,121</u>	<u>5,328,361</u>	<u>-</u>	<u>24,097,482</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 18,788,295</u>	<u>\$ 5,328,361</u>	<u>\$ -</u>	<u>\$ 24,116,656</u>

City of Ecorse, Michigan  
Notes to Financial Statements  
June 30, 2019  
(Continued)

**7. PAYABLES**

Payables in the governmental activities are 79% accounts payable and accrued liabilities and 21% other. Business-type activities payables are entirely accounts payable, accrued liabilities and accrued interest.

**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	100,000	
Brownfield	192,235	
Current Tax Collection Fund		175
Comm.Dev. Block Grant:		
General Fund		100,000
Brownfield:		
General Fund		192,235
Water Fund		171,547
Water Fund:		
Brownfield	171,547	
Current Tax Collection Fund:		
General Fund	175	
Totals	\$ 463,957	\$ 463,957

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.

City of Ecorse, Michigan  
Notes to Financial Statements  
June 30, 2019  
(Continued)

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General Fund	\$ 305	\$ 1,000
Stabilization Bond Fund	-	305
Major Streets Fund	-	180,000
Local Streets Fund	180,000	-
Justice Training Grant Fund	-	-
Drug Enforcement	1,000	-
	<u>1,000</u>	<u>-</u>
Totals	<u>\$ 181,305</u>	<u>\$ 181,305</u>

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 of Ecorse has direct borrowings (Financial Recovery Bonds) and direct borrowings and direct placements (Emergency Loans) related to governmental activities totaling \$6,950,000 and \$3,000,000, respectively, and direct borrowings related to business-type activities totaling \$12,250,369.

The City of Ecorse issued Financial Recovery Bonds of \$9,495,000 in 2011 which require a 5.8% interest rate for the first 16 years. After the first 16 years (from 11/1/2027-2035), the interest rate is set at 6.5%. The interest is recurrent every six months. Direct borrowings (Financial Recovery Bonds) related to governmental activities remain at \$ 6,950,000 as of 6/30/2019.

Direct borrowings related to business-type activities of \$12,250,369 contain 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.

Direct borrowings related to business-type activities of \$12,250,369 also contain the new DUWA debt of \$5,842,805. The Downriver Sewage Disposal System (the "System") is comprised of 13 member communities (the "communities") and was reported as an enterprise fund of Wayne County until 9/27/18. Until 9/27/18, the System was owned and operated by Wayne County and was on a 9/30 year-end. On 9/27/18, Wayne County sold the System to the Downriver Utility

City of Ecorse, Michigan  
Notes to Financial Statements  
June 30, 2019  
(Continued)

Wastewater Authority ("DUWA"). DUWA is a separate legal entity that serves the communities. As part of the transfer, DUWA received the capital assets as well as a majority of the cash and an assumption of the non-judgment levy funded long-term debt of the System ("transferred debt"). The County maintained the judgment levy debt and the related restricted assets. The judgment levy debt remained in the County's name, but will continue to be financed directly by payments from the communities (County will invoice each community directly – communities will continue to levy the EPA tax). After the transfer, DUWA issued an additional debt ("new debt") of \$55,225,000. The City of Ecorse is allocated of the new debt 10.58% which is \$5,842,805. The interest is around 5% and recurrent every 12 months. An additional balloon amount is due in 2023 of \$370,300 that is not included in the DUWA debt requirements below.

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

	Emergency Loans		Financial Recovery Bonds	
	Principal	Interest	Principal	Interest
2020	\$ -	\$ 35,632	\$ 275,000	\$ 489,630
2021	-	35,632	295,000	473,100
2022	-	35,632	310,000	455,555
2023	-	35,632	330,000	436,995
2024	500,000	29,693	350,000	417,275
2025-2029	2,500,000	59,386	2,085,000	1,741,535
2030-2034	-	-	2,870,000	956,475
2035-2036	-	-	435,000	94,738
	<u>\$ 3,000,000</u>	<u>\$ 231,607</u>	<u>\$ 6,950,000</u>	<u>\$ 5,065,303</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2020	\$ -	\$ 292,140	\$ 292,140
2021	125,902	292,140	418,042
2022	132,250	285,846	418,096
2023	138,598	279,232	417,830
2024	145,475	272,302	417,777
2025-2029	917,815	1,241,060	2,158,875
2030-2034	1,227,809	979,074	2,206,883
2035-2039	1,576,949	638,902	2,215,851
2040-2043	1,578,007	202,184	1,780,191
	<u>\$ 5,842,805</u>	<u>\$ 4,482,880</u>	<u>\$ 10,325,685</u>

City of Ecorse, Michigan  
Notes to Financial Statements  
June 30, 2019  
(Continued)

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
2020	\$ 472,354	\$ 438,151	\$ 910,505
2021	825,212	420,423	1,245,635
2022	560,691	403,600	964,291
2023	576,989	386,559	963,548
2024	593,704	368,945	962,649
2025-2029	3,264,925	1,523,464	4,788,389
2030-2034	2,756,538	1,037,480	3,794,018
2035-2039	1,621,949	639,465	2,261,414
2040-2043	1,578,007	202,184	1,780,191
	<u>\$ 12,250,369</u>	<u>\$ 5,420,271</u>	<u>\$ 17,670,640</u>

