CITY OF ECORSE, MICHIGAN

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2005

Michigan Deptartment of Treasury
496 (2-04)

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type	Local Government Name	County
☑ City ☐ Township ☐ Village ☐ Other	ECORSE	WAYNE

Audit Date	Opinion Date	Date Accountant Report Submitted to State:
6/30/05	2/28/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

☑ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.

☑ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).

☑ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).

☑ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.

☐ Yes ☑ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).

☑ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.

☑ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).

☐ Yes ☑ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).

☐ Yes ☑ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name)			
WILKERSON & ASOCIATE, P.C.			
Street Address	City	State	ZIP
645 GRISWOLD, SUITE 1812	DETROIT	MI	48226
Accountant Signature		Date	
Larry Wilkerson		4/11/06	

CITY OF ECORSE, MICHIGAN
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2005

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Wilkerson & Associate, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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THOMAS E. WILKERSON, C.P.A.

REPORT OF INDEPENDENT AUDITORS

City Council
City of Ecorse, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities, major funds, and remaining fund information of the City of Ecorse, Michigan (the "City") as of and for the year ended June 30, 2005, which comprise the basic financial statements of the City's primary government as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion 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. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial presentation. We believe that our audit provides a reasonable basis of our opinion.

The financial statements referred to above include only the primary government of the City of Ecorse, Michigan, which consists of all funds, agencies, departments and offices that comprise the City's legal entity. The financial statements do not include financial data for the city's legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the city's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the City of Ecorse, Michigan as of June 30, 2005, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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, each major fund, and the aggregate remaining fund information for the primary government of the City of Ecorse, Michigan as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

City Council
City of Ecorse, Michigan

The management's discussion and analysis and budgetary comparison information on pages 3 - 8, and pages 43 - 60 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City's primary government. The combining and individual non-major 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 non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Wilkerson & Associate PC

Wilkerson & Associate, P.C.
Certified Public Accountants

February 28, 2006

Overview of the Financial Statements

The 2005 annual financial report of the City of Ecorse is presented in conformity with the requirements of Government Accounting Standards Board Statement No. 34, as it was for 2004. The basic financial statements include two kinds of statements that present different views of the City. The first two statements are government-wide financial statements that provide both short-term and long-term information about the City's status. The remaining statements are fund financial statements that focus on individual parts of the City's operations.

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net assets – the difference between the City's assets and liabilities – are one way to measure the City's financial health.

The government-wide financial statements of the City are divided into three categories:

- Government activities – Most of the City's basic services are included here, such as the police, fire, public works and recreation departments and general administration. Property taxes, State-shared revenue, charges for services, grants, and transfers provide much of the funding.

- Business-type activities – The City charges fees to customers to help it cover the costs of certain services it provides. The City's water and sewer systems are included here.

- Component units – The City, does not include the Ecorse Housing Commission in its report.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds – not the City as a whole. Funds are accounting tools that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and bond covenants. The City Council establishes other funds to control and manage money for particular purposes.

The City has three kinds of funds:

- Government funds – Most of the City's basic services are included in governmental funds, which focus on how cash and other financial assets that can be converted to cash flow in and out, and the balance left at year end that is available for spending. The governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

- Proprietary funds – Services to which the City charges customers a fee are generally reported in proprietary funds. Proprietary fund reporting, like government-wide statements, provide both short and long-term financial information.

- Fiduciary funds – The City is responsible for ensuring that the assets in these funds are used for their intended purposes. We exclude these activities from the government-wide financial statements because the City cannot use these assets to finance its operations.

Financial Highlights

- Assets of the City exceeded its liabilities at the end of the fiscal year by $16,707,353(net assets), a decrease of $1,420,093 from the previous year. Of the $16,707,353 reported in net assets, $692,427 may be used to meet the ongoing obligations to citizens and creditors (unrestricted net assets).

- Net assets of our governmental activities decreased $2,900,746, or -117%, while net assets of our business-type activities increased $1,531,821 or 9.8%.

- Unrestricted net assets for governmental activities are –33% of expenses. Unrestricted net assets for business-type activities are 151%.

- The General Fund reported expenses in excess of revenues by $4,175,690, which decreases the General Fund balance to $1,237,893.

The City as a Whole

The City's combined net assets are $16,707,353 at June 30, 2005. Business type activities make up $17,123,622 and governmental activities make up ($416,269) of the total. In a condensed format, the table below shows a comparison of the net assets as of June 30, 2005 to the prior year.

City of Ecorse – Net Assets

As noted earlier, the City's assets exceed its liabilities at the end of the fiscal year by $16.7 million (net assets). However, a major portion (87%) of the City's net assets represents its investment in capital assets (e.g. land, roads, infrastructure, buildings, and equipment) less any related debt used to acquire or construct these assets. The City uses these assets to provide services to its citizens; thus, these assets are not available for future spending.

Unrestricted net assets of the City decreased from $6.96 million at June 30, 2004 to $692,427 at the end of this year. This amount represents the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

Further, the City is able to report positive balances in all three categories of net assets, for the government as a whole.

City of Ecorse – Net Assets (in millions of dollars)

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Assets						
Current & other assets	4.04	7.43	7.45	8.54	11.49	15.97
Capital assets	4.45	2.22	17.68	15.60	22.13	17.82
Total assets	8.49	9.65	25.13	24.14	33.62	33.79
Liabilities						
Current & other liabilities	2.58	0.77	1.05	0.94	3.63	1.71
Long-term liabilities	6.33	6.40	6.96	7.56	13.29	13.96
Total liabilities	8.91	7.17	8.01	8.50	16.92	15.67
Net Assets						
Invested in capital assets - net of related debt	4.45	2.22	10.12	7.45	14.57	9.67
Restricted	0.30	0.30	1.14	1.18	1.44	1.49
Unrestrictced	(5.17)	(0.04)	5.86	7.01	0.69	6.96
Total net assets	(0.42)	2.48	17.12	15.64	16.70	18.12

The following table shows the changes in net assets for 2005:

City of Ecorse – Changes in Net assets (in millions of dollars)

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues						
Program revenues:						
Charges for service	1.54	2.04	5.07	4.60	6.61	6.64
Grants	0.28	0.31	-	-	0.28	0.31
General revenues:					-	-
Property taxes	8.43	10.33	0.36	0.78	8.79	11.11
State-shared revenues	2.54	2.60	-	-	2.54	2.60
Other revenues	0.04	0.02	0.16	0.08	0.20	0.10
Total revenues	12.83	15.30	5.59	5.46	18.42	20.76
Expenses						
General government	5.92	5.02	-	-	5.92	5.02
Judicial	0.46	0.48	-	-	0.46	0.48
Public safety	6.81	6.48	-	-	6.81	6.48
Public works	1.85	1.33	-	-	1.85	1.33
Recreational/cultural	0.40	0.21	-	-	0.40	0.21
Interest on long-term debt	0.22	0.23	-	-	0.22	0.23
Water and sewer	-	-	3.90	3.36	3.90	3.36
Total expenses	15.66	13.75	3.90	3.36	19.56	17.11
Excess (deficiency) before transfers and other financing sources	(2.83)	1.55	1.69	2.10	(1.14)	3.65
Transfers	0.16	0.15	(0.16)	(0.15)	-	-
Principal paid on Bond	(0.23)	(0.22)	-	-	(0.23)	(0.22)
Changes in net assets	(2.90)	1.48	1.53	1.95	(1.37)	3.43

Governmental Activities

For the year ended June 30, 2005, revenues for the City's governmental activities totaled $12.99million. Property taxes accounted for 65% of total revenue or $8.43 million. State shared revenues were 20%, or $2.54 million. There is concern for the future funding level of the state-shared revenues. It should be noted that the city invested heavily in capital improvements. This resulted in a continuing surplus in the fund balance.

Business-type Activities

For the year ended June 30, 2005, revenues for business-type activities were $5.59 million (net .16 million of transfers). Charges for services were 82% of gross revenue, or $5.07 million. Property taxes were 7% of gross revenues, or $ .36 million; these property taxes are used to make payments on debt incurred for the sewer system improvements. The City has one business-type activities; the water and sewer system. City experienced an increase in net assets of approximately $1.53 million from the business-type activities. This increase is due to the fact that the water and sewer system purchased land from National Steel after deducting amount due from delinquent water bills.

Capital Assets and Debt Administration

At the end of fiscal year 2005, the City has $13.1 million in bonds versus $13.9 million last year, a decrease of 6%: The debt related to the fiscal stabilization bonds was $5.55 million. Debt related to the water and sewer system totaling $7.56 million is recorded as a liability in the business-type activities in the statement of net assets. This debt represents improvements at the Wayne County Wastewater Treatment Plant that were mandated by a federal consent decree.

The City's Funds

The fund financial statements begin on page 10 and provide detailed information on the most significant governmental funds – not the City as a whole. The City Council creates funds to help manage money for special purposes, as well as to show accountability for certain activities such as special property tax millages. The City's major governmental funds for 2005 include the General Fund, the Major and local Street Funds, Drug Enforcement Fund, Library Fund , Community Grant Fund and The Debt Service Fund. The City's governmental funds reported combined fund balance of $1.7 million for this year, a decrease of $5.2 million over last year which had a $6.9 million surplus. The general fund decreased because of the extensive capital improvements made in major and local streets and parks, and no recurring large tax payment was received from National Steel for prior years tax. The debt service fund for this fiscal year resulted in a $3,818 deficit. The other funds remain practically the same from prior year.

General Fund Budgetary Highlights

The budget was revised during the fiscal year. Actual expenses exceed budget by $2.03 million. However, revenues exceed budget by $ 60,661. The city revised the budget during the fiscal year. The city had capital additions of 1.5 million in the current year related to the general fund, and no

large tax settlement as in the prior of 2.5 million. These and other smaller changes resulted in a $4.18 million reduction from the prior year fund balance.

