

**CITY OF ECORSE
WAYNE COUNTY, MICHIGAN**

**Financial Report with
Supplementary Information
June 30, 2020**

City of Ecorse, Michigan
Financial Report
For the Year Ended
June 30, 2020

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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, 2020, 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, 2020, 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.

Hodges Accounting & Advisory Services

Hodges Accounting & Advisory Services

Taylor, Michigan
November 30, 2020

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, 2020. Please read it in conjunction with the City's financial statements.

Financial Highlights

- Total net position (deficit) \$(26,670,271)
- Change in total net position 6,666,329
- Fund balances, governmental funds 14,810,708
- Change in fund balances, governmental funds 2,122,934
- Unassigned fund balance, general fund 8,112,953
- Change in fund balance, general fund 1,067,433
- Long-term debt outstanding 21,557,809
- Change in long-term debt 1,268,076

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, 2020 as compared to the prior year:

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 15,182,446	\$ 13,459,856	\$ 11,365,106	\$ 12,243,266	\$ 26,547,552	\$ 25,703,122
Capital assets, net	5,799,097	4,577,315	23,280,889	24,116,656	29,079,986	28,693,971
Total assets	<u>20,981,543</u>	<u>18,037,171</u>	<u>34,645,995</u>	<u>36,359,922</u>	<u>55,627,538</u>	<u>54,397,093</u>
Deferred outflows	<u>312,168</u>	<u>1,140,342</u>	<u>160,735</u>	<u>203,473</u>	<u>472,903</u>	<u>1,343,815</u>
Long-term liabilities	9,384,315	10,502,843	12,173,494	12,636,129	21,557,809	23,138,972
Other liabilities	457,391	1,202,476	712,931	683,669	1,170,322	1,886,145
Other noncurrent liabilities	34,348,164	41,602,529	1,699,612	1,545,840	36,047,776	43,148,369
Total liabilities	<u>44,189,870</u>	<u>53,307,848</u>	<u>14,586,037</u>	<u>14,865,638</u>	<u>58,775,907</u>	<u>68,173,486</u>
Deferred inflows	<u>3,149,776</u>	<u>(193,735)</u>	<u>248</u>	<u>-</u>	<u>3,150,024</u>	<u>(193,735)</u>
Net position:						
Net investment in capital as	5,799,097	4,577,314	11,125,708	11,866,286	16,924,805	16,443,600
Restricted	4,979,786	4,185,551	1,356,314	1,376,933	6,336,100	5,562,484
Unrestricted (deficit)	<u>(37,449,154)</u>	<u>(42,099,465)</u>	<u>7,738,423</u>	<u>8,454,538</u>	<u>(29,710,731)</u>	<u>(33,644,927)</u>
Total net position	<u>\$ (26,670,271)</u>	<u>\$ (33,336,600)</u>	<u>\$ 20,220,445</u>	<u>\$ 21,697,757</u>	<u>\$ (6,449,826)</u>	<u>\$ (11,638,843)</u>

The City's combined net deficit position decreased \$6,666,329 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 \$7,266,329 and the business-type decreased by \$1,477,312.

Of the total combined net position, approximately \$16.9 million is net investment in capital assets, while \$6.3 million is restricted for various purposes and cannot be used for general obligations.

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

The following table shows the changes of the net position during the current year ended June 30, 2020 as compared to the prior year:

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Program revenues:						
Charges for services	\$ 1,170,710	\$ 1,357,572	\$ 6,685,292	\$ 12,530,406	\$ 7,856,002	\$ 13,887,978
Operating grants	2,252,876	2,056,395	-	-	2,252,876	2,056,395
Capital grants	1,606,488	1,128,451	-	-	1,606,488	1,128,451
General Revenues:						
Property taxes	6,627,602	6,592,106	53,511	63,853	6,681,113	6,655,959
Grants and contributions not restricted to specific programs	7,060,604	6,464,941	-	-	7,060,604	6,464,941
Other	248,726	171,005	83,540	1,179,959	332,266	1,350,964
Total revenues	<u>18,967,006</u>	<u>17,770,470</u>	<u>6,822,343</u>	<u>13,774,218</u>	<u>25,789,349</u>	<u>31,544,688</u>
Expenses:						
General government	5,644,461	9,432,126	-	-	5,644,461	9,432,126
Public safety	3,736,270	4,719,743	-	-	3,736,270	4,719,743
Public works	1,427,938	1,457,907	-	-	1,427,938	1,457,907
Highways and streets	716,067	882,972	-	-	716,067	882,972
Recreation and culture	(192,162)	69,109	-	-	(192,162)	69,109
Community and economic development	465,175	77,019	-	-	465,175	77,019
Interest on long-term debt	502,928	506,290	-	-	502,928	506,290
Water and sewer	-	-	8,299,655	6,799,413	8,299,655	6,799,413
Total expenses	<u>12,300,677</u>	<u>17,145,166</u>	<u>8,299,655</u>	<u>6,799,413</u>	<u>20,600,332</u>	<u>23,944,579</u>
Change in net position	6,666,329	625,304	(1,477,312)	6,974,805	5,189,017	7,600,109
Net position:						
Beginning of year	<u>(33,336,600)</u>	<u>(34,561,904)</u>	<u>21,697,757</u>	<u>14,722,952</u>	<u>(11,638,843)</u>	<u>(19,838,952)</u>
End of year	<u><u>\$(26,670,271)</u></u>	<u><u>\$(33,936,600)</u></u>	<u><u>\$ 20,220,445</u></u>	<u><u>\$ 21,697,757</u></u>	<u><u>\$ (6,449,826)</u></u>	<u><u>\$(12,238,843)</u></u>

Governmental Activities

The City's total governmental revenues net of current year expenses resulted in an increase of approximately \$6,666,329 in net position, compared to the prior year's net increase of approximately \$625,304. 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 \$35,496.

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 a decrease in net position of \$1,477,312 as compared to last year's increase of \$6,974,805. The decrease in net position is primarily due to the decrease in water and sewer usage.

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 \$5,644,461 and \$3,736,270 or 45 percent and 30 percent, respectfully, of the general fund's total expenditures for the fiscal year. During this fiscal year the main expenditures in the general government were the liability insurances and retiree healthcare costs. The public safety department is comprised of police and fire services. These areas were funded primarily by the City's operating and judgment levy millages.

The fund balance of the major streets special revenue fund increased by \$331,612 as compared to the prior fiscal year increase of \$270,464. 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 \$492,290 due primarily to the following reasons: expenditures for police and fire were under budget by \$255,994. Department of public works expenditures were under budget by \$26,848. Finally, general government expenditures were under budget by \$169,291.

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	
	2020	2019	2020	2019	2020	2019
Land	\$ 197,677	\$ 197,677	\$ 19,174	\$ 19,174	\$ 216,851	\$ 216,851
Land improvements	349,357	361,486	-	-	349,357	361,486
Buildings and systems	1,056,837	773,411	23,085,036	23,944,915	24,141,873	24,718,326
Vehicles	450,280	156,023	24,204	27,207	474,484	183,230
Equipment	647,962	458,769	78,680	125,360	726,642	584,129
Construction in progress	-	-	73,795	-	73,795	-
Infrastructure	3,096,984	2,629,949	-	-	3,096,984	2,629,949
Total assets	\$5,799,097	\$4,577,315	\$23,280,889	\$24,116,656	\$29,079,986	\$28,693,971

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

	General Obligation and Revenue Bonds					
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Clean Water Bonds	\$ -	\$ -	\$ 600,000	\$ 630,000	600,000	\$ 630,000
DUWA	-	-	6,213,105	6,213,105	6,213,105	6,213,105
Financial recovery bonds	6,275,000	6,950,000	-	-	6,275,000	6,950,000
Emergency loan	2,700,000	3,000,000	-	-	2,700,000	3,000,000
Unamortized discount	(115,108)	(122,302)	-	-	(129,496)	(122,302)
Compensated Absences	506,109	428,689	18,314	15,460	524,423	444,149
State revolving fund loans	-	-	5,354,900	5,705,444	5,354,900	5,705,444
Total	\$ 9,366,001	\$10,256,387	\$12,186,319	\$ 12,564,009	\$21,537,932	\$22,820,396