City of Ecorse, Michigan  
Notes to Financial Statements  
June 30, 2019  
(Continued)

Changes in long-term obligations of the City for the year ended June 30, 2019, are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
<u>Bonds Payable</u>					
Financial Recovery Bonds	\$ 7,610,000	\$ -	\$ 660,000	\$ 6,950,000	\$ 275,000
Total Bonds	<u>7,610,000</u>	<u>-</u>	<u>660,000</u>	<u>6,950,000</u>	<u>275,000</u>
<u>Loans &amp; Other Payables</u>					
Emergency Loans	4,500,000	-	1,500,000	3,000,000	-
Capital Lease (fire truck)	60,777	-	60,777	-	-
Unamortized Discount	(129,496)	-	(7,194)	(122,302)	(7,194)
Total Notes	<u>4,431,281</u>	<u>-</u>	<u>1,553,583</u>	<u>2,877,698</u>	<u>(7,194)</u>
Compensated Absences	393,250	35,439	-	428,689	85,738
Total	<u>\$ 12,434,531</u>	<u>\$ 35,439</u>	<u>\$ 2,213,583</u>	<u>\$ 10,256,387</u>	<u>\$ 353,544</u>
Business-Type Activities:					
State Revolving Fd.Loans	6,012,271	240,843	547,670	5,705,444	425,150
Revenue Bonds	382,082	9,994	319,956	72,120	6,520
DUWA	-	5,842,805	-	5,842,805	-
DUWA Balloon 2023	-	370,300	-	370,300	-
Compensated Absences	14,684	776	-	15,460	3,092
Clean Water Bonds	660,000	-	30,000	630,000	30,000
Total	<u>\$ 7,069,037</u>	<u>\$ 6,464,718</u>	<u>\$ 897,626</u>	<u>\$ 12,636,129</u>	<u>\$ 464,762</u>

City of Ecorse, Michigan  
Notes to Financial Statements  
June 30, 2019  
(Continued)

Debt service requirements on long-term debt less compensated absences at June 30, 2019, are as follows:

Fiscal Year Ending June 30,	Governmental Activities				Business-Type Activities	
	Direct Borrowings and Direct Placements (Emergency Loans)		Direct Borrowings (Financial Recovery Bonds)		Direct Borrowings	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ -	\$ 35,632	\$ 275,000	\$ 489,630	\$ 472,354	\$ 438,151
2021	-	35,632	295,000	473,100	825,212	420,423
2022	-	35,632	310,000	455,555	560,691	403,600
2023	-	35,632	330,000	436,995	576,989	386,559
2024	500,000	29,693	350,000	417,275	593,704	368,945
2025-2029	2,500,000	59,386	2,085,000	1,741,535	3,264,925	1,523,464
2030-2034	-	-	2,870,000	956,475	2,756,538	1,037,480
2035-2039	-	-	435,000	94,738	1,621,949	639,465
2040-2043	-	-	-	-	1,578,007	202,184
	<u>\$ 3,000,000</u>	<u>\$ 231,607</u>	<u>\$ 6,950,000</u>	<u>\$ 5,065,303</u>	<u>\$ 12,250,369</u>	<u>\$ 5,420,271</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, 2019, 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.

## 11. JOINT VENTURE

The City of Ecorse, along with 12 other communities, jointly participated in the Downriver Sewage Disposal system (the "System"). On September 27, 2018, the System transferred from the County of Wayne, Michigan (the "County") to the Downriver Utility Wastewater Authority ("DUWA"). DUWA is a consortium formed in 2010 under Public Act 233 of 1955 to acquire and operate the sewer system. The same 13 communities that originally jointly participated in the System are now the members of DUWA and are effectively owners of the System. Debt balance transferred from WC (City of Ecorse portion) to DUWA, on 9/27/18 was \$6,492,374.

Existing County debt related to the System (City of Ecorse portion) was handled as follows:

- Judgment levy debt of \$125,372 remains as an obligation of the County and will continue to be paid directly from the communities (City of Ecorse) to the County.

City of Ecorse, Michigan  
Notes to Financial Statements  
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- 2007 D series bonds (\$278,254) were refunded and reissued as part of the \$55,225,000 Senior Lien bond issuance.
- The outstanding State Revolving Fund (SRF) of \$6,492,374 was exchanged into DUWA's name and has now become a liability of DUWA.

The new 2018 Senior Lien debt issuance with a face amount of \$55,225,000 and Junior Lien debt \$3.5 million. The Junior Lien debt is due 2023. The City of Ecorse is allocated 10.58% which is \$5,842,805 (Senior Lien debt) and \$370,300 (Junior Lien debt), respectively.

## **12. 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 \$99,243,265 (not including \$3,648,800 taxable value of industrial facility tax abated property). The government's general operating tax rate for fiscal year 2018-19 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.