Current Economic Conditions

The City will maintain positive fund balances in the future. Although it is anticipated that the State –shared Revenue will decrease in the future, this will not resulted in the city having a deficit fund balance. The city is reviewing the feasibility of sharing of services with the City of River Rouge. In addition the city has taken steps to reduce overtime in fire and police. These steps include hiring part-time policemen and firemen. The city is very aggressive in community development, with several future projects increasing the tax base of the city. Contract negotiations have resulted in a reasonable contract with AFSCME employees.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors 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 financial information, contact the City Controller's at 3869 Jefferson, Ecorse, Michigan.

CITY OF ECORSE, MICHIGAN
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
JUNE 30, 2005

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 3,221,517	$ 2,776,087	$ 5,997,604
Receivables, net	1,416	2,065,750	2,067,166
Receivables from other governments	433,192	-	433,192
Due from (to) other funds, net	-	1,467,856	1,467,856
Prepaid expenses	190,206	-	190,206
Restricted assets:			
Cash and cash equivalents	193,848	1,139,229	1,333,077
Capital assets:			
Land	96,000	2,732,454	2,828,454
Construction in progress	-	-	-
Buildings, improvements and sewage system	9,640,320	20,639,438	30,279,758
Vehicles, equipment and furniture	2,232,080	727,846	2,959,926
Accumulated depreciation	(7,516,193)	(6,416,688)	(13,932,881)
Total assets	8,492,386	25,131,972	33,624,358
LIABILITIES			
Accounts payable	615,944	445,400	1,061,344
Accrued wages and benefits	224,784	989	225,773
Other accrued liabilities	37,071	-	37,071
Due to other funds, net	1,467,856	-	1,467,856
Non-current liabilities:			
Due within one year	230,000	606,520	836,520
Due in more than one year	6,333,000	6,955,441	13,288,441
Total liabilities	8,908,655	8,008,350	16,917,005
NET ASSETS			
Invested in capital assets, net of related debt	4,452,208	10,121,089	14,573,297
Restricted for debt service	302,400	1,139,229	1,441,629
Unrestricted	(5,170,877)	5,863,304	692,427
Total net assets	$ (416,269)	$ 17,123,622	$ 16,707,353
Total net assets and liabilities	$ 8,492,386	$ 25,131,972	$ 33,624,358

See Accompanying Notes to Basic Financial Statements

CITY OF ECORSE, MICHIGAN
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005

Program Activities	Expenses	Program Revenues: Fees, Fines and Charges for Services	Program Revenues: Operating Grants	Net (Expenses) Revenues and Changes in Net Assets: Governmental Activities	Net (Expenses) Revenues and Changes in Net Assets: Business-type Activities	Net (Expenses) Revenues and Changes in Net Assets: Total
Governmental activities:						
General government and administration	$ 6,137,052	$ 309,624	$ 110,000	$ (5,717,428)	$ -	$ (5,717,428)
Judicial	455,534	774,202	-	318,668	-	318,668
Public safety	6,811,247	264,678	30,460	(6,516,109)	-	(6,516,109)
Public works	1,848,465	-	135,795	(1,712,670)	-	(1,712,670)
Recreational/cultural	402,012	-	-	(402,012)	-	(402,012)
Other	9,916	-	-	(9,916)	-	(9,916)
Interest on long-term debt	223,923	-	-	(223,923)	-	(223,923)
Total governmental activities	15,888,149	1,348,504	276,255	(14,263,390)	-	(14,263,390)
Business-type activities:						
Water and sewer	3,895,913	5,069,378	-	-	1,173,465	1,173,465
Total government	$ 19,784,062	$ 6,417,882	$ 276,255	(14,263,390)	1,173,465	(13,089,925)
General revenues						
Property taxes				8,429,039	358,595	8,787,634
State-shared revenue				2,537,179	-	2,537,179
Interest income				43,708	74,733	118,441
Miscellaneous				188,614	89,132	277,746
Transfers				164,104	(164,104)	-
Total general revenues and transfers				11,362,644	358,356	11,721,000
Change in net assets				(2,900,746)	1,531,821	(1,368,925)
Net assets, July 1, 2004				2,484,477	15,591,801	18,076,278
Net assets, June 30, 2005				$ (416,269)	$ 17,123,622	$ 16,707,353

See Accompanying Notes to Basic Financial Statements

CITY OF ECORSE, MICHIGAN
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2005

	General	Debt Service	Non-major Special Revenue Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	$ 3,031,550	$ 193,848	$ 189,966	$ 3,415,364
Receivables - net	1,416	-	-	1,416
Due from other governments	243,583	-	189,609	433,192
Prepaid expenses	44,583	145,623	-	190,206
Total assets	$ 3,321,132	$ 339,471	$ 379,575	$ 4,040,178
Liabilities				
Accounts payable	465,293	-	150,651	615,944
Accrued wages and benefits	224,784	-	-	224,784
Due to other funds	1,393,162	-	74,694	1,467,856
Accrued interest	-	37,071	-	37,071
Total liabilities	2,083,239	37,071	225,345	2,345,655
Fund Balances				
Restricted for debt service	-	302,400	-	302,400
Unrestricted	1,237,893	-	154,230	1,392,123
Total fund balances	1,237,893	302,400	154,230	1,694,523
Total liabilities and fund balances	$ 3,321,132	$ 339,471	$ 379,575	$ 4,040,178

See Accompanying Notes to Basic Financial Statements

CITY OF ECORSE, MICHIGAN
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005

Total fund balance - total governmental funds	$ 1,694,523
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet	4,452,208
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet	(6,563,000)
Net assets of governmental activities	$ (416,269)

See Accompanying Notes to Basic Financial Statements

CITY OF ECORSE, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

	General	Debt Service	Non-major Special Revenue Funds	Total Governmental Funds
Revenues				
Property taxes	$ 8,281,462	$ -	$ 147,578	$ 8,429,040
State shared revenues	1,921,356	-	615,822	2,537,178
Grants	137,184	-	139,070	276,254
Licenses and permits	269,502	-	-	269,502
Fees and charges	1,027,055	-	51,947	1,079,002
Other revenues	188,614	-	-	188,614
Interest income	41,813	1,765	130	43,708
Total revenues	11,866,986	1,765	954,547	12,823,297
Expenditures				
General government	5,849,667	-	-	5,849,667
Judicial	455,534	-	-	455,534
Public safety	5,457,597	-	5,752	5,463,349
Public works	1,230,911	-	545,195	1,776,106
Recreational/cultural	191,124	-	172,894	364,018
Capital outlays	1,493,999	-	1,226,369	2,720,368
Other	-	9,916	-	9,916
Debt service - interest paid	-	223,923	-	223,923
Total expenditures	14,678,832	233,839	1,950,210	16,862,880
Revenues over (under) expenditures	(2,811,846)	(232,074)	(995,663)	(4,039,583)
Other financing sources (uses)				
Charter Police/Fire pension judgment	(1,100,000)	-	-	(1,100,000)
Principal paid on fiscal stabilization bond	-	(225,000)	-	(225,000)
Transfers to debt service fund	(453,256)	453,256	-	-
Transfers in (out) for administration	61,582	-	(61,582)	-
Transfers in (out) special revenue funds	(21,303)	-	21,303	-
Transfers in for administration from proprietary fund	149,133	-	14,971	164,104
Total other financing sources (uses)	(1,363,844)	228,256	(25,308)	(1,160,896)
Revenues over (under) expenditures and other financing sources (uses)	(4,175,690)	(3,818)	(1,020,971)	(5,200,479)
Fund balances, July 1, 2004	5,413,583	306,218	1,175,201	6,895,002
Fund balances, June 30, 2005	$ 1,237,893	$ 302,400	$ 154,230	$ 1,694,523

See Accompanying Notes to Basic Financial Statements

CITY OF ECORSE, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005

Net change in fund balances - total governmental funds	$ (5,200,479)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures, however, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period	2,720,368
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds	(488,170)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance cost when first issued, whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items	67,535
Changes in net assets of governmental activities	$ (2,900,746)

See Accompanying Notes to Basic Financial Statements

CITY OF ECORSE, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GENERAL FUND
BUDGET TO ACTUAL
YEAR ENDED JUNE 30, 2005

	Budgeted Amounts Original and Final	Actual GAAP Basis	Budget Variance Positive (Negative
Revenues			
Property taxes	$ 7,789,300	$ 8,281,462	$ 492,162
State shared revenues	1,900,000	1,921,356	21,356
Grants	140,000	137,184	(2,816)
Licenses and permits	288,800	269,502	(19,298)
Fees and charges	1,155,000	1,027,055	(127,945)
Other revenues	458,225	188,614	(269,611)
Interest income	75,000	41,813	(33,187)
Total revenues	11,806,325	11,866,986	60,661
Expenditures			
General government	5,197,150	5,849,667	(652,517)
Judicial	460,125	455,534	4,591
Public safety	4,832,600	5,457,597	(624,997)
Public works	917,500	1,230,911	(313,411)
Recreational/cultural	146,000	191,124	(45,124)
Capital outlays	1,100,000	1,493,999	(393,999)
Total expenditures	12,653,375	14,678,832	(2,025,457)
Revenues over (under) expenditures	(847,050)	(2,811,846)	(1,964,796)
Other financing sources (uses)			
Charter Police/Fire pension judgment	(1,100,000)	(1,100,000)	-
Transfers to debt service fund	(450,000)	(453,256)	(3,256)
Transfers in (out) for administration	-	61,582	61,582
Transfers in (out) special revenue funds		(21,303)	(21,303)
Transfers in for administration from proprietary fund	-	149,133	149,133
Total other financing sources (uses)	(1,550,000)	(1,363,844)	186,156
Revenues over (under) expenditures and other financing sources (uses)	(2,397,050)	(4,175,690)	(1,778,640)
Fund balances, July 1, 2004	5,413,583	5,413,583	-
Fund balances, June 30, 2005	$ 3,016,533	$ 1,237,893	$ (1,778,640)