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, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Brownfield Redevelopment Authority
Assets:				
Cash and investments	\$ 13,981,972	\$ 8,386,562	\$ 22,368,534	\$ -
Receivables - Net of Allowances	597,943	1,607,971	2,205,914	-
Due From Fiduciary Funds	250,000	-	250,000	-
Due From Component Unit	192,235	-	192,235	-
Prepaid items and other assets	160,296	14,259	174,555	739,219
Restricted assets - cash	-	232,686	232,686	-
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	5,601,420	23,261,715	28,863,135	-
Total Assets	20,981,543	34,645,995	55,627,538	818,915
Deferred outflows of resources				
Deferred pension amounts	(312,168)	160,735	(151,433)	-
Liabilities				
Accounts payable and accrued liabilities	\$ 371,738	\$ 678,724	\$ 1,050,462	\$ 363,782
Accrued Interest Payable	85,653	34,207	119,860	-
Long-term liabilities:				
Due within one year	392,691	701,238	1,093,929	-
Due in more than one year	8,991,624	11,472,256	20,463,880	-
Other noncurrent liabilities:				
DUWA obligation	-	-	-	-
Net other postemployment benefit obligation	11,747,617	-	11,747,617	-
Net pension liability	22,600,547	1,699,612	24,300,159	-
Total Liabilities	44,189,870	14,586,037	58,775,908	363,782
Deferred inflows of resources				
Deferred pension amounts	3,149,776	248	3,150,024	-
Net position:				
Net invested in capital assets	5,799,097	11,125,708	16,924,805	79,696
Restricted for:				
Highways and streets	3,154,334	-	3,154,334	-
Public safety	13,278	-	13,278	-
Public works	861,877	1,123,628	1,985,505	-
Debt Service	946,709	-	946,709	-
Community development	3,588	-	3,588	-
Funds on deposit with Wayne County for sewer debt reserve and capital outlay	-	232,686	232,686	-
Unrestricted (deficit)	(37,449,154)	7,738,423	(29,710,731)	375,437
Total net position (deficit)	\$ (26,670,271)	\$ 20,220,445	\$ (6,449,826)	\$ 455,133

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

City of Ecorse
Statement of Activities
Year Ended June 30, 2020

Functions/programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Governmental activities:								
General Government	\$ 5,644,461	\$ 1,157,145	\$ 1,275,326	\$ -	\$ (3,211,990)	\$ -	\$ (3,211,990)	\$ -
Public Safety	3,736,270	8,176	235,647	-	(3,492,447)	-	(3,492,447)	-
Public Works	1,427,938	-	504,474	-	(923,464)	-	(923,464)	-
Highways and Streets	716,067	-	-	1,141,313	425,246	-	425,246	-
Public Works	-	-	-	-	-	-	-	-
Community and Economic Devl.	465,175	-	-	465,175	-	-	-	-
Recreation and Culture	(192,162)	5,389	237,429	-	434,980	-	434,980	-
Interest on Long-Term Debt	502,928	-	-	-	(502,928)	-	(502,928)	-
Unallocated Depreciation	-	-	-	-	-	-	-	-
Total Governmental Activities	12,300,677	1,170,710	2,252,876	1,606,488	(7,270,603)	-	(7,270,603)	-
Business-type activities:								
Water and sewer	8,299,655	6,685,292	-	-	-	(1,614,363)	(1,614,363)	-
Total primary government	\$ 20,600,332	\$ 7,856,002	\$ 2,252,876	\$ 1,606,488	\$ (7,270,603)	\$ (1,614,363)	\$ (8,884,966)	\$ -
Component unit:								
Brownfield redevelopment authority	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
General Revenues:								
Property taxes					6,627,602	53,511	6,681,113	-
Grants and contributions not restricted to specific programs					7,060,604	-	7,060,604	-
Unrestricted investment earnings					228,322	83,540	311,862	-
Miscellaneous					4,964	-	4,964	-
Within Primary Government					15,440	-	15,440	-
Total general revenues					13,936,932	137,051	14,073,983	-
Change in net position					6,666,329	(1,477,312)	5,189,017	-
Net position, beginning of year					(33,336,600)	21,697,757	(11,638,843)	455,133
Net position, end of year					<u>\$ (26,670,271)</u>	<u>\$ 20,220,445</u>	<u>\$ (6,449,826)</u>	<u>\$ 455,133</u>

City of Ecorse
Balance Sheet
Governmental Funds
June 30, 2020

	General Fund	Major Highway Fund	Debt Stabilization Fund	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash and investments	\$ 7,213,985	\$ 2,193,708	\$ -	\$ 4,574,279	\$ 13,981,972
Receivables:					
Accounts Receivable	54,781	-	-	-	54,781
Accrued Interest	77,033	-	-	12,966	89,999
Intergovernmental	225,829	92,098	-	135,236	453,163
Due from other governmental funds	371,850	-	-	-	371,850
Due from fiduciary funds	250,000	-	-	-	250,000
Due From Component Units	192,235	-	-	-	192,235
Prepaid Expenses	160,296	-	-	-	160,296
Total Assets	\$ 8,546,009	\$ 2,285,806	\$ -	\$ 4,722,481	\$ 15,554,296
Liabilities and Fund Balances:					
Liabilities:					
Accounts Payable	\$ 216,048	\$ 1,826	\$ -	\$ 94,600	\$ 312,474
Accrued Payroll	56,712	-	-	2,552	59,264
Due To Other Funds	-	-	-	371,850	371,850
Total Liabilities	272,760	1,826	-	469,002	743,588
Fund Balances:					
Nonspendable:					
Prepays	160,296	-	-	-	160,296
Restricted for:					
Highways and streets	-	2,283,980	-	1,134,482	3,418,462
Public safety	-	-	-	31,969	31,969
Public works	-	-	-	1,155,359	1,155,359
Debt service	-	-	-	1,171,259	1,171,259
Committed for:					
Recreation and culture	-	-	-	756,822	756,822
Unassigned	8,112,953	-	-	-	8,112,953
Total Fund Balances	8,273,249	2,283,980	-	4,253,479	14,810,708
Total Liabilities and Fund Balances	\$ 8,546,009	\$ 2,285,806	\$ -	\$ 4,722,481	\$ 15,554,296

Total Governmental Fund Balances \$ 14,810,708

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	5,601,420

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	(8,975,000)
Unamortized bond discount	115,108
Accrued interest on bonds payable	(85,653)
Net other postemployment benefit obligation	(11,747,617)
Compensated absences	(524,423)

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	(22,600,547)
Deferred inflows related to the net pension liability	(3,149,776)
Deferred outflows related to the net pension liability	(312,168)

Net position of governmental activities

\$ (26,670,271)

City of Ecorse
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
June 30, 2020