## **13. 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](http://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

City of Ecorse, Michigan  
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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. *Employees Covered by Benefit Terms.* At December 31, 2018, plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	132
Inactive employees entitled to but not yet receiving benefits	11
Active employees	27
Total membership	170

*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, 2019, employer contributions ranged from \$4,180 to \$57,152. 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, 2018, 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, 2018 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.

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Notes to Financial Statements  
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*Investment Rate of Return.* 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:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	55.50%	6.65%
Global fixed income	18.50%	1.76%
Real Assets	13.50%	7.72%
Diversifying strategies	12.50%	5.50%
	100.00%	

*Discount Rate.* The discount rate used to measure the total pension liability is 8.00% for 2018. 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, 2019  
(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, 2017	\$41,430,127	\$16,832,843	\$ 24,597,284
Changes for the year:			
Service cost	206,822	-	206,822
Interest	3,173,217	-	3,173,217
Differences between expected and actual experience	(100,144)	-	-
Changes in assumptions	(163)	-	(163)
Employer contributions	-	3,378,304	(3,378,304)
Employee contributions	-	85,341	(85,341)
Net investment income	-	(654,740)	654,740
Benefit payments, including refunds of employee contributions	(3,734,857)	(3,734,857)	-
Administrative expense	-	(33,027)	33,027
Other changes	74	-	74
Net changes	<u>(455,051)</u>	<u>(958,979)</u>	<u>503,928</u>
Balance as of December 2018	<u>\$40,975,076</u>	<u>\$15,873,864</u>	<u>\$ 25,101,212</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	\$28,645,289	\$25,101,212	\$22,028,624

*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, 2019  
(Continued)

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

For the year ended June 30, 2019, the City recognized pension expense of \$2,420,582. The City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 1,202,965
Contributions subsequent to the measurement date	<u>2,092,236</u>
Total	<u>\$ 3,295,201</u>

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:

<u>Year Ended June 30,</u>	<u>Amount</u>
2020	\$ 430,317
2021	158,681
2022	224,468
2023	<u>389,499</u>
Total	<u>\$ 1,202,965</u>

*Payable to the Pension Plan.* At June 30, 2019, the City reported a payable of approximately \$58,347 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2019.

City of Ecorse, Michigan  
Notes to Financial Statements  
June 30, 2019  
(Continued)

## 14. 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. Members hired on or after July 1, 2017 are not eligible for retiree medical, prescription drug, or life insurance coverage.

City of Ecorse, Michigan  
Notes to Financial Statements  
June 30, 2019  
(Continued)

- **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. Police members hired on or after January 1, 2012 are not eligible for retiree medical, prescription drug, dental or life insurance coverage. Fire members hired on or after July 1, 2017 are not eligible for retiree medical, prescription drug, dental or life insurance coverage.

*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, 2019, the City contributed \$1,017,230 to pay current premiums and \$312,000 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.

City of Ecorse, Michigan  
Notes to Financial Statements  
June 30, 2019  
(Continued)

**Net OPEB Liability.** The City's net OPEB liability was measured as of June 30, 2019, 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, 2019. 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:

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	5.75	% 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.

**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.

City of Ecorse, Michigan  
Notes to Financial Statements  
June 30, 2019  
(Continued)

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:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	55.50%	8.65%
Global fixed income	18.50%	3.76%
Private assets	26.00%	8.65%
	100.00%	

**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, 2019  
(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, 2018	\$ 18,514,277	\$ 252,169	\$ 18,262,108
Changes for the year:			
Service cost	156,373	-	156,373
Interest	1,039,821	-	1,039,821
Differences between expected and actual experience	(55,426)	-	(55,426)
Changes in assumptions	-	-	-
Employer contributions	-	1,329,230	(1,329,230)
Employee contributions	-	-	-
Net investment income	-	27,343	(27,343)
Benefit payments, including refunds of employee contributions	(1,017,230)	(1,017,230)	-
Administrative expense	-	(854)	854
Net changes	<u>123,538</u>	<u>338,489</u>	<u>(214,951)</u>
Balance as of June 30, 2019	<u>\$ 18,637,815</u>	<u>\$ 590,658</u>	<u>\$ 18,047,157</u>

The Plan fiduciary net position represents 3.17 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	\$20,261,204	\$18,047,157	\$16,206,293

City of Ecorse, Michigan  
Notes to Financial Statements  
June 30, 2019  
(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	\$16,063,050	\$18,047,157	\$20,380,604

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

For the year ended June 30, 2019, the City recognized OPEB expense of \$1,195,098. The City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 26,573
Net differences between projected and actual earnings on OPEB plan investments	1,232	-
Total	\$ 1,232	\$ 26,573

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

Year Ending June 30,	Amount
2020	\$ (25,903)
2021	670
2022	670
2023	(778)
Total	\$ (25,341)

City of Ecorse, Michigan  
Notes to Financial Statements  
June 30, 2019  
(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.

**15. 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. There are no judgments that are currently a liability and are not recorded in the general fund. In addition, the City has four 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.

