

Hamtramck Public Schools

Financial Statements

June 30, 2019



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Hamtramck Public Schools
Members of the Board of Education and Administration
June 30, 2019

Members of the Board of Education

Magdalena Srodek	President
Evan Major	Vice President
Salah Hadwan	Secretary
Dennis Lukas	Treasurer
Jihan Aiyash	Trustee
Showkat K. Chowdhury	Trustee
Moortadha Obaid	Trustee

Administration

Thomas Niczay	Superintendent
Sherry Lynem	Director of Finance



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Independent Auditors' Report

Management and the Board of Education
Hamtramck Public Schools
Hamtramck, MI

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hamtramck Public Schools (the School District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters:

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and budgetary comparison information, schedule of the school district's proportionate share of the net pension liability, schedule of the school district's pension contributions, schedule of the school district's proportionate share of the net OPEB liability, and schedule of the school district's OPEB contributions as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. Other supplementary information, as identified in the table of contents, is presented for purpose of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2019 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Saginaw, MI
October 28, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

Hamtramck Public Schools Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2019

Hamtramck Public Schools (the "School District"), a K-12 school district located in Wayne County, Michigan, offers a free public education to all resident students and eligible Schools of Choice students. This annual report was prepared by the School District's Department of Finance and are in accordance with GASB No. 34 Financial Statement Reporting format. As Management of the School District, we offer readers of the School District financial statements this narrative overview and analysis of the financial activities of the School District for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in this report.

Financial Highlights

- The district has a positive General Fund balance of \$12,202,156.
- The total assets of the General Fund District amounted to \$17,832,755 in comparison to total liabilities of \$5,264,102 as of June 30, 2019.
- In November 2016 Wayne County voters approved a 6 year county wide enhancement millage. During the 2018/2019 Hamtramck Public Schools received \$1,410,085 additional local revenue from this millage.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements are comprised of three components: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District-Wide Financial Statements

The district-wide financial statements are designed to provide readers with a broad overview of the School District's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the School District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

The Statement of Activities presents information showing how the School District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused sick leave).

Both of the district-wide financial statements distinguish functions of the School District that are principally supported by State School Aid and property taxes (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the School District include instruction, support services and related activities. The School District does not have any business-type activities.

The district-wide financial statements can be found on pages 4-1 of this report.

Hamtramck Public Schools

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2019

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the district-wide financial statements. However, unlike the district-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of resources, as well as on balances of resources available at the end of the fiscal year. Such information may be useful in evaluating a district's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the district-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the district-wide financial statements. By doing so, readers may better understand the long-term impact of the School District's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School District maintains four individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund and Non-major Funds, which includes the Food Service Fund, Recreation Fund, and the Sinking Fund. The General Fund is the only fund considered to be a major fund.

The School District adopts an annual appropriated budget for the General Fund and the two Special Revenue Funds. A budgetary comparison statement has been provided for the general fund, which is the only major fund.

The basic governmental fund financial statements can be found on pages 4-4 through 4-8 of this report.

Enterprise funds are used to report the same functions presented as business-type activities in the district-wide financial statements. The School District does not have any enterprise funds.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the district-wide financial statement because the resources of those funds are not available to support the School District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic Fiduciary Fund financial statements can be found on page 4-9 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found beginning on page 4-10 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information. Required supplemental information can be found on in section 5 of this report. Combining fund statements and schedules can be found in section 6 of this report.

Hamtramck Public Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019

District-wide Financial Analysis

As noted earlier, net assets may serve, over time, as a useful indicator of a school district's financial position. The following summarizes the net assets at June 30, 2019 and 2018.

	June 30,	
	2019	2018
	(thousands)	
Assets		
Current assets	\$ 18,580	\$ 15,930
Capital assets, net book value	15,105	14,821
Total assets	33,685	30,751
Deferred Outflows of Resources		
Deferred amount on net pension liability	23,702	13,035
Deferred amount on net OPEB liability	4,673	1,176
Total assets and deferred outflows of resources	62,060	44,962
Liabilities		
Current liabilities	5,138	4,439
Long-term liabilities	78,532	67,304
Total liabilities	83,670	71,743
Deferred Inflows of Resources		
Deferred amount on net pension liability	6,902	4,695
Deferred amount on net OPEB liability	3,681	555
Total liabilities and deferred inflows of resources	94,253	76,993
Net position		
Invested in capital assets, net of related debt	14,150	13,752
Restricted for sinking fund & food service	397	1,868
Unrestricted	(46,740)	(47,651)
Total net position	\$ (32,193)	\$ (32,031)

By far, the largest portion of the School District's net assets reflects its investment in capital assets (e.g., land, buildings, site improvements, machinery and equipment). The School District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. In 2018/19 there is a decrease in net position.