	General Fund	Major Highway Fund	Debt Stabilization Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 5,739,358	\$ -	\$ -	\$ 871,166	\$ 6,610,524
Licenses and permits	240,176	-	-	-	240,176
Intergovernmental	7,290,557	661,142	-	2,560,769	10,512,468
Charges for services	201,841	-	-	-	201,841
Fines and forfeiture	124,405	-	-	23,616	148,021
Interest Income	182,816	20,740	-	41,844	245,400
Other	998,223	4,964	-	5,389	1,008,576
Total Revenues	<u>14,777,376</u>	<u>686,846</u>	<u>-</u>	<u>3,502,784</u>	<u>18,967,006</u>
Expenditures:					
Current:					
General Government	8,059,402	-	-	-	8,059,402
Public Safety	4,141,431	-	-	10,823	4,152,254
Public works	776,415	-	-	529,247	1,305,662
Highways & Streets	374,394	175,234	-	738,266	1,287,894
Community & Economic Devel.	-	-	-	465,175	465,175
Recreation & Culture	-	-	-	111,754	111,754
Debt Payments:					
Principal	300,000	-	-	675,000	975,000
Interest	58,301	-	-	424,630	482,931
Bond redemption premium	-	-	-	4,000	4,000
Total Expenditures	<u>13,709,943</u>	<u>175,234</u>	<u>-</u>	<u>2,958,895</u>	<u>16,844,072</u>
Revenues Over (Under) Expenditures	<u>1,067,433</u>	<u>511,612</u>	<u>-</u>	<u>543,889</u>	<u>2,122,934</u>
Other Financing Sources (Uses):					
Transfer from Major Highway	-	-	-	180,000	180,000
Transfer to Local Highway	-	(180,000)	-	-	(180,000)
Total Other Financing Sources (Uses):	<u>-</u>	<u>(180,000)</u>	<u>-</u>	<u>180,000</u>	<u>-</u>
Net Change in Fund Balances	1,067,433	331,612	-	723,889	2,122,934
Fund Balances:					
Beginning of Year	7,205,816	1,952,368	-	3,529,590	12,687,774
End of Year	<u>\$ 8,273,249</u>	<u>\$ 2,283,980</u>	<u>\$ -</u>	<u>\$ 4,253,479</u>	<u>\$ 14,810,708</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, 2020

Net change in fund balances total governmental funds \$ 2,122,934

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

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

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

Capital outlay	1,546,450
Depreciation expense	(324,668)

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	975,000
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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	(8,803)
Amortization of bond discount	(7,194)
Change in net pension liability and related deferred amounts	(1,347,439)
Change in net other postemployment benefit obligation and related deferred amounts	3,805,783
Change in the accrual for compensated absences	(95,734)

Change in net position of governmental activities	\$ 6,666,329
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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, 2020

MOTOR VEHICLE HIGHWAY MAJOR STREET FUND				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ACTUAL OVER (UNDER) FINAL BUDGET
REVENUES:				
State sources	\$ 497,900	\$ 613,259	\$ 661,142	\$ 47,883
Interest income	24,000	20,742	20,740	(2)
Other revenue	3,128	4,964	4,964	-
TOTAL REVENUES	525,028	638,965	686,846	47,881
EXPENDITURES:				
Highways and streets	341,000	458,965	175,234	(283,731)
TOTAL EXPENDITURES	341,000	458,965	175,234	(283,731)
Revenues Over (Under) Expenditures	184,028	180,000	511,612	331,612
OTHER FINANCING SOURCES (USES):				
Transfers to other funds	(180,000)	(180,000)	(180,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(180,000)	(180,000)	(180,000)	-
Revenues Over (Under) Expenditures & Net Change In Fund Balances	4,028	-	331,612	331,612
FUND BALANCE, beginning	1,952,367	1,952,367	1,952,368	(1)
FUND BALANCE, ending	\$ 1,956,395	\$ 1,952,367	\$ 2,283,980	\$ 331,611

City of Ecorse
Statement of Net Position
Water and Sewer Enterprise Fund
June 30, 2020

Assets

Current Assets:

Cash and investments	\$	8,386,562
Receivables - net of allowances		1,436,424

Water and sewer accounts	
Unbilled water and sewer charges	
Wayne County	

Due from other government	171,547
Prepaid expenses	14,259

Total Current Assets	<u>10,008,792</u>
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Noncurrent assets:

Restricted cash	232,686
Restricted prepaid expense	1,123,628
Capital assets, net	23,280,889

Total Noncurrent Assets	<u>24,637,203</u>
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Total Assets	<u>34,645,995</u>
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Deferred outflows of resources

Deferred pension amounts	<u>160,735</u>
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Liabilities

Current Liabilities:

Accounts payable	667,955
Accrued liabilities	10,769
Accrued interest payable	34,207
Bonds, loans and compensated absences payable, current portion	701,238

Total Current Liabilities	<u>1,414,169</u>
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Noncurrent Liabilities:

Net pension liability	1,699,612
Bonds, loans and compensated absences payable, net of current portion	11,472,256

Total Noncurrent Liabilities	<u>13,171,868</u>
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Total Liabilities	<u>14,586,037</u>
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Deferred inflows of resources

Deferred pension amounts	<u>248</u>
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Net position

Net invested in capital assets	11,125,708
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Restricted prepaid assets	1,123,628
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Restricted for funds on deposit with Wayne County for sewer debt reserve and capital outlay	232,686
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Unrestricted	7,738,423
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TOTAL NET ASSETS	<u>7,971,109</u>
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Total net position	<u><u>\$ 20,220,445</u></u>
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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, 2020

Operating revenues:	
Charges for services:	
Water operations	\$ 2,903,784
Sewer operations	3,281,592
Intergovernmental revenue	401,587
Other revenue	98,329
Total operating revenues	<u>6,685,292</u>
Operating expenses:	
Personnel	512,782
Administrative fee	355,000
Repair and maintenance	550,848
Utilities	3,697,061
Contractual and other	2,183,834
Depreciation & amortization	918,268
Total operating expenses	<u>8,217,793</u>
Net operating income (loss)	<u>(1,532,501)</u>
Nonoperating revenues (expenses):	
Property taxes	53,511
Investment income	83,540
DUWA project gain	-
Interest expense	(81,862)
Total nonoperating revenues (expenses)	<u>55,189</u>
Change in net position	(1,477,312)
Net position, beginning of year	<u>21,697,757</u>
Net position, end of year	<u>\$ 20,220,445</u>

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

City of Ecorse
Statement of Cash Flows
Water and Sewer Enterprise Fund
For the Year Ended June 30, 2020

Cash flows provided by (used in) operating activities:	
Cash received from customers	\$ 8,156,206
Cash payments to suppliers for goods and services	(6,671,296)
Cash payments to employees	(512,782)
Cash paid for internal services used	-
Other expenses	-
Net cash provided by operating activities	<u>972,128</u>
Cash flows from for capital and related financing activities:	
Acquisition of capital assets	(12,000)
Proceeds from issuance of long-term debt	27,950
Principal payments on long-term debt	(408,494)
Interest payments on long-term debt	(228,235)
Net cash (used) for capital and related financing activities	<u>(620,779)</u>
Cash flows from noncapital financing activities	
Property taxes	<u>(34,040)</u>
Cash flows from investing activities:	
Net Proceeds (Used) from sale of cash equivalents	
Sale of investments	
Purchase of investments	
Interest and dividends	83,540
Net cash provided (used) by investing activities	<u>83,540</u>
Net increase (decrease) in cash and investments	400,849
Cash and cash equivalents at beginning of year	<u>8,218,399</u>
Cash at end of year	<u><u>\$ 8,619,248</u></u>
Reconciliation of cash and investments per statement of net position:	
Cash and investments	\$ 8,386,562
Restricted cash	232,686
	<u><u>\$ 8,619,248</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (1,532,501)
Adjustments to reconcile operating income to net cash provided	
by operating activities:	
Depreciation expense	918,268
Changes in assets and liabilities:	
Accounts receivable, net	1,114,411
Due from other government	159,745
Prepaid items	4,853
Accounts payable	140,556
Accrued liabilities	(10,865)
Due to other government	(21,951)
Net pension liability and deferred amounts	196,758
Accrued compensated absences	2,854
Net cash provided by operating activities	<u><u>\$ 972,128</u></u>

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

City of Ecorse
Statement of Fiduciary
Assets and Liabilities
June 30, 2020

	<u>Agency Funds</u>
Assets:	
Cash and investments	<u>\$ 293,191</u>
Total Assets	<u><u>\$ 293,191</u></u>
Liabilities:	
Undistributed receipts	<u>\$ 293,191</u>
Total Liabilities	<u><u>\$ 293,191</u></u>

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

City of Ecorse, Michigan
Notes to Financial Statements
June 30, 2020

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, 2020
(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, 2020
(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, 2020
(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 \$232,686 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, 2020
(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, 2020
(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.