**16. 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
<b>Capital assets</b>		
Capital assets not being depreciated	\$ 197,677	\$ 19,174
Capital assets being depreciated, net	4,379,638	24,066,626
	4,577,315	24,085,800
 <b>Related debt</b>		
Due within one year	428,689	464,762
Due in more than one year	10,827,698	12,265,829
Less noncapital related debt, net of discount	(10,827,698)	-
Less compensated absences	(428,689)	(15,460)
	-	12,715,131
 <b>Net investment in capital assets</b>	 \$ 4,577,315	 \$ 11,370,669

City of Ecorse  
Combining Balance Sheets  
Nonmajor Governmental Funds  
June 30, 2019

	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		
<b>ASSETS:</b>										
Cash and investments	\$ 1,168,508	\$ 885,079	\$ 441	\$ 6,051	\$ 6,786	\$ 479,275	\$ 36,588	\$ 877,962	\$ 3,460,691	
Accrued interest	-	-	-	-	-	-	-	12,966	12,966	
Due from other governments	41,744	32,441	-	-	-	25,986	121,500	55,781	277,451	
Prepaid Expenses	-	-	-	-	-	597	-	-	597	
<b>TOTAL ASSETS</b>	<b>\$ 1,210,252</b>	<b>\$ 917,520</b>	<b>\$ 441</b>	<b>\$ 6,051</b>	<b>\$ 6,786</b>	<b>\$ 505,858</b>	<b>\$ 158,088</b>	<b>\$ 946,709</b>	<b>\$ 3,751,706</b>	
<b>LIABILITIES AND FUND BALANCE:</b>										
<b>LIABILITIES</b>										
Accounts payable	\$ 8,286	\$ 55,643	\$ -	\$ -	\$ -	\$ 424	\$ 54,500	\$ -	\$ 118,853	
Accrued wages	-	-	-	-	-	3,263	-	-	3,263	
Due to other funds	-	-	-	-	-	-	100,000	-	100,000	
<b>TOTAL LIABILITIES</b>	<b>8,286</b>	<b>55,643</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,687</b>	<b>154,500</b>	<b>-</b>	<b>222,115</b>	
<b>Fund Balance:</b>										
Nonspendable	-	-	-	-	-	-	-	-	-	
Prepays	-	-	-	-	-	597	-	-	597	
<b>Restricted for:</b>										
Highways and streets	1,201,966	-	-	-	-	-	-	-	1,201,966	
Public safety	-	-	441	6,051	6,786	-	-	-	13,278	
Public works	-	861,877	-	-	-	-	-	-	861,877	
Debt service	-	-	-	-	-	-	-	946,709	946,709	
Community development	-	-	-	-	-	-	3,588	-	3,588	
<b>Committed for:</b>										
Recreation and culture	-	-	-	-	-	501,575	-	-	501,575	
<b>TOTAL FUND BALANCES</b>	<b>1,201,966</b>	<b>861,877</b>	<b>441</b>	<b>6,051</b>	<b>6,786</b>	<b>502,172</b>	<b>3,588</b>	<b>946,709</b>	<b>3,529,590</b>	
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 1,210,252</b>	<b>\$ 917,520</b>	<b>\$ 441</b>	<b>\$ 6,051</b>	<b>\$ 6,786</b>	<b>\$ 505,858</b>	<b>\$ 158,088</b>	<b>\$ 946,709</b>	<b>\$ 3,751,706</b>	

City of Ecorse  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance  
Nonmajor Governmental Funds  
June 30, 2019

	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	\$ -	\$ 305,223	\$ -	\$ -	\$ -	\$ 124,472	\$ -	\$ 508,214	\$ 937,910
Intergovernmental	329,927	466,723	-	2,846	-	204,476	130,607	802,884	1,937,463
Fines and forfeiture	-	-	4,405	-	-	-	-	-	4,405
Interest Income	14,353	13,181	7	74	114	-	-	16,380	44,109
Other Revenues	-	-	-	-	-	18,370	-	-	18,370
<b>TOTAL REVENUES</b>	<b>344,280</b>	<b>785,127</b>	<b>4,412</b>	<b>2,920</b>	<b>114</b>	<b>347,318</b>	<b>130,607</b>	<b>1,327,478</b>	<b>2,942,257</b>
EXPENDITURES:									
Public Safety	-	-	13,868	-	2,489	-	-	-	16,357
Public works	-	669,438	-	-	-	-	-	-	669,438
Highways & Streets	304,906	-	-	-	-	-	-	-	304,906
Community & Economic Devel.	-	-	-	-	-	-	77,019	-	77,019
Recreation & Culture	-	-	-	-	-	108,985	-	-	108,985
Debt payments:									
Principal	-	-	-	-	-	-	50,000	660,000	710,000
Interest	-	-	-	-	-	-	-	466,145	466,145
Bond redemption premium	-	-	-	-	-	-	-	8,000	8,000
<b>TOTAL EXPENDITURES</b>	<b>304,906</b>	<b>669,438</b>	<b>13,868</b>	<b>-</b>	<b>2,489</b>	<b>108,985</b>	<b>127,019</b>	<b>1,134,145</b>	<b>2,360,851</b>
REVENUES OVER (UNDER) EXPENDITURES	39,374	115,689	(9,456)	2,920	(2,375)	238,332	3,588	193,333	581,406
OTHER FINANCING SOURCES (USES):									
Transfer to Bond Debt Service Fund	-	-	-	-	-	-	-	-	-
Transfer from Bond Debt Service Fund	-	-	-	-	-	-	-	-	-
Transfer from General Fund	-	-	1,000	-	-	-	-	-	1,000
Transfer from Major Highway	180,000	-	-	-	-	-	-	-	180,000
Transfer from Street Construction	-	-	-	-	-	-	-	-	-
Total Other Financing Sources	180,000	-	1,000	-	-	-	-	-	181,000
NET CHANGE IN FUND BALANCES	219,374	115,689	(8,456)	2,920	(2,375)	238,332	3,588	193,333	762,406
FUND BALANCE, beginning	982,592	746,188	8,897	3,131	9,161	263,840	-	753,376	2,767,184
<b>FUND BALANCE, ending</b>	<b>\$ 1,201,966</b>	<b>\$ 861,877</b>	<b>\$ 441</b>	<b>\$ 6,051</b>	<b>\$ 6,786</b>	<b>\$ 502,172</b>	<b>\$ 3,588</b>	<b>\$ 946,709</b>	<b>\$ 3,529,590</b>