See Accompanying Notes to Basic Financial Statements

CITY OF ECORSE, MICHIGAN
STATEMENT OF NET ASSETS
PROPRIETARY FUND - WATER AND SEWER FUND
JUNE 30, 2005

Assets	
Current Assets:	
Cash	$ 2,776,087
Accounts receivable - trade, net of allowance for doubtful accounts	2,065,750
Due from other funds	1,467,856
Total Current Assets	6,309,693
Restricted Assets:	
Cash	1,139,229
Noncurrent Assets:	
Capital Assets:	
Land	2,732,454
Construction in progress	-
Building and improvements	20,639,438
Machinery and equipment	727,846
Accumulated depreciation	(6,416,688)
Total Capital Assets, net of Accumulated Depreciation	17,683,050
Total Assets	$ 25,131,972
Liabilities	
Current Liabilities:	
Accounts payable	$ 445,400
Accrued wages and benefits	989
Current maturities of long term debt	606,520
Total Current Liabilities	1,052,909
Noncurrent Liabilities:	
Long-term debt, net of current maturities	6,955,441
Total Liabilities	$ 8,008,350
Net Assets	
Invested in capital assets, net of related debt	10,121,089
Restricted for debt service	1,139,229
Unrestricted	5,863,304
Total Net Assets	17,123,622
Total Liabilities and Net Assets	$ 25,131,972

See Accompanying Notes to Basic Financial Statements

CITY OF ECORSE, MICHIGAN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - PROPRIETARY FUND - WATER AND SEWER FUND
YEAR ENDED JUNE 30, 2005

Operating Revenues:	
Water charges	$ 2,287,280
Sewer charges	2,623,606
Miscellaneous charges	158,492
Total operating revenues	5,069,378
Operating Expenses:	
Water cost	597,544
Sewer cost	1,283,264
Salaries, payroll taxes and employee benefits	49,614
Supplies, maintenance and utilities	1,081,939
Other expenses	75,116
Depreciation	633,546
Total operating expenses	3,721,023
Income from operations	1,348,356
Non-operating revenues (expenses):	
Interest income	74,733
Sales of excess capacity	89,132
Property taxes	358,595
Interest expense	(174,891)
Total Non-operating revenues (expenses)	347,569
Income before transfers	1,695,925
Transfers to general fund for administration	(3,351)
Transfers to local streets fund	(11,620)
Transfers to community development block fund	(149,133)
Total transfers	(164,104)
Change in net assets	1,531,821
Net assets, July 1, 2004 (As originally stated)	15,642,969
Prior period adjustment	(51,168)
Net assets, July 1, 2004 (Restated)	15,591,801
Net assets, June 30. 2005	$ 17,123,622

See Accompanying Notes to Basic Financial Statements

CITY OF ECORSE, MICHIGAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUND - WATER AND SEWER FUND
YEAR ENDED JUNE 30, 2005

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 4,865,916
Cash payments to suppliers for goods and services	(2,941,600)
Cash payments to employees for services	(49,614)
Net cash provided by operating activities	1,874,701
CASH FLOWS FROM NON-CAPITAL FINANCIAL ACTIVITIES	
Repayment of amounts due to/from other funds - net	(83,592)
Prior period adjustment to retained earnings	(51,168)
Transfers to primary government for administration and other	(164,104)
Net cash provided by non-capital financial activities	(298,864)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(2,715,783)
Cash received from sale of excess sewer capacity	89,132
Cash received from tax levies	358,595
Principal paid on long-term obligations	(586,571)
Interest paid on long-term obligations	(174,891)
Net cash provided by capital and related financing activities	(3,029,518)
CASH FLOWS FROM INVESTING ACTIVITIES	
Decrease in reserve funds at Wayne County	42,361
Investment income	74,733
Net cash provided by investing activities	117,094
Increase in cash and cash equivalents	(1,336,587)
CASH AND CASH EQUIVALENTS AT JULY 1, 2004	4,112,674
CASH AND CASH EQUIVALENTS AT JUNE 30, 2005	$ 2,776,087

See Accompanying Notes to Basic Financial Statements

CITY OF ECORSE, MICHIGAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUND - WATER AND SEWER FUND
YEAR ENDED JUNE 30, 2005

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Operating income	$ 1,348,356
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation	633,546
Changes in current assets and liabilities:	
Decrease in accounts receivable - trade	(203,463)
Decrease in accounts payable	96,262
Total adjustments	526,345
Net cash provided by operating activities	$ 1,874,701

See Accompanying Notes to Basic Financial Statements

CITY OF ECORSE, MICHIGAN
STATEMENT OF NET ASSETS - FIDUCIARY FUNDS
JUNE 30, 2005

	Police and Fire Pension Trust	Agency Funds
Assets:		
Cash	$ -	$ 473,986
Investments	9,101,164	-
Due from other governmental units	-	856,730
Total Assets	$ 9,101,164	$ 1,330,716
Liabilities:		
Due to other governmental units	$ -	$ 1,117,582
Refundable court bonds	-	110,559
Deposits	-	65,822
Other liabilities	-	36,753
Total Liabilities		$ 1,330,716
Net Assets:		
Restricted for pension benefits	-	
Total Net Assets	$ 9,101,164	

See Accompanying Notes to Basic Financial Statements

CITY OF ECORSE, MICHIGAN
STATEMENT OF CHANGES IN NET ASSETS - PENSION TRUST FUND
YEAR ENDED JUNE 30, 2005

ADDITIONS	
Interest and dividends	$ 244,354
Net depreciation in market value of investments	265,040
Investment expenses	(85,372)
Net investment income	424,022
Contributions from employer	1,100,000
Total additions	1,524,022
DEDUCTIONS	
Benefit payments	1,115,455
Lump-sum distributions	42,733
Total deductions	1,158,188
NET INCREASE	365,834
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	
Balance at July 1, 2004	8,735,330
Balance at June 30, 2005	$ 9,101,164

See Accompanying Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Ecorse, Michigan, a municipal corporation organized under the laws of the State of Michigan, was incorporated in September 1941. The City has operated under a Mayor-Council form of government and provides the following services as authorized by its Charter: general government, public safety, public works, recreational and cultural, water and sewer services, community development, justice and other.

The City' s financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise fund, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements* and *Management's Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the Statement include the following:

The financial statements include:

- A Management and Discussion and Analysis (MD&A) section providing an analysis of the City' s overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the City' s activities, including capital assets.
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The City has elected to implement the general provisions of the Statement in the current year and plans to retroactively report infrastructure (assets acquired prior to July 1, 2002 in the fiscal year ending June 30, 2006).

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity

These financial statements present the City (the primary government). A component unit of the City, the Ecorse Housing Commission, is not included in these statements as required by GASB No. 14. Component units are legally separate entities that are included in the City' s reporting entity because of the significance of their operating or financial relationships with the City.

B. Basic Financial Statements – Government-Wide Statements

The City' s basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City' s major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City' s police and fire protection, recreation, public works, library and general administrative activities are classified as governmental activities. The City's water and sewer activities are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts-invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes unrestricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities (police, fire, public works, etc.). The functions are also supported by general government revenues (property taxes, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues and operating grants. Program revenues must be directly associated with the function (police, public works, community services, etc.) or a business-type activity. Operating grants include operating-specific and discretionary grants.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City does not allocate indirect costs. An administrative service fee is charges by the General Fund to the Water Fund, the Major Street Fund, the Local Street Fund and the Community Development Block Grant Fund. These charges are eliminated as reimbursements to recover indirect costs of the General Fund to the other funds.

This government-wide focus is more on the substantiality of the City as an entity and the change in the City's net assets resulting from the current year's activities.

C. Basic Financial Statements – Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the City:

1. Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

a. **General fund** is the general operating account fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

b. **Special revenue funds** are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Proprietary Fund

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The Water and Sewer Fund is the only fund in the City that meets those requirements. This type of fund is also known as an Enterprise Fund. Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is (a) financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) established fees and charges based on a pricing policy designed to recover similar costs.

3. Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The reporting focus is on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activity categories. Nonmajor funds by category are summarized into a single column. FASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Fiduciary Funds

The City' s fiduciary funds are presented in the fiduciary fund financial statements by type (pension, private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.), and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principle and interest on general obligation long-term debt, if any, is recognized when due.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Financial Statement Amounts

1. Cash and Cash Equivalents

The City has defined cash and cash equivalents to include cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

2. Investments

Investments, including pension funds, are stated at fair value, (quoted market price or best available estimate).

3. Capital Assets

Capital assets purchased or acquired with an original cost of $2,000 and an estimated useful life of 5 years or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation of assets is provided on the straight-line basis over the following estimated useful lives:

Buildings & Improvements	25 - 40 Years
Land Improvements	10 - 20 Years
Machinery & Equipment	5 - 10 Years
Vehicles	5 - 10 Years
Utility Systems	25 - 40 Years
Infrastructure	20 - 40 Years

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Capital Assets (Continued)

GASBS No. 34 requires the City to report and depreciate new infrastructure assets effective with the beginning of the current year. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), etc. These infrastructure assets are likely to be the largest asset class of the City. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is subject to an extended implementation period and is first effective for fiscal years ending in 2006. The City elected to implement the general provisions of GASBS No. 34 in year ending June 30, 2003 and hopes to implement the retroactive infrastructure provisions (under the modified approach) in the fiscal year ending June 30, 2006.

4. Revenues

Substantially all governmental fund revenues are accrued. Property taxes are billed in a period prior to the period collected. Revenue is recognized for the period collected. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as non-operating revenue based on GASBS No. 34 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met.

Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

5. Expenditures

The measurement focus of government fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized when paid. Allocation of costs, such as depreciation and amortization, are not recognized in the governmental funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6. Compensated Absences

The City accrues accumulated unpaid vacation and sick leave when earned (or estimated to be earned) by the employee. The non-current portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

7. Interfund Activity

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market value or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

8. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

9. Revenue Concentration

The Great Lakes Works division of United States Steel Corporation provides approximately 50% of the property tax revenue collected by the City. In addition, approximately 55% of the revenues of the Water and Sewer fund are derived from sales to the steel company.