Defined Contribution Plan

Full time employees that are not eligible for the now closed MERS Defined Benefit, or open Police Hybrid DB/DC MERS Plan are eligible to contribute to the AXA Equitable 457b Plan. The employer contributes varying amounts up to 10% based on compensation agreements. Employee and employer contributions are immediately vested. Actual account contributions for the year was \$111,142.

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

City of Ecorse, Michigan
Notes to Financial Statements
June 30, 2020
(Continued)

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.

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. May 2020, GASB proposed to delay implementation date by one year due to COVID 19. (Statement No. 95 of the Governmental Accounting Standards Board).

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

City of Ecorse, Michigan
Notes to Financial Statements
June 30, 2020
(Continued)

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 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. May 2020, GASB proposed to delay implementation date by one year due to COVID 19. (Statement No. 95 of the Governmental Accounting Standards Board).

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. May 2020, GASB proposed to delay implementation date by one year due to COVID 19. (Statement No. 95 of the Governmental Accounting Standards Board).

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.

City of Ecorse, Michigan
Notes to Financial Statements
June 30, 2020
(Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts Board and the State Treasurer. The budget document is prepared by fund, function and department. The legal level of budgetary control is the department level for the general fund and the fund level for the special revenue funds.

3. EXCESS OF EXPENDITURES OVER BUDGET

P.A. 621 of 1978 as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated.

Retiree health care - \$71,849

4. DEPOSITS AND INVESTMENTS

Following is a reconciliation of cash and investments as of June 30, 2020:

	Primary Government
Statement of net position	
Cash and investments	\$ 22,368,534
Restricted cash	232,686
Statement of fiduciary net position	
Cash and investments	250,599
	22,851,819
Deposits and investments	
Bank deposits (checking, sweep and money market accounts)	19,113,052
Investments	3,511,994
Cash on deposit with Wayne County	226,773
	\$ 22,851,819

City of Ecorse, Michigan
Notes to Financial Statements
June 30, 2020
(Continued)

The City chooses to disclose its investments by specifically identifying each. At June 30, 2020, the City had the following investments.

Investment	Maturity	Amortized Cost	Rating (Moody's)
Municipal bonds	5/1/2023	\$ 3,511,994	Aa1

Investment and deposit risk

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

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, 2020, \$18,838,970 of the City’s total bank balance of \$19,472,892 was exposed to custodial credit risk. All the other banks balances of City of Ecorse are covered by FDIC.

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

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

City of Ecorse, Michigan
Notes to Financial Statements
June 30, 2020
(Continued)

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

5. RECEIVABLES

Receivables in the governmental activities are 10% accounts receivable and 90% due from other governments. Business-type activities receivables (net of an estimated allowance of \$255,083 for uncollectible accounts) are 100% due from customers.

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 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	2,271,433	27,621	-	2,299,054
Buildings	1,814,303	308,812	-	2,123,115
Vehicles	1,878,458	379,201	-	2,257,659
Equipment	852,093	258,989	-	1,111,082
Infrastructure	11,535,213	571,827	-	12,107,040
Subtotal	<u>18,351,500</u>	<u>1,546,450</u>	<u>-</u>	<u>19,897,950</u>
Less accumulated depreciation for:				
Land improvements	(1,909,948)	(39,749)	-	(1,949,697)
Buildings	(1,040,891)	(25,387)	-	(1,066,278)
Vehicles	(1,722,435)	(84,944)	-	(1,807,379)
Equipment	(393,324)	(69,796)	-	(463,120)
Infrastructure	(8,905,264)	(104,792)	-	(9,010,056)
Subtotal	<u>(13,971,862)</u>	<u>(324,668)</u>	<u>-</u>	<u>(14,296,530)</u>
Net capital assets being depreciated	4,379,638	1,221,782	-	5,601,420
Capital assets-net of depreciation	<u>\$ 4,577,315</u>	<u>\$ 1,221,782</u>	<u>\$ -</u>	<u>\$ 5,799,097</u>

City of Ecorse, Michigan
Notes to Financial Statements
June 30, 2020
(Continued)

Depreciation was charged to functions as follows:

Governmental activities:	
General Government	\$ 73,331
Public Safety, Fire & Police	96,544
Department of Public Works	122,276
Parks & Recreation	<u>32,517</u>
Total governmental activities depreciation expense	<u><u>\$ 324,668</u></u>

City of Ecorse, Michigan
Notes to Financial Statements
June 30, 2020
(Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets not being depreciated:				
Land	\$ 19,174	\$ -	\$ -	\$ 19,174
	<u>19,174</u>	<u>-</u>	<u>-</u>	<u>19,174</u>
Capital assets being depreciated:				
Land improvements	3,700	-	-	3,700
Buildings	187,000	-	-	187,000
Vehicles	68,016	12,000	-	80,016
Equipment	233,400	-	-	233,400
DUWA Intangible	5,934,851	-	-	5,934,851
Water and sewer mains	13,859,830	-	-	13,859,830
Sewage system	21,376,887	-	10,685	21,366,202
Construction in progress	-	73,795	-	73,795
	<u>41,663,684</u>	<u>85,795</u>	<u>10,685</u>	<u>41,738,794</u>
Less accumulated depreciation and amortization for:				
Land improvements	(3,700)	-	-	(3,700)
Buildings	(187,000)	-	-	(187,000)
Vehicles	(40,809)	(15,003)	-	(55,812)
Equipment	(108,040)	(46,680)	-	(154,720)
DUWA	(178,046)	(237,395)	-	(415,441)
Water and sewer mains	(10,046,000)	(184,262)	-	(10,230,262)
Sewage system	(7,002,607)	(427,537)	-	(7,430,144)
	<u>(17,566,202)</u>	<u>(910,877)</u>	<u>-</u>	<u>(18,477,079)</u>
Total capital assets being depreciated and amortized, net	<u>24,097,482</u>	<u>(825,082)</u>	<u>10,685</u>	<u>23,261,715</u>
Business-type activities capital assets, net	<u>\$ 24,116,656</u>	<u>\$ (825,082)</u>	<u>\$ 10,685</u>	<u>\$ 23,280,889</u>

City of Ecorse, Michigan
Notes to Financial Statements
June 30, 2020
(Continued)

7. PAYABLES

Payables in the governmental activities are 81% accounts payable and accrued liabilities and 19% 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	371,850	
Brownfield	192,235	
Comm.Dev. Block Grant:		
General Fund		371,850
Brownfield:		
General Fund		192,235
Water Fund		
Totals	\$ 564,085	\$ 564,085

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

	Transfers In	Transfers Out
Governmental Funds:		
Major Streets Fund	-	180,000
Local Streets Fund	180,000	-
Totals	\$ 180,000	\$ 180,000

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.

City of Ecorse, Michigan
Notes to Financial Statements
June 30, 2020
(Continued)

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 \$6,275,000 and \$2,700,000, respectively, and direct borrowings related to business-type activities totaling \$12,168,005.

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 \$6,275,000 as of 6/30/2020.

Direct borrowings related to business-type activities of \$12,168,005 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 \$12,168,005 also contain the new DUWA debt of \$6,213,105 . 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

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 \$6,213,105. The interest is around 5% and recurrent every 12 months. An additional balloon amount is due in 2023 of \$370,300.