City of Ecorse  
Statement of Revenues, Expenditures  
and Changes in Fund Balance -  
Budget and Actual  
For the Fiscal Year Ended June 30, 2019

	MOTOR VEHICLE HIGHWAY LOCAL STREET FUND			
	ORIGINAL	FINAL	ACTUAL	ACTUAL
	BUDGET	BUDGET		OVER (UNDER)
			FINAL	BUDGET
<b>REVENUES:</b>				
State sources	\$ 188,000	\$ 273,267	\$ 329,927	\$ 56,660
Interest on savings and investments	500	14,000	14,353	353
<b>TOTAL REVENUES</b>	<b>188,500</b>	<b>287,267</b>	<b>344,280</b>	<b>57,013</b>
<b>EXPENDITURES:</b>				
Highways and streets	368,233	450,309	304,906	(145,403)
<b>TOTAL EXPENDITURES</b>	<b>368,233</b>	<b>450,309</b>	<b>304,906</b>	<b>(145,403)</b>
Revenues Over (Under) Expenditures	<b>(179,733)</b>	<b>(163,042)</b>	<b>39,374</b>	<b>202,416</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers from other funds	180,000	180,000	180,000	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>180,000</b>	<b>180,000</b>	<b>180,000</b>	<b>-</b>
Revenues Over (Under) Expenditures & Net Change In Fund Balances	267	16,958	219,374	202,416
<b>FUND BALANCE, beginning</b>	<b>982,592</b>	<b>982,592</b>	<b>982,592</b>	<b>-</b>
<b>FUND BALANCE, ending</b>	<b>\$ 982,859</b>	<b>\$ 999,550</b>	<b>\$ 1,201,966</b>	<b>\$ 202,416</b>

City of Ecorse  
Statement of Revenues, Expenditures and Changes  
In Fund Balances - Budget and Actual (Budgetary Basis)  
Nonmajor Special Revenue Funds  
June 30, 2019

	RUBBISH FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ACTUAL OVER (UNDER) FINAL BUDGET
REVENUES:				
Property taxes	\$ 288,100	\$ 288,236	\$ 305,223	\$ 16,987
State sources	225,419	493,183	466,723	(26,460)
Interest on savings and investments	-	12,900	13,181	281
<b>TOTAL REVENUES</b>	<b>513,519</b>	<b>794,319</b>	<b>785,127</b>	<b>(9,192)</b>
 EXPENDITURES:				
Public works	528,000	734,000	669,438	(64,562)
<b>TOTAL EXPENDITURES</b>	<b>528,000</b>	<b>734,000</b>	<b>669,438</b>	<b>(64,562)</b>
 Revenues Over (Under) Expenditures & Net Change In Fund Balances	(14,481)	60,319	115,689	55,370
 FUND BALANCE, beginning	746,188	746,188	746,188	-
<b>FUND BALANCE, ending</b>	<b>\$ 731,707</b>	<b>\$ 806,507</b>	<b>\$ 861,877</b>	<b>\$ 55,370</b>

City of Ecorse  
Statement of Revenues, Expenditures and Changes  
In Fund Balances - Budget and Actual (Budgetary Basis)  
Nonmajor Special Revenue Funds  
June 30, 2019

	DRUG ENFORCEMENT		
	ORIGINAL & FINAL BUDGET	ACTUAL	ACTUAL OVER (UNDER) FINAL BUDGET
REVENUES:			
Fines and forfeiture	\$ 4,405	\$ 4,405	\$ -
Interest on savings and investments	12	7	(5)
<b>TOTAL REVENUES</b>	<b>4,417</b>	<b>4,412</b>	<b>(5)</b>
EXPENDITURES:			
Public safety	14,011	13,868	143
<b>TOTAL EXPENDITURES</b>	<b>14,011</b>	<b>13,868</b>	<b>143</b>
Revenues Over (Under) Expenditures	(9,594)	(9,456)	138
OTHER FINANCING SOURCES (USES):			
Transfers from other funds	1,000	1,000	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,000</b>	<b>1,000</b>	<b>-</b>
Revenues Over (Under) Expenditures & Net Change In Fund Balances	(8,594)	(8,456)	138
FUND BALANCE, beginning	8,897	8,897	-
<b>FUND BALANCE, ending</b>	<b>\$ 303</b>	<b>\$ 441</b>	<b>\$ 138</b>