NOTE 2 - BUDGET REQUIREMENTS, ACCOUNTING AND REPORTING

The general government and special revenue funds are under formal budgetary control. In establishing the budgetary data reflected in the financial statements, the City charter requires the following procedures:

1. By February 1 of each year, department heads submit a listing of proposed expenditures to the controller. The controller then prepares a proposed budget for the fiscal year commencing on July 1, and submits it to the City Council. The annual operating budget includes all proposed expenditures and the financing sources which will pay for them.

2. Budgets are prepared on the modified accrual basis, which is the same basis used to reflect actual results.

3. Public hearings to obtain citizen comments are conducted.

4. The budgets are to be adopted by majority vote of the City Council by April 1.

5. Any revisions to the budget must be approved by majority vote of the City Council.

The budgets for the general fund and special revenue funds were adopted on March 30, 2004. The budget for the general fund was subsequently amended and adopted on May 24, 2005.

NOTE 3 - CASH AND CASH EQUIVALENTS

The City follows the practice of pooling cash and investment accounts for most funds. Cash, investments, and certificates of deposit for the proprietary fund are segregated. Investments of the Police and Fire Pension fund are held by outside trustees. Cash deposits are collateralized only to the extent of FDIC coverage.

The City's investment policies are governed by state statutes. General City funds must be deposited in government insured accounts in Michigan banks or thrifts. Permissible investments include obligations of the U.S. government and its agencies (either individually or in pooled funds); domestic certificates of deposit, commercial paper with prescribed ratings and repurchase agreements. The term of investments and the financial institutions used for investment purposes are determined based upon

NOTE 3 - CASH AND CASH EQUIVALENTS (CONTINUED)

operating and other needs. As a matter of City policy, repurchase agreements are not used for investments.

The aggregate cash balances, including restricted cash, at June 30, 2005 have been classified in the following to categories of risk:

	Bank Balances	Book Balances
Insured (FDIC)	$ 100,000	$ 100,000
Uninsured-uncollateralized	7,749,439	7,233,255
Total cash at June 30, 2005	$ 7,849,439	$ 7,333,255

Investments made by the City's Police and Fire Pension plan are all considered as category 3 - uninsured and unregistered, with securities held by a bank's trust department, and not in the City's name, as follows:

	Cost	Market Value
Money market	$ 930,884	$ 930,884
Domestic common stock	2,798,102	2,818,938
U.S. government securities	5,434,374	5,334,968
Accrued interest	16,374	16,374
Total	$ 9,179,734	$ 9,101,164

NOTE 4 - PROPERTY TAXES

The City's property tax is levied each June 1, on the assessed valuation as of December 31 of the preceding year, of property located within the City. Property taxes are for the next fiscal year commencing on July 1. Property taxes are payable without penalty up to each July 31. Assessed values are established annually by the City and are equalized by the Charter County of Wayne and the State of Michigan, subject to certain statutory limits.

NOTE 4 - PROPERTY TAXES (CONTINUED)

The major portion of the City's tax revenue is generated from the summer tax levy and is recognized as revenue in the year received. Real and personal property in the City for the fiscal 2005 levy were equalized at $247 million. The City's operating tax rates for the June 1, 2004 levy (2005 revenue), along with the related restrictions for its use, follows:

	Operating (in mills)		State Limit (in mills)
General operating	19.00		
Police and Fire pension	0.25		
Longevity	0.50	*	
Library	0.25		
	20.00		20.00
Rubbish collection	2.30		

* The Citizens of the City approved a resolution stating that the excess of property tax revenue over the required longevity payments will be used for library operations. In 2005, approximately $31,000 was used for library operations, which arose from that excess.

In addition to the above property tax millage rates, the City assesses sufficient mills to generate $1.1 million in additional property taxes for the purpose of paying the judgement levy for funding the Police and Fire Pension Plan contribution. The assessment is divided between the summer and winter tax billings. In the 2005 fiscal year, the City collected approximately $1,100,000 for the Police and Fire Pension Plan.

NOTE 5 - INTERFUND TRANSACTIONS AND BALANCES

Interfund transfers during the year ended June 30, 2005, were as follows:

	Transfers In						
Transfers Out	General Fund	Local Streets Fund	Drug Enforcement Fund	Library Fund	CDBG Fund	Debt Service Fund	Total
Major Street Fund	$ 44,896	$ 112,241	$ -	$ -	$ -	$ -	$ 157,137
Local Street Fund	16,686	-	-	-	-	-	16,686
Community Development Block Grant Fund	-	-	-	-	-	-	-
Water and Sewer Fund	149,133	3,351	-	-	11,620	-	164,104
General Fund	-	-	6,844	14,459	-	453,256	474,559
Total	$ 210,715	$ 115,592	$ 6,844	$ 14,459	$ 11,620	$ 453,256	$ 812,486

Transfers were made for the following purposes:

- To move funds from special revenue funds and the proprietary fund to the general fund to allocate administrative costs (primarily personnel costs) to those funds.
- To reallocate available state revenues between the major and local street funds as allowed by State laws.
- To transfer funds from the general fund for debt service requirements.

Other fund transactions consisted of the collection of property taxes and delinquent water and sewer charges within the current tax collection fund and the subsequent payments for those items to the appropriate fund and the occasional payment made from one fund's c ash account for the benefit of another fund.

NOTE 5 - INTERFUND TRANSACTIONS AND BALANCES (CONTINUED)

Interfund balances at June 30, 2005, were as follows:

	Receivables	Payables
General fund:		
Current tax collection fund	$ 889,346	$ -
District court trust fund	44,229	-
Fire insurance escrow fund	-	2,573
Major streets fund	45,979	-
Local streets fund	34,015	-
Drug forfeiture fund	-	250
Water and sewer fund	204,243	-
Library fund	18,384	-
Major streets fund:		
General fund	-	45,979
Local streets fund	-	102,945
Water and sewer fund	223,434	-
Local streets fund:		
General fund	-	34,015
Major streets fund	102,945	-
Water and sewer fund	-	200,000
Drug forfeiture fund:		
General fund	250	-
Current tax collection fund	-	-
Library fund:		
General fund	-	18,384
Current tax collection fund	-	-
Community Development Block grant fund:		
Water and sewer fund	-	-
Water and sewer funds:		
Current tax collection fund	1,695,533	-
General fund	-	204,243
Major streets fund	-	223,434
Local streets fund	200,000	-
Community Development Block grant fund	-	-

NOTE 5 - INTERFUND TRANSACTIONS AND BALANCES (CONTINUED)

Current tax collection fund:		
General fund	-	889,346
Drug forfeiture fund	-	-
Library fund	-	-
Water and sewer fund	-	1,695,533
Fire insurance escrow fund:		
General fund	2,573	-
District court trust fund:		
General fund	-	44,229
	$ 3,460,931	$ 3,460,931

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005, was as follows:

	Balance June 30, 2004	Additions July 1, 2004 June 30, 2005	Balance June 30, 2005
Governmental activities:			
Capital assets not being depreciated:			
Land	$ 96,000	$ -	$ 96,000
Capital assets being depreciated:			
Buildings	7,256,043	2,384,277	9,640,320
Vehicles	929,341	196,512	1,125,853
Equipment	854,487	103,718	958,205
Furniture and fixtures	112,161	35,861	148,022
Total capital assets being depreciated	9,152,032	2,720,368	11,872,400
Less accumulated deprecciation for:			
Buildings	5,977,743	270,981	6,248,724
Vehicles	564,884	98,996	663,880
Equipment	410,921	106,170	517,091
Furniture and fixtures	74,475	12,023	86,498
Total accumulated depreciation	7,028,023	488,170	7,516,193
Total capital assets being depreciated, net	2,124,009	2,232,198	4,356,207
Government activities capital assets, net	$ 2,220,009	$ 2,232,198	$ 4,452,207

NOTE 6 - CAPITAL ASSETS (CONTINUED)

Business-type activities:			
Capital assets not being depreciated:			
Land	$ 2,515,000	$ 217,454	$ 2,732,454
Construction in progress	57,931	(57,931)	-
Capital assets being depreciated:			
Buildings, improvements, and Sewage system	18,083,178	2,556,260	20,639,438
Machinery and equipment	727,846	-	727,846
Total capital assets being depreciated	18,811,024	2,556,260	21,367,284
Less accumulated depreciation for:			
Buildings, improvements, and Sewage system	5,108,666	603,111	5,711,777
Machinery and equipment	674,476	30,435	704,911
Total accumulated depreciation	5,783,142	633,546	6,416,688
Total capital assets being depreciated, net	13,027,882	1,922,714	14,950,596
Business-type activities capital assets, net	$ 15,600,813	$ 2,082,237	$ 17,683,050

Depreciation expense was charged as a direct expense to programs of the primary government, as follows:

Governmental Activities:

General government and administration	$ 129,919
Public safety	247,897
Public works	72,359
Cultural and recreational	37,995
Total depreciation expense-government activities	$ 488,170
Business-type activities - Water and sewer fund	$ 633,546

NOTE 7 - DEBT AND OTHER OBLIGATIONS

At June 30, 2005, long-term debt consisted of the following:

Governmental Activities:	
Fiscal Stabilization Bonds, series 2002, due in annual installments of $220,000 to $430,000 through November 2002 with interest at rates varying between 2% and 5%, collateralized by an assignment of State revenue sharing payments	$ 5,555,000
Compensated absences	599,000
Claims and litigation	409,000
Business-type Activities:	
State revolving fund loans, payable to the Charter County of Wayne, due in annual installments of $577,000 to $825,000 plus interest through October 2019. These loans are paid in part by a City levy on County tax rolls	7,561,961
Total long-term debt	14,124,961
Current maturities	836,520
Long-term Debt	$ 13,288,441

NOTE 7 - DEBT AND OTHER OBLIGATIONS (CONTINUED)