City of Ecorse, Michigan
Notes to Financial Statements
June 30, 2020
(Continued)

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

	Emergency Loans		Financial Recovery Bonds	
	Principal	Interest	Principal	Interest
2021	\$ -	\$ 35,632	\$ 295,000	\$ 473,100
2022	-	35,632	310,000	455,555
2023	-	35,632	330,000	436,995
2024	200,000	29,693	350,000	417,275
2025	500,000	-	370,000	396,395
2026-2030	2,000,000	36,717	2,220,000	1,741,535
2031-2035	-	-	2,365,000	956,475
2036	-	-	35,000	24,050
	<u>\$ 2,700,000</u>	<u>\$ 173,306</u>	<u>\$ 6,275,000</u>	<u>\$ 4,901,380</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2021	\$ 125,902	\$ 292,140	\$ 418,042
2022	132,250	285,846	418,096
2023	138,598	279,232	417,830
2023 Balloon	370,300	-	370,300
2024	145,475	272,302	417,777
2025	153,410	265,030	418,440
2026-2030	986,056	1,195,168	2,181,224
2031-2035	1,290,760	917,684	2,208,444
2036-2040	1,657,886	560,054	2,217,940
2041-2043	<u>\$ 1,212,468</u>	<u>\$ 123,284</u>	<u>\$ 1,335,752</u>
Totals	6,213,105	4,190,740	10,403,845

City of Ecorse, Michigan
Notes to Financial Statements
June 30, 2020
(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
2021	\$ 496,337	\$ 409,489	\$ 905,826
2022	509,226	400,064	\$ 909,290
2023 Balloon	370,300		370,300
2023	525,081	384,295	909,376
2024	541,394	367,957	909,351
2025	559,425	351,038	910,463
2026-2030	3,100,479	1,476,558	4,577,037
2031-2035	2,371,519	994,220	3,365,739
2036-2040	1,881,776	563,976	2,445,752
2041-2043	1,212,468	123,284	1,335,752
	<u>\$ 11,568,005</u>	<u>\$ 5,070,881</u>	<u>\$ 16,638,886</u>

Annual debt service requirements to maturity for Clean Water Bonds as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2021	\$35,000	\$14,653	\$49,653
2022	35,000	13,687	48,687
2023	35,000	12,813	47,813
2024	35,000	11,938	46,938
2025	35,000	11,063	46,063
2026-2030	200,000	40,625	240,625
2031-2035	<u>225,000</u>	<u>14,063</u>	<u>239,063</u>
Totals	<u>\$600,000</u>	<u>118,842</u>	<u>718,842</u>

City of Ecorse, Michigan
Notes to Financial Statements
June 30, 2020
(Continued)

Changes in long-term obligations of the City for the year ended June 30, 2020, are as follows:

	Beginning Balance	Allocations & Adjustments	Payments & Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
<u>Bonds Payable</u>					
Financial Recovery Bonds	\$ 6,950,000	\$ -	\$ 675,000	\$ 6,275,000	\$ 295,000
Total Bonds	<u>6,950,000</u>	<u>-</u>	<u>675,000</u>	<u>6,275,000</u>	<u>295,000</u>
<u>Loans & Other Payables</u>					
Emergency Loans	3,000,000	-	300,000	2,700,000	-
		-			-
Unamortized Discount	(122,302)		(7,194)	(115,108)	(7,194)
Total Notes	<u>2,877,698</u>	<u>-</u>	<u>292,806</u>	<u>2,584,892</u>	<u>(7,194)</u>
Compensated Absences	428,689	77,420	-	506,109	101,222
Total	<u>\$ 10,256,387</u>	<u>\$ 77,420</u>	<u>\$ 967,806</u>	<u>\$ 9,366,001</u>	<u>\$ 389,028</u>
Business-Type Activities:					
State Rev.Fd. Loans/Revenue	5,705,444	27,950	(378,494)	5,354,900	370,435
Bonds					
DUWA	5,842,805	-	-	5,842,805	292,140
DUWA Balloon 2023	370,300	-	-	370,300	-
Compensated Absences	15,460	2,854	-	18,314	3,663
Clean Water Bonds	630,000	-	(30,000)	600,000	35,000
Total	<u>\$ 12,564,009</u>	<u>\$ 30,804</u>	<u>\$ (408,494)</u>	<u>\$ 12,186,319</u>	<u>\$ 701,238</u>

City of Ecorse, Michigan
Notes to Financial Statements
June 30, 2020
(Continued)

Debt service requirements on long-term debt less compensated absences at June 30, 2020, 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
2021	\$ -	\$ 35,632	\$ 295,000	\$ 473,100	\$ 531,337	\$ 424,142
2022	-	35,632	310,000	455,555	544,226	413,751
2023	-	35,632	330,000	436,995	560,081	397,108
2023 Balln					370,300	
2024	200,000	29,693	350,000	417,275	576,394	379,895
2025	500,000	-	370,000	396,395	594,425	362,101
2026-2030	2,000,000	36,717	2,220,000	1,741,535	3,300,479	1,517,183
2031-2035	-	-	2,365,000	956,475	2,596,519	1,008,283
2036-2040	-	-	35,000	24,050	1,881,776	563,976
2041-2043	-	-	-	-	1,212,468	123,284
	<u>\$ 2,700,000</u>	<u>\$ 173,306</u>	<u>\$ 6,275,000</u>	<u>\$ 4,901,380</u>	<u>\$ 12,168,005</u>	<u>\$ 5,189,723</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, 2020, 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.

City of Ecorse, Michigan
Notes to Financial Statements
June 30, 2020
(Continued)

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.
- 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 \$98,457,716 (not including \$3,418,029 taxable value of industrial facility tax abated property). The government's general operating tax rate for fiscal year 2019-20 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.

City of Ecorse, Michigan
Notes to Financial Statements
June 30, 2020
(Continued)

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

Employees Covered by Benefit Terms. At December 31, 2019, plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	128
Inactive employees entitled to but not yet receiving benefits	13
Active employees	25
Total membership	166

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, 2020, employer contributions ranged from \$4,687 to \$58,772. 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, 2019, 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, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50	%
Salary increases	3.00	% in the long term
Investment rate of return	7.35	% 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.

City of Ecorse, Michigan
Notes to Financial Statements
June 30, 2020
(Continued)

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

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%	3.41%
Global fixed income	18.50%	0.23%
Real Assets	13.50%	0.97%
Diversifying strategies	12.50%	0.63%
	100.00%	

Discount Rate. The discount rate used to measure the total pension liability is 7.60% for 2019. 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, 2020

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, 2018	\$40,975,076	\$15,873,864	\$ 25,101,212
Changes for the year:			
Service cost	175,984	-	175,984
Interest	2,977,590	-	2,977,590
Differences between expected and actual experience	18,891	-	-
Changes in assumptions	1,259,138	-	1,259,138
Employer contributions	-	3,372,870	(3,372,870)
Employee contributions	-	80,407	(80,407)
Net investment income	-	2,126,676	(2,126,676)
Benefit payments, including refunds of employee contributions	(3,768,517)	(3,768,517)	-
Administrative expense	-	(36,811)	36,811
Other changes	156,714	-	156,714
Net changes	<u>819,800</u>	<u>1,774,625</u>	<u>(954,825)</u>
Balance as of December 2019	<u>\$41,794,876</u>	<u>\$17,648,489</u>	<u>\$ 24,146,387</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.60%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower (6.60%) or 1% higher (8.60%) than the current rate:

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
City's net pension liability	\$ 27,815,583	\$ 24,146,387	\$ 20,976,668

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, 2020
(Continued)

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

For the year ended June 30, 2020, the City recognized pension expense of \$3,626,670. The City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ (5,660)
Contributions subsequent to the measurement date	2,289,483	-
Total	\$ 2,289,483	\$ (5,660)

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, 2020. 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>
2021	\$ (35,896)
2022	29,891
2023	194,922
2024	(194,577)
Total	\$ (5,660)

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.

City of Ecorse, Michigan
Notes to Financial Statements
June 30, 2020
(Continued)

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.

- **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.

City of Ecorse, Michigan
Notes to Financial Statements
June 30, 2020
(Continued)

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

Inactive employees or beneficiaries currently receiving benefits	97
Inactive employees entitled to but not yet receiving benefits	0
Active employees	26
Total membership	123

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, 2020, the City contributed \$836,849 to pay current premiums and \$600,000 to fund the OPEB trust. Effective for retirements on or after December 21, 2011, Plan members are required to contribute as follows:

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

Net OPEB Liability. The City's net OPEB liability was measured as of June 30, 2020, 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, 2019, which used updated procedures to roll forward the estimated OPEB liability to June 30, 2020. The roll-forward procedure increases the December 31, 2019 actuarial accrued liability with normal cost and interest and decreases it with expected benefit payments. The valuation used the following actuarial assumptions, applied to all periods included in the measurement:

City of Ecorse, Michigan
Notes to Financial Statements
June 30, 2020
(Continued)

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

All assumptions are expectations of future experience, not market measures. The rationale for the rates of merit and longevity salary increase, base wage inflation, rates of mortality, normal retirement rates, early retirement rates, rates of separation from active membership, disability rates, and marriage assumption used in this valuation is included in the MERS 5-year experience study for the period January 1, 2014 to December 31, 2018, issued February 14, 2020. These assumptions were first used in the December 31, 2019 OPEB Funding Valuation.