City of Ecorse  
Statement of Revenues, Expenditures and Changes  
In Fund Balances - Budget and Actual (Budgetary Basis)  
Nonmajor Special Revenue Funds  
June 30, 2019

	JUSTICE TRAINING			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ACTUAL OVER (UNDER) FINAL BUDGET
REVENUES:				
State sources	\$ 1,300	\$ 1,580	\$ 2,846	\$ 1,266
Interest on savings and investments	-	60	74	14
<b>TOTAL REVENUES</b>	<b>1,300</b>	<b>1,640</b>	<b>2,920</b>	<b>1,280</b>
EXPENDITURES:				
Public safety	1,300	1,630	-	(1,630)
<b>TOTAL EXPENDITURES</b>	<b>1,300</b>	<b>1,630</b>	<b>-</b>	<b>(1,630)</b>
Revenues Over (Under) Expenditures & Net Change In Fund Balances	-	10	2,920	2,910
FUND BALANCE, beginning	3,131	3,131	3,131	-
<b>FUND BALANCE, ending</b>	<b>\$ 3,131</b>	<b>\$ 3,141</b>	<b>\$ 6,051</b>	<b>\$ 2,910</b>

City of Ecorse  
Statement of Revenues, Expenditures and Changes  
In Fund Balances - Budget and Actual (Budgetary Basis)  
Nonmajor Special Revenue Funds  
June 30, 2019

	VEHICLE FORFEITURES		
	ORIGINAL & FINAL BUDGET	ACTUAL	ACTUAL OVER (UNDER) FINAL BUDGET
REVENUES:			
Interest on savings and investments	\$ 100	\$ 114	\$ 14
<b>TOTAL REVENUES</b>	<b>100</b>	<b>114</b>	<b>14</b>
EXPENDITURES:			
Public safety	2,489	2,489	0
<b>TOTAL EXPENDITURES</b>	<b>2,489</b>	<b>2,489</b>	<b>0</b>
Revenues Over (Under) Expenditures & Net Change In Fund Balances	(2,389)	(2,375)	14
FUND BALANCE, beginning	9,161	9,161	-
<b>FUND BALANCE, ending</b>	<b>\$ 6,772</b>	<b>\$ 6,786</b>	<b>\$ (14)</b>

City of Ecorse  
Statement of Revenues, Expenditures and Changes  
In Fund Balances - Budget and Actual (Budgetary Basis)  
Nonmajor Special Revenue Funds  
June 30, 2019

	LIBRARY			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ACTUAL OVER (UNDER) FINAL BUDGET
REVENUES:				
Property taxes	\$ 119,906	\$ 120,591	\$ 124,472	\$ 3,881
State sources	24,779	47,086	204,476	157,390
Other	33,600	13,865	18,370	4,505
<b>TOTAL REVENUES</b>	<b>178,285</b>	<b>181,542</b>	<b>347,318</b>	<b>165,776</b>
 EXPENDITURES:				
Recreation and culture	172,192	156,884	108,985	(47,899)
<b>TOTAL EXPENDITURES</b>	<b>172,192</b>	<b>156,884</b>	<b>108,985</b>	<b>(47,899)</b>
 Revenues Over (Under) Expenditures & Net Change In Fund Balances	6,093	24,658	238,332	213,674
 FUND BALANCE, beginning	263,840	263,840	263,840	-
<b>FUND BALANCE, ending</b>	<b>\$ 269,933</b>	<b>\$ 288,498</b>	<b>\$ 502,172</b>	<b>\$ 213,674</b>

City of Ecorse  
Statement of Revenues, Expenditures and Changes  
In Fund Balances - Budget and Actual (Budgetary Basis)  
Nonmajor Special Revenue Funds  
June 30, 2019

COMMUNITY DEVELOPMENT BLOCK GRANT				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ACTUAL OVER (UNDER) FINAL BUDGET
<b>REVENUES:</b>				
Federal program revenue	\$ 45,000	\$ 136,985	\$ 130,607	\$ 6,378
<b>TOTAL REVENUES</b>	<b>45,000</b>	<b>136,985</b>	<b>130,607</b>	<b>6,378</b>
<b>EXPENDITURES:</b>				
Community projects	-	86,985	77,019	(9,966)
Debt service:				
Principal	45,000	50,000	50,000	-
<b>TOTAL EXPENDITURES</b>	<b>45,000</b>	<b>136,985</b>	<b>127,019</b>	<b>(9,966)</b>
Revenues Over (Under) Expenditures & Net Change In Fund Balances	-	-	3,588	(3,588)
FUND BALANCE, beginning	-	-	-	-
<b>FUND BALANCE, ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,588</b>	<b>\$ 3,588</b>