Transactions for the year ended June 30, 2005 are summarized as follows:

	Balance July 1, 2004	Additions	Reductions	Balance June 30, 2005
Governmental type activities:				
Fiscal stabilization bonds	$ 5,780,000	$ -	$ 225,000	$ 5,555,000
Compensated absenses	485,927	113,073	-	599,000
Claims and litigation	364,607	44,393	-	409,000
Total governmental activities	$ 6,630,534	$ 157,466	$ 225,000	$ 6,563,000
Business-type activities:				
State revolving fund loans	8,148,532	-	586,571	7,561,961
Total Government	$ 14,779,066	$ 157,466	$ 811,571	$ 14,124,961

The aggregate annual maturities for each bond-type of debt, are as follows:

	Governmental Activities			Business-type Activities		
Year ending June 30	Principle	Interest	Total	Principle	Interest	Total
2006	$ 230,000	$ 220,122	$ 450,122	$ 606,520	$ 162,726	$ 769,246
2007	235,000	215,120	450,120	610,755	149,642	760,397
2008	240,000	209,178	449,178	631,109	135,895	767,004
2009	245,000	202,263	447,263	640,830	122,556	763,386
2010	255,000	194,508	449,508	655,640	108,975	764,615
thereafter	4,350,000	1,396,979	5,746,979	4,417,107	378,212	4,795,319
Total	$ 5,555,000	$ 2,438,170	$ 7,993,170	$ 7,561,961	$ 1,058,006	$ 8,619,967

NOTE 8 - PENSION PLANS

Police and Fire Pension – Single-Employer Plan

The City maintains a single-employer pension plan for members of its police and fire departments. This plan is administered by a three member board of trustees, elected by the members of the police department, fire department, and City council (one member appointed by each). This pension fund is reported as a fiduciary fund in the accompanying financial statements.

The pension plan provides pension benefits, deferred allowances, and death and disability benefits. A member may retire after reaching the age of 60 or accumulating 26 years of service. Benefits vest after 10 years of service. Employees, who retire at or after age 60 with 10 or more years of service, are entitled to pension payments for the remainder of their lives, in annual amounts equal to 65% of their highest three consecutive years average compensation.

Pension provisions include deferred allowances whereby an employee may terminate his or her employment with the City after accumulating 20 years of service. If the employee does not withdraw their accumulated contributions, the employee will be entitled to an annual pension, which will be reduced by 2.5% for each year of service less than 26.

Pension provisions include death and disability benefits whereby the disabled employee or a surviving spouse will be entitled to receive the full annual normal retirement amount. The disabled employee is entitled to receive disability payments for life, while a surviving spouse may receive death benefits for life, provided the spouse does not remarry.

Funding Policy

The pension plan, which covered all police and fire department personnel prior to 1987, was closed to new hires in 1988. In connection with the 1988 agreement to close this plan, all police and fire personnel hired after January 1, 1980 are members of the Michigan Municipal Employees Retirement System (MMERS). In 1989, the Pension Board and the receiver reached an agreement, which provides that the City will contribute $1,100,000 annually to the plan until the plan's actuarial liability is liquidated. This contribution is funded by a judgement levy and is payable annually on March 15. If additional funds are required, payment will be made from general governmental funds.

NOTE 8 - PENSION PLANS (CONTINUED)

Annual Pension Cost

For the year ended June 30, 2005, the City contributed $1,100,000 to the plan. Significant actuarial assumptions, used for the year ended June 30, 2005, are as follows:

- Mortality – 1983 Group annuity mortality tables
- Withdrawal from service – None assumed
- Disability – None assumed
- Investment returns – Active and retired lives – 8%
- Salary scale – Salaries assumed to increase each year by 4%, compounded annually
- Retirement Age – For funding, age 50 and 25 years of service
- Valuation method – Projected unit credit method

	Actuarial Valuation as of June 30,		
	2005	2004	2003
Market value of plan assets	$ 9,101,164	$8,735,330	$8,123,897
Present value of plan liabilities	10,552,750	10,966,704	10,972,042
Unfunded pension benefits	$ 1,451,586	$2,231,374	$2,848,145

Michigan Municipal Employee Retirement System (MMERS) – Multi-employer plan

Plan Description

The City is a participant in MMERS to provide retirement benefits to its current and former employees. MMERS was established in 1945 and is organized pursuant to the provisions of Act 427 of the Public Acts of 1984, as amended by 1996 Public Act 220, of the state of Michigan. MMERS is a defined benefit plan provided through an agent multiple-employer public employee retirement system, and covers substantially all City employees. The City joined MMERS in 1980.

NOTE 8 - PENSION PLANS (CONTINUED)

MMERS is controlled by the participating organizations and their covered employees, with ultimate control by the Michigan legislature. Benefits are established by state statute. The plan provided pension benefits, deferred allowances, and death and disability benefits to plan members and their beneficiaries. MMERS issues financial statements and required supplementary information for the retirement system. This publicly available report may be obtained by requesting a copy, in writing, from the system at 447 N. Canal Road, Lansing, MI 48917.

Funding policy

The obligation to make contributions and maintain participation in MMERS for its employees was established by negotiation with the City's competitive bargaining units. No contributions to the plan are required from the City's employees.

Annual pension cost

For the year ended June 30, 2005, the City's annual pension payments to MMERS of $976,109 did not meet the required contribution of $1,035,012. The annual required contribution was determined as part of an actuarial valuation at December 31, 1999, using the entry age normal cost method. Significant actuarial assumptions included a) and 8% investment rate of return, b) projected salary increases of 4.5% per year, c) assumed rates of withdrawal applied, are based upon years of service for members with less than 5 years of service, and are based upon age for members with over 5 years of service, and d) an inflation component of 4.5% is assumed.

The actuarial value of assets is determined on the basis of a valuation method that assumes the fund earns the expected rate of return (8%), and includes an adjustment to reflect market value. Unfunded actuarial accrued liabilities are amortized by a level percentage of payroll contributions over a period ranging from 30 to 36 years.

Three year trend information follows:

	Fiscal years ended June 30,		
	2005	2004	2003
Required Annual Pension Contribution	$976,109	$766,642	$697,189
Percentage contributed	94%	97%	88%

NOTE 8 - PENSION PLANS (CONTINUED)

Deferred Compensation Plan

The City offers its employees a deferred compensation plan established in accordance with Internal Revenue Code Section 457. The plan is available to all City employees and permits them to defer a portion of their salary until future years. Payments made to the plan are not available to employees until termination, retirement, death or unforeseen emergency. The city has no liability for losses under the plan agreement, but does have the duty of due care that would be required of an ordinary prudent investor.

NOTE 9 - POST EMPLOYMENT HEATHCARE BENEFITS

In accordance with union contracts, healthcare benefits are paid for covered employees. The insurance premium cost of this benefit is paid 100% by the City. The City records the expense for this benefit at the time the premium is paid.

NOTE 10 - PRIOR PERIOD ADJUSTMENTS

It was determined by the City that four prior year receivables totaling $ 51,168 were deemed uncollectible as of June 30, 2005. As a result, this amount has been recorded as prior period adjustment in the Statement of Revenue, Expenditures and Changes in Net Assets - Proprietary Fund - Water and Sewer Fund for the year ended June 30, 2005.

NOTE 11 - RECEIVABLES FROM OTHER GOVERNMENTS

This balance represents amounts due primarily from the State of Michigan and Wayne County for amounts collected by these entities which have not yet been received by the City of Ecorse. These amounts total $ 433,192 as of June 30, 2005.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual

Special Revenue and Debt Service Funds

Non-major Governmental Funds

Special Revenue Funds

Major Streets Fund - This fund is used to account for monies received from the State of Michigan under Act 51 (state gasoline tax revenues), and is used for the maintenance of designated streets within the City.

Local Streets Fund - This fund also accounts for Act 51 monies received, and is used for all city streets, not designated as major.

Drug Enforcement Fund - This fund is used to hold monies received from the forfeiture and confiscation of funds seized by the police department in enforcing drug statutes. Use of these funds is restricted to specified uses by the police department.

Library Fund - This fund is used to account for the revenues received and expenses incurred for the operation of the public library.

Community Development Block Grant Fund - This fund is used to account for the revenues and expenditures of funds received through the community development block grant.

Debt Service Funds

Fiscal Stabilization Bond Fund - This fund is used to account for monies to be applied to retire the fiscal stabilization bonds.

CITY OF ECORSE, MICHIGAN
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005

	Special Revenue Funds							Debt Service	
	Major Street Fund	Local Street Fund	Drug Enforcement Fund	Justice Training Fund	Library Fund	Community Development Block Grant Fund	Special Revenue Funds Totals	Fiscal Stabilization Bond Fund	Totals
Assets									
Cash	$ -	$ 114,060	$ 52,794	$ 2,275	$ 559	$ 20,278	$ 189,966	$ 193,848	$ 383,814
Due from other governments	72,617	26,992	-	-	-	90,000	189,609	-	189,609
Bond issuance costs, net	-	-	-	-	-	-	-	145,623	145,623
Inter-fund balances	223,434	102,945	250	-	-	-	326,629	-	326,629
Total assets	$ 296,051	$ 243,997	$ 53,044	$ 2,275	$ 559	$ 110,279	$ 706,204	$ 339,471	$ 1,045,675
Liabilities									
Accounts payable	$ 130,171	$ -	$ -	$ -	$ 4,780	$ 15,700	$ 150,651	$ -	$ 150,651
Accrued interest	-	-	-	-	-	-	-	37,071	37,071
Accrued salaries	-	-	-	-	-	-	-	-	-
Inter-fund balances	148,924	234,015	-	-	18,384	-	401,323	-	401,323
Total liabilities	279,095	234,015	-	-	23,164	15,700	551,974	37,071	589,045
Fund Balances									
Reserved for debt service	-	-	-	-	-	-	-	302,400	302,400
Unreserved	16,956	9,982	53,044	2,275	(22,605)	94,578	154,230	-	154,230
Total liabilities and fund balances	$ 296,051	$ 243,997	$ 53,044	$ 2,275	$ 559	$ 110,278	$ 706,204	$ 339,471	$ 1,045,675