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, 2020
(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	60.00%	7.75%
Global fixed income	20.00%	3.75%
Private investments	20.00%	9.75%
	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 2.45% (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, 2020
(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	\$ 18,637,815	\$ 590,658	\$ 18,047,157
Changes for the year:			
Service cost	123,995	-	123,995
Interest	1,051,180	-	1,051,180
Differences between expected and actual experience	(7,504,975)	-	(7,504,975)
Changes in assumptions	1,476,306	-	1,476,306
Employer contributions	-	1,436,849	(1,436,849)
Employee contributions	-	-	-
Net investment income	-	11,073	(11,073)
Benefit payments, including refunds of employee contributions	(836,849)	(836,849)	-
Administrative expense	-	(1,876)	1,876
Net changes	<u>(5,690,343)</u>	<u>609,197</u>	<u>(6,299,540)</u>
Balance as of June 30, 2019	<u>\$ 12,947,472</u>	<u>\$ 1,199,855</u>	<u>\$ 11,747,617</u>

The Plan fiduciary net position represents 9.3 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	\$13,382,464	\$11,747,617	\$10,408,110

City of Ecorse, Michigan
Notes to Financial Statements
June 30, 2020
(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	\$10,334,175	\$11,747,617	\$13,475,092

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

For the year ended June 30, 2020, the City recognized OPEB expense of \$ (2,368,935). 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	\$ -	\$ 3,176,597
Changes in assumptions	\$ 624,869	
Net differences between projected and actual earnings on OPEB plan investments	32,629	-
Total	\$ 657,499	\$ 3,176,597

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

Year Ending June 30,	Amount
2021	\$ (2,543,040)
2022	8,687
2023	7,237
2024	8,019
Total	\$ (2,519,096)

City of Ecorse, Michigan
Notes to Financial Statements
June 30, 2020
(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
Capital assets		
Capital assets not being depreciated	\$ 197,677	\$ 19,174
Capital assets being depreciated, net	5,601,420	23,261,715
	5,799,097	23,280,889
 Related debt		
Due within one year	389,028	701,238
Due in more than one year	8,976,973	11,485,081
Less noncapital related debt, net of discount	(8,859,892)	-
Less compensated absences	(506,109)	(18,314)
	-	12,168,005
 Net investment in capital assets	 \$ 5,799,097	 \$ 11,112,884

City of Ecorse
Combining Balance Sheets
Nonmajor Governmental Funds
June 30, 2020

	SPECIAL REVENUE FUNDS								DEBT SERVICE	TOTAL NONMAJOR GOVERNMENTAL FUNDS
	LOCAL HIGHWAY	RUBBISH	DRUG ENFORCEMENT	JUSTICE TRAINING	VEHICLE FORFEITURE	LIBRARY	COMMUNITY DEVELOPMENT BLOCK GRANT	2012 BOND		
ASSETS:										
Cash and investments	\$ 1,137,840	\$ 1,211,482	\$ 8,625	\$ 8,745	\$ 14,599	\$ 745,028	\$ 289,667	\$ 1,158,293	\$ 4,574,279	
Accrued interest	-	-	-	-	-	-	-	12,966	12,966	
Due from other governments	35,119	-	-	-	-	14,346	85,771	-	135,236	
Prepaid Expenses	-	-	-	-	-	-	-	-	-	
TOTAL ASSETS	\$ 1,172,959	\$ 1,211,482	\$ 8,625	\$ 8,745	\$ 14,599	\$ 759,374	\$ 375,438	\$ 1,171,259	\$ 4,722,481	
LIABILITIES AND FUND BALANCE:										
LIABILITIES										
Accounts payable	\$ 38,477	\$ 56,123	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 94,600	
Accrued wages	-	-	-	-	-	2,552	-	-	2,552	
Due to other funds	-	-	-	-	-	-	371,850	-	371,850	
TOTAL LIABILITIES	38,477	56,123	-	-	-	2,552	371,850	-	469,002	
Fund Balance:										
Nonspendable	-	-	-	-	-	-	-	-	-	
Prepays	-	-	-	-	-	-	-	-	-	
Restricted for:										
Highways and streets	1,134,482	-	-	-	-	-	-	-	1,134,482	
Public safety	-	-	8,625	8,745	14,599	-	-	-	31,969	
Public works	-	1,155,359	-	-	-	-	-	-	1,155,359	
Debt service	-	-	-	-	-	-	-	1,171,259	1,171,259	
Community development	-	-	-	-	-	-	3,588	-	3,588	
Committed for:										
Recreation and culture	-	-	-	-	-	756,822	-	-	756,822	
TOTAL FUND BALANCES	1,134,482	1,155,359	8,625	8,745	14,599	756,822	3,588	1,171,259	4,253,479	
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,172,959	\$ 1,211,482	\$ 8,625	\$ 8,745	\$ 14,599	\$ 759,374	\$ 375,438	\$ 1,171,259	\$ 4,722,481	

City of Ecorse
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
June 30, 2020

	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	\$ -	\$ 301,864	\$ -	\$ -	\$ -	\$ 123,586	\$ -	\$ 445,716	\$ 871,166
Intergovernmental	480,171	504,474	-	5,694	-	237,429	465,175	867,826	2,560,769
Fines and forfeiture	-	-	8,176	-	15,440	-	-	-	23,616
Interest Income	10,611	16,391	8	80	116	-	-	14,638	41,844
Other Revenues	-	-	-	-	-	5,389	-	-	5,389
TOTAL REVENUES	490,782	822,729	8,184	5,774	15,556	366,404	465,175	1,328,180	3,502,784
EXPENDITURES:									
Public Safety	-	-	-	3,080	7,743	-	-	-	10,823
Public works	-	529,247	-	-	-	-	-	-	529,247
Highways & Streets	738,266	-	-	-	-	-	-	-	738,266
Community & Economic Devel.	-	-	-	-	-	-	465,175	-	465,175
Recreation & Culture	-	-	-	-	-	111,754	-	-	111,754
Debt payments:									
Principal	-	-	-	-	-	-	-	675,000	675,000
Interest	-	-	-	-	-	-	-	424,630	424,630
Bond redemption premium	-	-	-	-	-	-	-	4,000	4,000
TOTAL EXPENDITURES	738,266	529,247	-	3,080	7,743	111,754	465,175	1,103,630	2,958,895
REVENUES OVER (UNDER) EXPENDITURES	(247,484)	293,482	8,184	2,694	7,813	254,650	-	224,550	543,889
OTHER FINANCING SOURCES (USES):									
Transfer to Bond Debt Service Fund	-	-	-	-	-	-	-	-	-
Transfer from Bond Debt Service Fund	-	-	-	-	-	-	-	-	-
Transfer from General Fund	-	-	-	-	-	-	-	-	-
Transfer from Major Highway	180,000	-	-	-	-	-	-	-	180,000
Transfer from Street Construction	-	-	-	-	-	-	-	-	-
Total Other Financing Sources	180,000	-	-	-	-	-	-	-	180,000
NET CHANGE IN FUND BALANCES	(67,484)	293,482	8,184	2,694	7,813	254,650	-	224,550	723,889
FUND BALANCE, beginning	1,201,966	861,877	441	6,051	6,786	502,172	3,588	946,709	3,529,590
FUND BALANCE, ending	\$ 1,134,482	\$ 1,155,359	\$ 8,625	\$ 8,745	\$ 14,599	\$ 756,822	\$ 3,588	\$ 1,171,259	\$ 4,253,479