City of Ecorse  
Statement of Revenues, Expenditures and Changes  
In Fund Balances - Budget and Actual (Budgetary Basis)  
Nonmajor Governmental Fund  
June 30, 2019

DEBT SERVICE FUND - 2012 BOND				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ACTUAL OVER (UNDER) FINAL BUDGET
<b>REVENUES:</b>				
Property taxes	\$ 518,673	\$ 491,155	\$ 508,214	\$ 17,059
State sources	298,203	848,441	802,884	(45,557)
Interest on savings and investments	807	8,674	16,380	7,706
<b>TOTAL REVENUES</b>	<b>817,683</b>	<b>1,348,270</b>	<b>1,327,478</b>	<b>(20,792)</b>
<b>EXPENDITURES:</b>				
Debt payments:				
Principal	260,000	660,000	660,000	-
Interest	505,145	505,145	466,145	(39,000)
Bond redemption premium		8,000	8,000	-
<b>TOTAL EXPENDITURES</b>	<b>765,145</b>	<b>1,173,145</b>	<b>1,134,145</b>	<b>(39,000)</b>
Revenues Over (Under) Expenditures & Net Change In Fund Balances	52,538	175,125	193,333	18,208
FUND BALANCE, beginning	753,376	753,376	753,376	-
<b>FUND BALANCE, ending</b>	<b>\$ 805,914</b>	<b>\$ 928,501</b>	<b>\$ 946,709</b>	<b>\$ 18,208</b>

**REQUIRED SUPPLEMENTARY INFORMATION**

City of Ecorse  
Statement of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual (Budgetary Basis)  
General Fund  
June 30, 2019

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ACTUAL OVER (UNDER) FINAL BUDGET
<b>Revenues</b>				
Property taxes	5,400,305	5,541,256	5,654,196	112,940
Licenses and permits	240,480	336,313	353,528	17,215
Intergovernmental	3,525,222	6,594,528	6,636,907	42,379
Charges for services	85,600	88,874	111,121	22,247
Fines and forfeitures	400,000	400,000	242,441	(157,559)
Investment income	-	44,090	93,359	49,269
Other	171,272	564,271	627,708	63,437
<b>Total revenues</b>	<b>9,822,879</b>	<b>13,569,332</b>	<b>13,719,259</b>	<b>149,927</b>
<b>Expenditures</b>				
Current:				
General government:				
Attorney	779,200	881,011	829,411	(51,600)
Finance	285,580	318,516	289,104	(29,412)
City hall	287,536	299,050	251,480	(47,571)
Retiree pension	2,077,878	3,026,890	3,027,085	195
Retiree health care	1,406,178	1,396,351	1,348,241	(48,110)
Other	1,302,067	1,443,877	1,302,176	(141,701)
Less reimbursements	(407,500)	(407,500)	(407,500)	0
Total general government	5,730,939	6,958,195	6,639,998	(318,198)
Public Safety:				
Police and fire	2,853,571	3,582,352	3,320,881	(261,471)
Building inspection	226,458	266,598	243,453	(23,145)
Total public safety	3,080,029	3,848,950	3,564,334	(284,616)
Public works:				
Department of public works	556,780	796,148	685,782	(110,366)
Highway and streets:				
Street lighting	315,180	345,080	327,079	(18,001)
Debt service:				
Principal and interest on long-term debt	43,800	1,553,807	1,553,806	(1)
<b>Total expenditures</b>	<b>9,726,728</b>	<b>13,502,180</b>	<b>12,770,999</b>	<b>(731,182)</b>

continued...

City of Ecorse  
Statement of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual (Budgetary Basis)  
General Fund  
June 30, 2019

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ACTUAL OVER (UNDER) FINAL BUDGET
Revenues over (under) expenditures	96,151	67,152	948,261	881,109
<b>Other financing sources (uses)</b>				
Transfer from other funds	-	-	305	305
Transfer to other funds	-	(1,000)	(1,000)	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(1,000)</b>	<b>(695)</b>	<b>305</b>
<b>Net change in fund balance</b>	<b>96,151</b>	<b>66,152</b>	<b>947,566</b>	<b>881,414</b>
Fund balance, beginning of year	6,258,250	6,258,250	6,258,250	-
<b>Fund balance, end of year</b>	<b>6,354,401</b>	<b>6,324,402</b>	<b>7,205,816</b>	<b>881,414</b>

concluded.