CITY OF ECORSE, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

	Special Revenue							Debt Service	
	Major Street Fund	Local Street Fund	Drug Enforcement Fund	Justice Training Fund	Library Fund	Community Development Block Grant Fund	Special Revenue Funds Totals	Fiscal Stabilization Bond Fund	Totals
Revenues									
Property taxes	$ -	$ -	$ -	$ -	$ 147,578	$ -	$ 147,578	$ -	$ 147,578
State shared revenue	448,963	166,859	-	-	-	-	615,822	-	615,822
Grants	-	-	-	3,275	-	135,795	139,070	-	139,070
Fines and forfeits	-	-	51,947	-	-	-	51,947	-	51,947
Miscellaneous	-	-	-	-	-	-	-	-	-
Interest	-	-	130	-	-	-	130	1,765	1,895
Total revenues	448,963	166,859	52,077	3,275	147,578	135,795	954,547	1,765	956,312
Expenditures									
Public safety	-	-	4,752	1,000	-	-	5,752	-	5,752
Public works	232,464	204,187	-	-	-	108,554	545,205	-	545,205
Capital outlays	851,079	375,280	-	-	-	-	1,226,359	-	1,226,359
Recreational/cultural	-	-	-	-	172,894	-	172,894	-	172,894
Debt service	-	-	-	-	-	-	-	233,839	233,839
Total expenditures	1,083,543	579,467	4,752	1,000	172,894	108,554	1,950,210	233,839	2,184,049
Revenues over (under) expenditures	(634,580)	(412,608)	47,325	2,275	(25,316)	27,241	(995,663)	(232,074)	(1,227,737)
Other financing sources (uses):									
Principal paid on fiscal stabilization bond	-	-	-	-	-	-	-	(225,000)	(225,000)
Transfers from Major Street fund to Local Street fund - net	(112,241)	112,241	-	-	-	-	-	-	-
Transfers to Water fund	-	3,351	-	-	-	11,620	14,971	-	14,971
Transfers to General fund for administration	(44,896)	(16,686)	6,844	-	14,459	-	(40,279)	-	(40,279)
Transfers (to) from General fund - net	-	-	-	-	-	-	-	453,256	453,256
Total other financing sources (uses)	(157,137)	98,906	6,844	-	14,459	11,620	(25,308)	228,256	202,948
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(791,717)	(313,702)	54,169	2,275	(10,857)	38,861	(1,020,971)	(3,818)	(1,024,789)
Fund Balances, July 1, 2004	808,673	323,684	(1,125)	-	(11,748)	55,717	1,175,201	306,218	1,481,419
Fund Balances, June 30, 2005	$ 16,956	$ 9,982	$ 53,044	$ 2,275	$ (22,605)	$ 94,578	$ 154,230	$ 302,400	$ 456,630

CITY OF ECORSE, MICHIGAN
SPECIAL REVENUE FUND - MAJOR STREETS FUND
BUDGETED AND ACTUAL REVENUES AND EXPENDITURES
AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2005
WITH COMPARATIVE ACTUAL TOTALS FOR 2004

	2005		Budget	2004
	Budgeted Amounts Original and Final	Actual GAAP Basis	Variance Positive (Negative)	Actual GAAP Basis
Revenues:				
State-shared revenue	$ 350,000	$ 448,963	$ 98,963	$ 464,973
Interest	5,000	-	(5,000)	-
Total revenues	355,000	448,963	93,963	464,973
Expenditure:				
Construction - Roads	15,000	-	15,000	-
Capital Outlays - Roads	-	851,089	(851,089)	-
Maintenance:				
Contracted services	165,000	178,362	(13,362)	118,182
Routine maintenance	45,000	9,711	35,289	-
Traffic services	22,000	9,492	12,508	7,533
Winter maintenance	45,000	34,889	10,111	-
Equipment rental administration	45,000	-	45,000	-
Total expenditures	337,000	1,083,543	(746,543)	125,715
Excess revenues over expenditures	18,000	(634,580)	(652,580)	339,258
Other financing uses:				
Transfers to Local Street Fund	-	112,241	(112,241)	116,243
Transfers to General Fund - Administration	-	44,896	(44,896)	46,497
Total other financing uses	-	157,137	(157,137)	162,740
Excess (deficiency) of revenues over expenditures and other financing uses	18,000	(791,717)	(809,717)	176,518
Fund balance, beginning of year	717,284	808,673	91,389	632,155
Fund balance, end of year	$ 735,284	$ 16,956	$ (718,328)	$ 808,673

CITY OF ECORSE, MICHIGAN
SPECIAL REVENUE FUND - LOCAL STREETS FUND
BUDGETED AND ACTUAL REVENUES AND EXPENDITURES
AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2005
WITH COMPARATIVE ACTUAL TOTALS FOR 2004

	2005		Budget	2004
	Budgeted Amounts Original and Final	Actual GAAP Basis	Variance Positive (Negative)	Actual GAAP Basis
Revenues:				
State-shared revenue	$ 160,000	$ 166,859	$ 6,859	$ 172,560
Interest	2,000	-	(2,000)	-
Total revenues	162,000	166,859	4,859	172,560
Expenditure:				
Construction - Professional services	30,000	24,417	5,583	30,323
Capital Outlays - Roads	-	375,290	(375,290)	-
Maintenance:				
Contracted services	7,000	40,982	(33,982)	35,754
Routine maintenance	45,000	73,601	(28,601)	90,856
Traffic services	6,000	7,080	(1,080)	24,722
Winter maintenance	65,000	52,541	12,459	31,685
Alley maintenance	22,000	5,556	16,444	-
Equipment rental administration	15,000	-	15,000	-
Total expenditures	190,000	579,467	(389,467)	213,340
Excess revenues over expenditures	(28,000)	(412,608)	(384,608)	(40,780)
Other financing uses:				
Transfers to from Water Fund	-	3,351	3,351	-
Transfers to Major Street Fund	-	112,241	112,241	116,243
Transfers to from General Fund - Administration	25,000	(16,686)	(41,686)	(17,256)
Total other financing uses	25,000	98,906	73,906	98,987
Excess (deficiency) of revenues over expenditures and other financing (uses)	(3,000)	(313,702)	(310,702)	58,207
Fund balance, beginning of year	191,621	323,684	132,063	265,477
Fund balance, end of year	$ 188,621	$ 9,982	$ (178,639)	$ 323,684

CITY OF ECORSE, MICHIGAN
SPECIAL REVENUE FUND - DRUG ENFORCEMENT FUND
BUDGETED AND ACTUAL REVENUES AND EXPENDITURES
AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2005
WITH COMPARATIVE ACTUAL TOTALS FOR 2004

	2005		Budget	2004
	Budgeted Amounts Original and Final	Actual GAAP Basis	Variance Positive (Negative)	Actual GAAP Basis
Revenues:				
Fines and forfeits	$ 50,000	$ 51,947	$ 1,947	$ 44,645
Interest	-	130	130	23
Total revenues	50,000	52,077	2,077	44,668
Expenditure:				
Police operating expenses	50,000	4,752	(45,248)	46,961
Capital equipment purchases	-	-	-	-
Total expenditures	50,000	4,752	(45,248)	46,961
Excess revenues over expenditures	-	47,325	47,325	(2,293)
Other financing uses:				
Transfers to from General Fund	-	6,844	6,844	-
Total other financing uses	-	6,844	6,844	-
Excess (deficiency of revenues over expenditures and other financing (uses)	-	54,169	54,169	(2,293)
Fund balance, beginning of year	70,119	(1,125)	(71,244)	1,168
Fund balance, end of year	$ 70,119	$ 53,044	$ (17,075)	$ (1,125)

CITY OF ECORSE, MICHIGAN
SPECIAL REVENUE FUND - JUSTICE TRAINING FUND
BUDGETED AND ACTUAL REVENUES AND EXPENDITURES
AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2005
WITH COMPARATIVE ACTUAL TOTALS FOR 2004

	2005		Budget	2004
	Budgeted Amounts Original and Final	Actual GAAP Basis	Variance Positive (Negative)	Actual GAAP Basis
Revenues:				
Grants	$ -	$ 3,275	$ 3,275	$ -
Expenditure:				
Justice Training	-	1,000	(1,000)	-
Excess revenues over expenditures	-	2,275	2,275	-
Excess (deficiency of revenues over expenditures)	-	2,275	2,275	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	$ -	$ 2,275	$ 2,275	$ -

CITY OF ECORSE, MICHIGAN
SPECIAL REVENUE FUND - LIBRARY FUND
BUDGETED AND ACTUAL REVENUES AND EXPENDITURES
AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2005
WITH COMPARATIVE ACTUAL TOTALS FOR 2004

	2005		Budget	2004
	Budgeted Amounts Original and Final	Actual GAAP Basis	Variance Positive (Negative)	Actual GAAP Basis
Revenues:				
Property taxes	$ 145,000	$ 147,578	$ 2,578	$ 63,820
Contributions	6,800	-	(6,800)	-
Total revenues	151,800	147,578	(4,222)	63,820
Expenditure:				
Salaries and payroll taxes	13,800	17,339	(3,539)	27,497
Wayne County library network	125,000	139,342	(14,342)	68,196
Supplies	5,000	-	5,000	-
Building maintenance	3,000	16,213	(13,213)	2,251
Total expenditures	146,800	172,894	(26,094)	97,944
Excess revenues over expenditures	5,000	(25,316)	(30,316)	(34,124)
Other financing uses:				
Transfers to from General Fund	-	14,459	14,459	-
Total other financing uses	-	14,459	14,459	-
Excess (deficiency) of revenues over expenditures and other financing (uses)	5,000	(10,857)	(15,857)	(34,124)
Fund balance, beginning of year	22,376	(11,748)	(34,124)	22,376
Fund balance, end of year	$ 27,376	$ (22,605)	$ (49,981)	$ (11,748)