City of Ecorse
Statement of Revenues, Expenditures
and Changes in Fund Balance -
Budget and Actual
For the Fiscal Year Ended June 30, 2020

	MOTOR VEHICLE HIGHWAY LOCAL STREET FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ACTUAL OVER (UNDER) FINAL BUDGET
REVENUES:				
State sources	\$ 203,200	\$ 505,467	\$ 480,171	\$ (25,296)
Interest on savings and investments	12,000	10,611	10,611	-
TOTAL REVENUES	215,200	516,078	490,782	(25,296)
EXPENDITURES:				
Highways and streets	388,500	919,734	738,266	(181,468)
TOTAL EXPENDITURES	388,500	919,734	738,266	(181,468)
Revenues Over (Under) Expenditures	(173,300)	(403,656)	(247,484)	156,172
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	180,000	180,000	180,000	-
TOTAL OTHER FINANCING SOURCES (USES)	180,000	180,000	180,000	-
Revenues Over (Under) Expenditures & Net Change In Fund Balances	6,700	(223,656)	(67,484)	156,172
FUND BALANCE, beginning	1,201,966	1,201,966	1,201,966	-
FUND BALANCE, ending	\$ 1,208,666	\$ 978,310	\$ 1,134,482	\$ 156,172

City of Ecorse
Statement of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual (Budgetary Basis)
Nonmajor Special Revenue Funds
June 30, 2020

	RUBBISH FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ACTUAL OVER (UNDER) FINAL BUDGET
REVENUES:				
Property taxes	\$ 301,606	\$ 298,589	\$ 301,864	\$ 3,275
State sources	233,647	504,475	504,474	(1)
Interest on savings and investments	10,000	10,894	16,391	5,497
TOTAL REVENUES	545,253	813,958	822,729	8,771
EXPENDITURES:				
Public works	613,320	613,320	529,247	(84,073)
TOTAL EXPENDITURES	613,320	613,320	529,247	(84,073)
Revenues Over (Under) Expenditures	(68,067)	200,638	293,482	92,844
OTHER FINANCING SOURCES (USES):				
Transfers to other funds	-	-	-	-
Transfers from other funds	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
Revenues Over (Under) Expenditures & Net Change In Fund Balances	(68,067)	200,638	293,482	92,844
FUND BALANCE, beginning	861,877	861,877	861,877	-
FUND BALANCE, ending	\$ 793,810	\$ 1,062,515	\$ 1,155,359	\$ 92,844

City of Ecorse
Statement of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual (Budgetary Basis)
Nonmajor Special Revenue Funds
June 30, 2020

	DRUG ENFORCEMENT		
	ORIGINAL & FINAL BUDGET	ACTUAL	ACTUAL OVER (UNDER) FINAL BUDGET
REVENUES:			
Fines and forfeiture	\$ 8,175	\$ 8,176	\$ 1
Interest on savings and investments	9	8	(1)
TOTAL REVENUES	8,184	8,184	-
EXPENDITURES:			
Public safety	-	-	-
TOTAL EXPENDITURES	-	-	-
Revenues Over (Under) Expenditures	8,184	8,184	-
OTHER FINANCING SOURCES (USES):			
Transfers from other funds	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
Revenues Over (Under) Expenditures & Net Change In Fund Balances	8,184	8,184	-
FUND BALANCE, beginning	441	441	-
FUND BALANCE, ending	\$ 8,625	\$ 8,625	\$ -

City of Ecorse
Statement of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual (Budgetary Basis)
Nonmajor Special Revenue Funds
June 30, 2020

	JUSTICE TRAINING			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ACTUAL OVER (UNDER) FINAL BUDGET
REVENUES:				
State sources	\$ 5,694	\$ 5,694	\$ 5,694	\$ -
Interest on savings and investments	81	81	80	(1)
TOTAL REVENUES	5,775	5,775	5,774	(1)
EXPENDITURES:				
Public safety	5,775	5,775	3,080	(2,695)
TOTAL EXPENDITURES	5,775	5,775	3,080	(2,695)
Revenues Over (Under) Expenditures & Net Change In Fund Balances	-	-	2,694	2,694
FUND BALANCE, beginning	6,051	6,051	6,051	-
FUND BALANCE, ending	\$ 6,051	\$ 6,051	\$ 8,745	\$ 2,694

City of Ecorse
Statement of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual (Budgetary Basis)
Nonmajor Special Revenue Funds
June 30, 2020

	VEHICLE FORFEITURES		
	ORIGINAL & FINAL BUDGET	ACTUAL	ACTUAL OVER (UNDER) FINAL BUDGET
	REVENUES:		
Interest on savings and investments	\$ 117	\$ 116	\$ (1)
State Forfeitures	15,441	15,440	(1)
Federal Forfeitures	-		-
TOTAL REVENUES	15,558	15,556	(2)
EXPENDITURES:			
Public safety	15,558	7,743	7,815
TOTAL EXPENDITURES	15,558	7,743	7,815
Revenues Over (Under) Expenditures & Net Change In Fund Balances	-	7,813	7,813
FUND BALANCE, beginning	6,786	6,786	-
FUND BALANCE, ending	\$ 6,786	\$ 14,599	\$ (7,813)

City of Ecorse
Statement of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual (Budgetary Basis)
Nonmajor Special Revenue Funds
June 30, 2020

	LIBRARY			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ACTUAL OVER (UNDER) FINAL BUDGET
REVENUES:				
Property taxes	\$ 120,589	\$ 119,831	\$ 123,586	\$ 3,755
State sources	34,930	229,628	237,429	7,801
Other	6,000	5,455	5,389	(66)
TOTAL REVENUES	161,519	354,914	366,404	11,490
EXPENDITURES:				
Recreation and culture	160,386	184,986	111,754	(73,232)
TOTAL EXPENDITURES	160,386	184,986	111,754	(73,232)
Revenues Over (Under) Expenditures & Net Change In Fund Balances	1,133	169,928	254,650	84,722
FUND BALANCE, beginning	502,172	502,172	502,172	-
FUND BALANCE, ending	\$ 503,305	\$ 672,100	\$ 756,822	\$ 84,722

City of Ecorse
Statement of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual (Budgetary Basis)
Nonmajor Special Revenue Funds
June 30, 2020

	COMMUNITY DEVELOPMENT BLOCK GRANT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ACTUAL OVER (UNDER) FINAL BUDGET
REVENUES:				
Federal program revenue	\$ -	\$ 465,175	\$ 465,175	\$ -
TOTAL REVENUES	-	465,175	465,175	-
EXPENDITURES:				
Community projects	-	465,175	465,175	-
Debt service:				
Principal	-	-	-	-
TOTAL EXPENDITURES	-	465,175	465,175	-
Revenues Over (Under) Expenditures & Net Change In Fund Balances	-	-	-	-
FUND BALANCE, beginning	3,588	3,588	3,588	-
FUND BALANCE, ending	\$ 3,588	\$ 3,588	\$ 3,588	\$ -

City of Ecorse
Statement of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual (Budgetary Basis)
Nonmajor Governmental Fund
June 30, 2020

DEBT SERVICE FUND - 2012 BOND				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ACTUAL OVER (UNDER) FINAL BUDGET
REVENUES:				
Property taxes	\$ 415,000	\$ 419,134	\$ 445,716	\$ 26,582
State sources	401,952	867,827	867,826	(1)
Interest on savings and investments	1,000	13,948	14,638	690
TOTAL REVENUES	817,952	1,300,909	1,328,180	27,271
EXPENDITURES:				
Debt payments:				
Principal	275,000	675,000	675,000	-
Interest	489,630	424,630	424,630	-
Bond redemption premium		4,000	4,000	-
TOTAL EXPENDITURES	764,630	1,103,630	1,103,630	-
Revenues Over (Under) Expenditures & Net Change In Fund Balances	53,322	197,279	224,550	27,271
FUND BALANCE, beginning	946,709	946,709	946,709	-
FUND BALANCE, ending	\$ 1,000,031	\$ 1,143,988	\$ 1,171,259	\$ 27,271