**CITY OF ECORSE**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY**  
**DETERMINED AS OF THE PLAN YEAR ENDED DECEMBER 31**

	<b>2018</b> (12/31/18 Measurement Date)	<b>2017</b> (12/31/17 Measurement Date)	<b>2016</b> (12/31/16 Measurement Date)	<b>2015</b> (12/31/15 Measurement Date)	<b>2014</b> (12/31/14 Measurement Date)
<b>Total Pension Liability</b>					
Service Cost	\$ 206,822	\$ 189,305	\$ 186,962	\$ 194,132	\$ 191,053
Interest	3,173,217	3,189,721.00	3,200,465	3,141,599	3,174,890
Changes in benefit terms	-	-	-	-	-
Differences between expected and actual experience	(100,144)	160,460	263,363	395,764	-
Changes in assumptions	(163)	-	-	1,979,630	-
Others	74	(1,382)	(10,506)	(10,522)	(10,517)
Benefits payments, including refunds	(3,734,857)	(3,769,681)	(3,781,830)	(3,760,544)	(3,760,437)
Net change in total pension liability	(455,051)	(231,577)	(141,546)	1,940,059	(405,011)
Total pension liability - beginning of year	\$ 41,430,127	\$ 41,661,704	41,803,250	39,863,191	40,268,202
Total pension liability - end of year	<b>\$ 40,975,076</b>	<b>\$ 41,430,127</b>	<b>\$ 41,661,704</b>	<b>\$ 41,803,250</b>	<b>\$ 39,863,191</b>
<b>Plan Fiduciary Net Position</b>					
Contributions - Employer	3,378,304	2,809,524	4,684,468	2,429,229	1,602,541
Contributions - Member	85,341	81,354	86,226	85,425	84,791
Net Investment income(loss)	(654,740)	2,009,273	1,434,495	(189,400)	952,166
Administrative expenses	(33,027)	(31,880)	(28,430)	(30,625)	(34,427)
Benefit payments, including refunds	(3,734,857)	(3,769,681)	(3,781,830)	(3,760,544)	(3,760,437)
Other	-	-	-	-	-
Net change in plan fiduciary net position	(958,979)	1,098,590	2,394,929	(1,465,915)	(1,155,366)
Plan fiduciary net position - beginning of year	\$ 16,832,843	\$ 15,734,253	13,339,324	14,805,239	15,960,605
Plan fiduciary net position - end of year	<b>\$ 15,873,864</b>	<b>\$ 16,832,843</b>	<b>\$ 15,734,253</b>	<b>\$ 13,339,324</b>	<b>\$ 14,805,239</b>
<b>City of Ecorse net pension liability - Ending</b>	<b>\$ 25,101,212</b>	<b>\$ 24,597,284</b>	<b>\$ 25,927,451</b>	<b>\$ 28,463,926</b>	<b>\$ 25,057,952</b>
Plan fiduciary net position as a percentage of total pension liability	38.74%	40.63%	37.77%	31.91%	37.14%
Covered employee payroll	1,833,471	\$ 1,650,070	\$ 1,612,357	\$ 1,688,425	1668040
City's net pension liability as a percentage of covered payroll	1369.05%	1490.68%	1608.05%	1685.83%	1502.24%

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%
2019	40,975,076	15,873,864	25,101,212	38.74%	1,833,471	1369.1%

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,	2019	2018
<b>Total OPEB Liability</b>		
Service Cost	\$ 156,373	\$ 159,886
Interest on the Total OPEB Liability	1,039,821	1,028,027
Changes of benefit terms	-	-
Difference between expected and actual experience	(55,426)	103,617
Changes of assumptions	-	-
Benefit payments, including refunds of employee contributions	(1,017,230)	(1,152,088)
Net change in total OPEB liability	123,538	139,442
Total OPEB liability - beginning of year	18,514,277	18,374,835
Total OPEB liability - end of year	<b>18,637,815</b>	<b>18,514,277</b>
<b>Plan Fiduciary Net Position</b>		
Employer contributions	1,329,230	1,407,088
Nonemployer contributing entities contributions	-	-
OPEB plan net investment income	27,343	-
Benefit payments, including refunds	(1,017,230)	(1,152,088)
OPEB plan administrative expenses	(854)	(186)
Other	-	(2,645)
Net change in plan fiduciary net position	338,489	252,169
Plan fiduciary net position - beginning	252,169	-
Plan fiduciary net position - ending	<b>590,658</b>	<b>252,169</b>
<b>Net OPEB Liability - ending</b>	<b>\$ 18,047,157</b>	<b>\$ 18,262,108</b>
Plan fiduciary net position as a percentage of total OPEB liability	3.17%	1.36%
Covered employee payroll	\$ 2,007,398	\$ 1,755,718
City's net OPEB liability as a percentage of covered-employee payroll	899.03%	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 Liability as a % of Covered Payroll
2018	\$ 18,514,277	\$ 252,169	\$ 18,262,108	1.36%	\$ 1,755,718	1040.15%
2019	\$ 18,637,815	\$ 590,658	\$ 18,047,157	3.17%	\$ 2,007,398	899.03%

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

Schedule of Contributions Multiyear

Fiscal Year Ended June 30,	Actuarially 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%
2019	\$ 1,649,716	\$ 1,329,230	\$ 320,486.00	\$ 2,007,398	66.22%

Schedule of OPEB Investment Returns

	Last Two Fiscal Years Year Ended June 30	
	2019	2018
Annual money-weighted rate of return, net of investment expenses (Total Market Portfolio)	3.09%	7.68%

# DARNELL & MEYERING, P.C.

*Certified Public Accountants*

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CERTIFIED PUBLIC ACCOUNTANTS  
MICHIGAN ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS

November 30, 2019

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, 2019. 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 8, 2019. 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, 2019.

*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.

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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.*

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