CITY OF ECORSE, MICHIGAN
SPECIAL REVENUE FUND - COMMUNITY DEVELOPMENT BLOCK GRANT FUND
BUDGETED AND ACTUAL REVENUES AND EXPENDITURES
AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2005
WITH COMPARATIVE ACTUAL TOTALS FOR 2004

	2005		Budget	2004
	Budgeted Amounts Original and Final	Actual GAAP Basis	Variance Positive (Negative)	Actual GAAP Basis
Revenues:				
Federal grants	$ 221,000	$ 135,795	$ (85,205)	$ 282,138
Program income	-	-	-	27,533
Total revenues	221,000	135,795	(85,205)	309,671
Expenditure:				
Parks and playgrounds	198,900	-	198,900	26,372
Street improvements	-	-	-	138,796
Consultant fees	-	3,675	(3,675)	9,837
Housing rehabilitation	-	29,512	(29,512)	99,827
Building demolition	-	75,235	(75,235)	8,510
Building improvements	-	-	-	35,000
Miscellaneous	-	132	(132)	432
Total expenditures	198,900	108,554	90,346	318,774
Excess revenues over expenditures	22,100	27,241	5,141	(9,103)
Other financing uses:				
Transfers to from Water Fund	-	(11,620)	11,620	-
Transfers to from General Fund - Administration	22,100	-	(22,100)	22,100
Total other financing uses	22,100	(11,620)	(10,480)	22,100
Excess (deficiency) of revenues over expenditures and other financing (uses)	-	38,861	15,621	(31,203)
Fund balance, beginning of year	7,914	55,717	47,803	86,920
Fund balance, end of year	$ 7,914	$ 94,578	$ 63,424	$ 55,717

CITY OF ECORSE, MICHIGAN
DEBT SERVICE FUND - FISCAL STABILIZATION BOND FUND
BUDGETED AND ACTUAL REVENUES AND EXPENDITURES
AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2005

	2005		Budget
	Budgeted Amounts Original and Final *	Actual GAAP Basis	Variance Positive (Negative)
Revenues:			
Interest	$ -	$ 1,765	$ 1,765
Total revenues	-	1,765	1,765
Expenditure:			
Interest expense and bond payment	-	223,923	(223,923)
Amortization of bond issue costs	-	8,916	(8,916)
Trustee fees	-	1,000	(1,000)
Total expenditures	-	233,839	(233,839)
Excess revenues over expenditures	-	(232,074)	(232,074)
Other Financing Uses:			
Principal paid on fiscal stabilization bond	-	(225,000)	(225,000)
Transfers from General Fund - net	-	453,256	453,256
Total other financing uses	-	228,256	228,256
Excess (deficiency) of revenues over expenditures and other financing uses		(3,818)	(3,818)
Fund balance, beginning of year	-	306,218	306,218
Fund balance, end of year	$ -	$ 302,400	$ 302,400

* No budget for this fund was adopted

CITY OF ECORSE, MICHIGAN
COMBINING STATEMENT OF NET ASSETS - FIDUCIARY FUNDS
JUNE 30, 2005

	Police and Fire Pension Trust	Current Tax Collection Fund	Fire Insurance Escrow Fund	District Court Trust Fund	Totals
Assets:					
Cash	$ -	$ 263,425	$ 63,249	$ 147,312	$ 473,986
Investments	9,101,164	-	-	-	-
Due from other governmental units	-	854,157	2,573	-	856,730
Total Assets	$ 9,101,164	$ 1,117,582	$ 65,822	$ 147,312	$ 1,330,716
Liabilities:					
Due to other governmental units		$ 1,117,582	$ -	$ -	$ 1,117,582
Refundable court bonds		-	-	110,559	110,559
Deposits		-	65,822	-	65,822
Other liabilities		-	-	36,753	36,753
Total Liabilities		$ 1,117,582	$ 65,822	$ 147,312	$ 1,330,716
Net Assets:					
Reserved for pension benefits	$ 9,101,164				

CITY OF ECORSE, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - GENERAL FUND
BUDGET TO ACTUAL
YEAR ENDED JUNE 30, 2005
WITH COMPARATIVE ACTUAL TOTALS FOR 2004

	2005		Budget	2004
	Budgeted Amounts Original and Final	Actual GAAP Basis	Variance Positive (Negative)	Actual GAAP Basis
Revenues:				
Property taxes	$ 7,789,300	$ 8,281,462	$ 492,162	$ 10,267,763
State shared revenues	1,900,000	1,921,356	21,356	1,960,917
Grants	140,000	137,184	(2,816)	24,713
Licenses and permits	288,800	269,502	(19,298)	313,818
Fees and charges	1,155,000	1,027,055	(127,945)	240,801
Other revenues	458,225	188,614	(269,611)	1,419,568
Interest income	75,000	41,813	(33,187)	20,000
Total revenues	11,806,325	11,866,986	60,661	14,247,580
Expenditure:				
General government	5,197,150	5,849,667	(652,517)	4,830,163
Judicial	460,125	455,534	4,591	478,425
Public safety	4,832,600	5,457,597	(624,997)	6,191,654
Public works	917,500	1,230,911	(313,411)	700,446
Recreational/cultural	146,000	191,124	(45,124)	82,035
Capital outlays	1,100,000	1,493,999	(393,999)	469,416
Total expenditures	12,653,375	14,678,832	(2,025,457)	12,752,139
Excess revenues over expenditures	(847,050)	(2,811,846)	(1,964,796)	1,495,441
Other financing sources (uses)				
Charter Police/Fire pension judgment	(1,100,000)	(1,100,000)	-	-
Stabilization loan	-	-	-	-
Transfers to debt service fund	(450,000)	(453,256)	(3,256)	(462,468)
Transfers in (out) for administration	-	61,582	61,582	85,853
Transfers in for administration from proprietary fund	-	149,133	149,133	152,248
Transfers in (out) special revenue funds	-	(21,303)	(21,303)	-
Total other financing sources (uses)	(1,550,000)	(1,363,844)	186,156	(224,367)
Revenues over (under) expenditures and financing sources (uses)	(2,397,050)	(4,175,690)	(1,778,640)	1,271,074
Fund balances, July 1, 2003	5,413,583	5,413,583	-	4,142,509
Fund balances, JUNE 30, 2005	$ 3,016,533	$ 1,237,893	$ (1,778,640)	$ 5,413,583

Budgeted amounts are prepared on a GAAP basis

CITY OF ECORSE, MICHIGAN
SCHEDULE OF REVENUES - BUDGET TO ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2005

	Budgeted Amounts Original and Final	Actual	Variance with Final Budget Positive (Negative)
Property Taxes:			
Property Tax Revenues	$ 6,500,000	$ 7,125,493	$ 625,493
Payment in Lieu of Taxes	889,300	916,956	27,656
Praxair IFT Payment	400,000	239,013	(160,987)
National Steel Tax Settlement	-	-	-
	7,789,300	8,281,462	492,162
Licenses and Permits:			
Cable TV Fees	89,300	82,401	(6,899)
Trailer Licenses	1,000	730	(270)
Various Business Licenses	32,000	32,554	554
Plumbing License Permit	40,000	22,604	(17,396)
Electric License Permit	25,000	23,954	(1,046)
Building Permits	100,000	98,019	(1,981)
Building Inspections	1,500	1,290	(210)
Miscellaneous Licenses & Donations	-	7,950	7,950
	288,800	269,502	(19,298)
State and Federal:			
Recourse Grants	110,000	110,000	-
COPS Grant	-	27,184	27,184
Detroit Area Agency on Aging and SMART Grants	30,000	-	(30,000)
State-Shared Revenue/Sales Tax	1,900,000	1,921,356	21,356
	2,040,000	2,058,540	18,540
Fees and Charges:			
Miscellaneous Fees	20,000	22,664	2,664
Resale of City Property	100,000	-	(100,000)
Towing Revenue	15,000	17,458	2,458
District Court Revenues	870,000	774,202	(95,798)
Ambulance Fees	150,000	212,731	62,731
	1,155,000	1,027,055	(127,945)
Other Revenue:			
Reimbursement for Judge's Salary	45,725	45,274	(451)
Interest Income	75,000	41,813	(33,187)
Rental Income - Ameritech	6,500	-	(6,500)
Workers' Compensation Rebate	7,000	27,387	20,387
Workers' Compensation Recovery	8,000	7,764	(236)
Miscellaneous Reimbursements	100,000	28,673	(71,327)
Other Revenues and Reimbursements	282,000	70,632	(211,368)
Liquor Tax Reimbursements	9,000	8,884	(116)
Great Lakes Steel - Community Grant	-	-	-
	533,225	230,427	(302,798)
TOTAL REVENUES	$ 11,806,325	$ 11,866,986	$ 60,661

CITY OF ECORSE, MICHIGAN
SCHEDULE OF EXPENDITURES - BUDGET TO ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2005

	Budgeted Amounts Original and Final	Actual	Variance with Final Budget Positive (Negative)
Legislative:			
Salaries	$ 35,000	$ -	$ 35,000
Salaries - Mayor and Council	100,000	160,271	(60,271)
FICA	7,650	9,964	(2,314)
Office Supplies	2,000	5,040	(3,040)
Miscellaneous	6,000	16,318	(10,318)
	150,650	191,593	(40,943)
Judicial:			
Salaries	232,725	232,078	647
FICA	14,200	15,310	(1,110)
Health Insurance	65,000	62,232	2,768
MERS Pension	92,500	92,845	(345)
Travel/Memberships	1,000	-	1,000
Office Supplies	12,000	10,942	1,058
Books and Subscriptions	2,500	696	1,804
Court Appointed Attorney	3,500	-	3,500
Contractual services/Probation	27,200	25,792	1,408
Computer Expense	7,000	5,804	1,196
Miscellaneous	2,500	9,836	(7,336)
	460,125	455,534	4,591
General Government:			
Elections:			
Supplies and Equipment	1,200	1,364	(164)
Contractual Workers	23,800	33,040	(9,240)
	25,000	34,404	(9,404)
Assessor:			
Salaries	45,000	39,210	5,790
Overtime	200	201	(1)
FICA	2,600	3,276	(676)
Health Insurance	6,400	4,440	1,960
MERS Pension	12,000	14,955	(2,955)
Office Supplies	1,500	2,996	(1,496)
Books and Periodicals	-	11,839	(11,839)
Wayne County Admin.	40,000	40,740	(740)
		-	
	107,700	117,657	(9,957)
City Clerk:			
Salaries	67,000	66,969	31
Overtime	1,000	1,130	(130)
FICA	4,400	6,238	(1,838)
Health Insurance	14,500	27,308	(12,808)
MERS Pension	10,000	11,264	(1,264)
Office Equipment	-	16,401	(16,401)