REQUIRED SUPPLEMENTARY INFORMATION

City of Ecorse
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Budgetary Basis)
General Fund
June 30, 2020

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ACTUAL OVER (UNDER) FINAL BUDGET
Revenues				
Property taxes	5,534,616	5,552,545	5,739,358	186,813
Licenses and permits	336,892	325,141	240,176	(84,965)
Intergovernmental	3,972,538	7,189,933	7,290,557	100,624
Charges for services	782,322	844,327	201,841	(642,486)
Fines and forfeitures	400,000	116,000	124,405	8,405
Investment income	60,000	47,550	182,816	135,266
Other	55,500	126,737	998,223	871,486
Total revenues	11,141,868	14,202,233	14,777,376	575,143
Expenditures				
Current:				
General government:				
Attorney	823,924	922,975	891,844	(31,131)
Finance	371,095	379,027	355,230	(23,797)
City hall	414,923	497,571	441,911	(55,660)
Retiree pension	2,300,316	3,307,514	3,307,388	(126)
Retiree health care	1,391,677	1,371,352	1,443,201	71,849
Other	1,215,164	1,750,254	1,619,828	(130,426)
Total general government	6,517,099	8,228,693	8,059,402	(169,291)
Public Safety:				
Police and fire	3,329,413	4,169,747	3,913,753	(255,994)
Building inspection	231,379	253,296	227,678	(25,618)
Total public safety	3,560,792	4,423,043	4,141,431	(281,612)
Public works:				
Department of public works	695,300	803,263	776,415	(26,848)
Highway and streets:				
Street lighting	300,000	388,933	374,394	(14,539)
Debt service:				
Principal and interest on long-term debt	60,000	358,301	358,301	-
Total expenditures	11,133,191	14,202,233	13,709,943	(492,290)

continued...

City of Ecorse
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Budgetary Basis)
General Fund
June 30, 2020

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ACTUAL OVER (UNDER) FINAL BUDGET
Revenues over (under) expenditures	8,677	-	1,067,433	1,067,433
Other financing sources (uses)				
Transfer from other funds	-	-	-	-
Transfer to other funds	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	8,677	-	1,067,433	1,067,433
Fund balance, beginning of year	7,205,816	7,205,816	7,205,816	-
Fund balance, end of year	7,214,493	7,205,816	8,273,249	1,067,433

concluded.

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

	2019 (12/31/19 Measurement Date)	2018 (12/31/18 Measurement Date)	2017 (12/31/17 Measurement Date)	2016 (12/31/16 Measurement Date)	2015 (12/31/15 Measurement Date)	2014 (12/31/14 Measurement Date)
Total Pension Liability						
Service Cost	\$ 175,984	\$ 206,822	\$ 189,305	\$ 186,962	\$ 194,132	\$ 191,053
Interest	2,977,590	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	18,891	(100,144)	160,460	263,363	395,764	-
Changes in assumptions	1,259,138	(163)	-	-	1,979,630	-
Others	156,714	74	(1,382)	(10,506)	(10,522)	(10,517)
Benefits payments, including refunds	(3,768,517)	(3,734,857)	(3,769,681)	(3,781,830)	(3,760,544)	(3,760,437)
Net change in total pension liability	819,800	(455,051)	(231,577)	(141,546)	1,940,059	(405,011)
Total pension liability - beginning of year	\$ 40,975,076	\$ 41,430,127	\$ 41,661,704	41,803,250	39,863,191	40,268,202
Total pension liability - end of year	\$ 41,794,876	\$ 40,975,076	\$ 41,430,127	\$ 41,661,704	\$ 41,803,250	\$ 39,863,191
Plan Fiduciary Net Position						
Contributions - Employer	3,372,870	3,378,304	2,809,524	4,684,468	2,429,229	1,602,541
Contributions - Member	80,407	85,341	81,354	86,226	85,425	84,791
Net Investment income(loss)	2,126,675.85	(654,740)	2,009,273	1,434,495	(189,400)	952,166
Administrative expenses	(36,811)	(33,027)	(31,880)	(28,430)	(30,625)	(34,427)
Benefit payments, including refunds	(3,768,517)	(3,734,857)	(3,769,681)	(3,781,830)	(3,760,544)	(3,760,437)
Other						
Net change in plan fiduciary net position	1,774,625	(958,979)	1,098,590	2,394,929	(1,465,915)	(1,155,366)
Plan fiduciary net position - beginning of year	\$ 15,873,864	\$ 16,832,843	\$ 15,734,253	13,339,324	14,805,239	15,960,605
Plan fiduciary net position - end of year	\$ 17,648,489	\$ 15,873,864	\$ 16,832,843	\$ 15,734,253	\$ 13,339,324	\$ 14,805,239
City of Ecorse net pension liability - Ending	\$ 24,146,387	\$ 25,101,212	\$ 24,597,284	\$ 25,927,451	\$ 28,463,926	\$ 25,057,952
Plan fiduciary net position as a percentage of total pension liability	42.23%	38.74%	40.63%	37.77%	31.91%	37.14%
Covered employee payroll	1,584,076	1,833,471	\$ 1,650,070	\$ 1,612,357	\$ 1,688,425	1668040
City's net pension liability as a percentage of covered payroll	1524.32%	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%
2020	41,794,876	17,648,489	24,146,387	42.23%	1,584,076	1524.3%

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,	2020	2019	2018
Total OPEB Liability			
Service Cost	\$ 123,995	\$ 156,373	\$ 159,886
Interest on the Total OPEB Liability	1,051,180	1,039,821	1,028,027
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(7,504,975)	(55,426)	103,617
Changes of assumptions	1,476,306	-	-
Benefit payments, including refunds of employee contributions	(836,849)	(1,017,230)	(1,152,088)
	<u> </u>	<u> </u>	<u> </u>
Net change in total OPEB liability	\$ (5,690,343)	123,538	139,442
Total OPEB liability - beginning of year	18,637,815	18,514,277	18,374,835
Total OPEB liability - end of year	<u>12,947,472</u>	<u>18,637,815</u>	<u>18,514,277</u>
Plan Fiduciary Net Position			
Employer contributions	1,436,849	1,329,230	1,407,088
Nonemployer contributing entities contributions	-	-	-
OPEB plan net investment income	11,073	27,343	-
Benefit payments, including refunds	(836,849)	(1,017,230)	(1,152,088)
OPEB plan administrative expenses	(1,876)	(854)	(186)
Other	-	-	(2,645)
	<u> </u>	<u> </u>	<u> </u>
Net change in plan fiduciary net position	609,197	338,489	252,169
Plan fiduciary net position - beginning	590,658	252,169	-
Plan fiduciary net position - ending	<u>1,199,855</u>	<u>590,658</u>	<u>252,169</u>
Net OPEB Liability - ending	<u>\$ 11,747,617</u>	<u>\$ 18,047,157</u>	<u>\$ 18,262,108</u>
Plan fiduciary net position as a percentage of total OPEB liability	9.27%	3.17%	1.36%
Covered employee payroll	1,957,982	\$ 2,007,398	\$ 1,755,718
City's net OPEB liability as a percentage of covered-employee payroll	599.99%	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%
2020	\$ 12,947,472	\$ 1,199,855	\$ 11,747,617	9.27%	\$ 1,957,982	599.99%

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%
2020	\$ 1,642,490	\$ 1,436,849	\$ 205,641.00	\$ 1,957,982	73.38%

Schedule of OPEB Investment Returns

	Last Two Fiscal Years Year Ended June 30	
	2020	2019
Annual money-weighted rate of return, net of investment expenses (Total Market Portfolio)	7.31%	3.09%

November 30, 2020

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, 2020. 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 September 1, 2020. 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, 2020.

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.

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.

City of Ecorse
November 30, 2020
Page 4

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,

Hodges Accounting & Advisory Services

Hodges Accounting & Advisory Services