CITY OF ECORSE, MICHIGAN
SCHEDULE OF EXPENDITURES - BUDGET TO ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2005

	Budgeted Amounts Original and Final	Actual	Variance with Final Budget Positive (Negative)
Office Supplies	-	10,651	(10,651)
Postage	20,000	1,098	18,902
Miscellaneous	-	9,618	(9,618)
Department Supplies	7,500	988	6,512
	124,400	151,665	(27,265)
Controller:			
Salaries	205,000	194,846	10,154
FICA	13,000	14,998	(1,998)
Health Insurance	40,000	34,135	5,865
MERS Pension	30,000	32,044	(2,044)
Office Supplies	8,000	6,934	1,066
Office Equipment	3,000	-	3,000
Contracted Services	1,000	-	1,000
	300,000	282,957	17,043
Auditors:	195,000	125,048	69,952
Treasurer:			
Salaries	98,000	77,855	20,145
Overtime	2,000	2,008	(8)
FICA	7,300	6,675	625
Health Insurance	25,000	13,654	11,346
MERS Pension	25,000	29,583	(4,583)
Office Supplies	1,000	-	1,000
Office Equipment	5,000	7,885	(2,885)
Consulting Services	2,000	-	2,000
	165,300	137,661	27,639
General Government:			
Long-term Disability	5,500	3,165	2,335
MERS Pension	5,000	4,030	970
Health Insurance	-	54,171	(54,171)
Unemployment Compensation	5,000	1,975	3,025
Workers Compensation	10,000	86,049	(76,049)
Office Supplies	-	14,927	(14,927)
Postage	5,000	11,846	(6,846)
Downriver Mutual Aid	7,500	7,466	34
Michigan Municipal League	8,000	6,812	1,188
Community Project on Aging	3,000	2,694	306
Attorney Fees	600,000	579,640	20,360
Arbitration and Lawsuit Settlements	400,000	541,684	(141,684)
Cellular Phones/Pagers	15,000	24,839	(9,839)
Consultants Fees	10,000	13,722	(3,722)
Physicals: All Departments	2,000	6,928	(4,928)
Retirees Health Insurance	1,175,000	1,407,251	(232,251)
Retirees Death Benefits	10,000	5,000	5,000

CITY OF ECORSE, MICHIGAN
SCHEDULE OF EXPENDITURES - BUDGET TO ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2005

	Budgeted Amounts Original and Final	Actual	Variance with Final Budget Positive (Negative)
Garbage Disposal	300,000	264,530	35,470
Riverview Dumping	150,000	146,498	3,502
Telephone	75,000	52,960	22,040
Water Festival and July 4th Celebration	27,100	45,068	(17,968)
General Liability Insurance	425,000	337,561	87,439
Newspaper Ads	25,000	31,797	(6,797)
Emergency Preparedness	-	301	(301)
Lighting: Streets	250,000	289,727	(39,727)
Lighting: Facilities	200,000	164,215	35,785
Gas Utilities	25,000	35,006	(10,006)
Office Machine Maintenance	8,000	208	7,792
All Building Maintenance	220,000	372,267	(152,267)
Computer Expenses	75,000	107,601	(32,601)
Office Supplies	7,000	-	7,000
Equipment Rental	-	12,166	(12,166)
Training	6,000	5,733	267
Contracted Services	15,000	14,000	1,000
Demolition	-	46,232	(46,232)
Building Improvements	30,000	17,850	12,150
Miscellaneous	30,000	92,766	(62,766)
	4,129,100	4,808,683	(679,583)
Total General Government	5,046,500	5,658,075	(611,575)
Public Safety:			
Police Department:			
Salaries	1,600,000	1,411,205	188,795
Part-time Officers	100,000	123,527	(23,527)
Overtime	150,000	254,957	(104,957)
FICA	28,000	37,286	(9,286)
Health Insurance	220,000	341,354	(121,354)
Workers Compensation	10,000	-	10,000
Charter Pension	-	-	-
MERS Pension	500,000	481,878	18,122
Office Supplies	10,000	37,335	(27,335)
Ammunition	700	400	300
Prisoners' Meals and Holding	100,000	106,241	(6,241)
Downriver Mutual Aid	8,000	-	8,000
Police Training (Act 302)	5,000	4,722	278
Vehicle Expense: Repairs & Maintenance	29,000	102,143	(73,143)
Vehicle Expense: Gas, Oil, and Lube	35,000	41,787	(6,787)
Radio Maintenance	1,000	3,076	(2,076)
Dogcatcher Expense	1,000		1,000
Miscellaneous	30,000	61,282	(31,282)
		-	
	2,827,700	3,007,192	(179,492)
Fire Department:			
Salaries	950,000	1,005,932	(55,932)
Part-time	150,000	213,424	(63,424)
Overtime	135,000	217,401	(82,401)

CITY OF ECORSE, MICHIGAN
SCHEDULE OF EXPENDITURES - BUDGET TO ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2005

	Budgeted Amounts Original and Final	Actual	Variance with Final Budget Positive (Negative)
FICA	17,150	38,998	(21,848)
Health Insurance	130,000	158,722	(28,722)
Workers Compensation	15,000	-	15,000
Charter Pension	-	-	-
MERS Pension	250,000	261,772	(11,772)
Office Supplies	3,500	6,046	(2,546)
Departmental Supplies	16,500	32,754	(16,254)
Training	10,000	10,976	(976)
Various Maintenance	3,000	1,496	1,504
Ambulance	-	24,053	(24,053)
Vehicle Expense: Repairs & Maintenance	17,500	23,085	(5,585)
Vehicle Expense: Gas, Oil, and Lube	8,400	6,742	1,658
Sundry & Other	-	50,990	(50,990)
	1,706,050	2,052,389	(346,339)
Building, Engineering and Inspections:			
Salaries	56,500	60,091	(3,591)
Overtime	500	125	375
FICA	4,850	5,168	(318)
Health Insurance	17,000	20,481	(3,481)
MERS Pension	23,000	25,953	(2,953)
Office Supplies	2,000	750	1,250
Inspector's Fees	90,000	126,518	(36,518)
Professional/Contractual Service	100,000	156,291	(56,291)
Miscellaneous	5,000	2,642	2,358
	298,850	398,017	(99,167)
Subtotal Public Safety	4,832,600	5,457,598	(624,998)
Capital Outlay-Equipment-General	-	115,820	(115,820)
Capital Outlay-Equipment-Police	-	84,271	(84,271)
Capital Outlay-Equipment-Fire	-	135,991	(135,991)
Capital Outlay-Equipment-Building, Improvements, Parks, Engineering, Etc.	1,100,000	1,157,917	(57,917)
	1,100,000	1,493,999	(393,999)
Public Works:			
Salaries	90,000	141,996	(51,996)
FICA	6,000	15,131	(9,131)
Health Insurance	15,000	12,268	2,732
MERS Pension	20,000	32,606	(12,606)
Office Supplies	5,000	6,367	(1,367)
Contracted Service: General Labor	230,000	706,103	(476,103)
Contracted Service: Waste Removal	150,000	53,826	96,174
Contracted Service: Park Maintenance	45,000	14,646	30,354
Contracted Service: Rubbish Removal	350,000	136,597	213,403
Vehicle Repairs & Maintenance	6,500	62,608	(56,108)
Maintenance Supplies	-	36,160	(36,160)
Contracted Service: Miscellaneous	-	12,605	(12,605)
	917,500	1,230,911	(313,411)

CITY OF ECORSE, MICHIGAN
SCHEDULE OF EXPENDITURES - BUDGET TO ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2005

	Budgeted Amounts Original and Final	Actual	Variance with Final Budget Positive (Negative)
Senior Citizens			
Salaries	45,000	49,717	(4,717)
FICA	3,000	3,204	(204)
Senior Citizen Expense	500	262	238
Vehicle Repairs and Maintenance	15,000	48,935	(33,935)
	63,500	102,118	(38,618)
Recreation:			
Planning Director's Salary	35,000	33,010	1,990
Staff Salaries	20,000	37,144	(17,144)
FICA	2,500	5,752	(3,252)
Recreation Expense	25,000	13,100	11,900
	82,500	89,006	(6,506)
TOTAL EXPENDITURES	$ 12,653,375	$ 14,678,832	$ (2,025,457)

CITY OF ECORSE, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS - PENSION PLANS

The following presents the funding progress for the City's pension plans:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded Actuarial Accrued Liability	Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll
Police and Fire Pension Trust:						
6/30/05	$ 9,103,164	$ 10,718,410	85%	$ 1,615,246	$ 81,678	1978%
6/30/04	8,735,330	10,966,704	80%	2,231,374	151,983	1468%
6/30/03	8,123,987	10,972,042	74%	2,848,055	206,173	1381%
Michigan Municipal Employees Retirement System:						
6/30/05	$ 15,196,324	$ 29,616,292	51%	$ 14,419,968	$ 2,931,077	492%
6/30/04	15,060,268	27,971,284	54%	12,911,016	2,894,691	446%
6/30/03	14,938,096	27,428,911	54%	12,490,815	2,601,910	480%