**Hamtramck Public Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019**

Governmental Activities Summary

	June 30,	
	2019	2018
	(thousands)	
Revenues		
General		
Property taxes - general operations	\$ 1,982	\$ 1,621
Property taxes - recreation	850	833
Property taxes - sinking fund	773	760
State aid unrestricted	23,857	22,760
Other	955	178
Total general revenues	<u>28,417</u>	<u>26,152</u>
Operating grants		
Instruction	10,953	10,922
Support services	4,694	4,681
Community service	-	62
Cafeteria	2,506	2,492
Total operating grants	<u>18,153</u>	<u>18,157</u>
Charges for services		
Support	22	13
Cafeteria	74	47
Total charges for services	<u>96</u>	<u>60</u>
Capital grants		
Instruction	73	73
Total revenue	<u>46,739</u>	<u>44,442</u>
Expenses		
Instruction	25,409	23,736
Support services	17,080	14,744
Food services	3,308	2,544
Community service	1,058	971
Interest and other expenses	46	50
Total expenses	<u>46,901</u>	<u>42,045</u>
Change in net position	(162)	2,397
Net position - beginning	<u>(32,031)</u>	<u>(34,428)</u>
Net position - ending	<u>\$ (32,193)</u>	<u>\$ (32,031)</u>

Hamtramck Public Schools Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2019

Financial Analysis of the Government's Funds

As noted earlier, the School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the School District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the School District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a school district's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the School District's governmental funds reported a combined fund balance of \$13,523,557 in comparison to \$11,645,850 in the previous year. The General Fund is the chief operating fund of the School District. At the end of the current fiscal year, the General Fund surplus amounted to \$12,202,156.

General Fund Budgetary Highlights

The General Fund's fund balance increased by \$2,432,486. Evidence of the district's commitment to remaining fiscally and financially fit, the board passed a resolution to reserve 15% of the unrestricted fund balance as a hedge against unforeseen revenue losses and potential declines in enrollment. This can be seen in the financial statements as "Committed" Fund Balance on the balance sheet.

Economic and Other Factors and Next Year's Budgets

- Property tax revenues are expected remain stable. Delinquent tax collections are not budgeted due to the uncertainty of the collections.
- New revenue streams include a new EL Grant, Adult Education Grant, and PBIS Funding,
- Fiscal year 2018-2019 state aid foundation allowance was increased to \$7,871 per pupil however certain other categorical revenues have been eliminated. 31a. At Risk Funding is being increased, however there is more stringent regulations which tie the funding to the 3rd Grade Reading Legislation.
- Fall student enrollment increased by 35 students as compared to fall 2018. The school district is at an unfair disadvantage compared to other districts in terms of competition with charter schools. With the closing of one charter schools in 2016/17 there are still (7) charter schools either in the city or within walking distance of Hamtramck, however the district is holding its own.
- Hamtramck Public Schools will not participate in the State-Aid Anticipation loan Program (via the "Michigan Bond Authority"), thereby reducing borrowing costs and keeping those dollars in the classroom.
- HPS will continue to collaborate with Wayne RESA for a District Study initiative in which weekly "turnaround" meetings are held after school to improve all district systems which will yield targeted instruction by teachers by using assessment data for instructional decisions. Professional Learning Communities have been built into the work day schedule so the PLC'S can meet one hour every week so team decisions are made across all grade levels.
- All buildings are off the Michigan Department of Education's Focus and Priority lists.
- We will continue to bolster our EL services. HPS hired an EL Director in 2016/2017 to develop an EL program for the newly arrived immigrants. In addition to meeting EL curriculum needs the General Education as well as Special Education staff will receive professional develop to better meet the needs of students that have exited the EL program.

Hamtramck Public Schools Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2019

- With reading as a top priority, the District's secondary and an Elementary Curriculum Directors hired in 2016/2017 are implementing MAISA to revamp programming and increase literacy. In addition to having a goal of creating a viable curriculum a positive behavior support program is being utilized district wide.
- The District's Technology Coordinator is meeting the challenges of ensuring the buildings technology needs are met for online learning and assessments. Installed a district wide IP phone system, including every classroom. Instituted Google applications district wide, completed E911 compliance. Expanded and upgraded wireless service district wide, increased WAN & LAN speeds. Upgraded server infrastructure, configured off-site backup system.
- A new roof was put on Hamtramck High School over the summer, and work on remodeling the Dickinson East kitchen and cafeteria is underway.
- The District secured a 10 year partnership with the Detroit City Football Club for renovations to 80 year old Keyworth Stadium. The project began in 2016 with \$606,172 put into stadium upgrades and repairs. Another \$111,000 in upgrades and repairs were made during 2017 and more will continue in the upcoming years. In 2019 new artificial turf was laid, and luxury suites were installed. The project is a huge win for Hamtramck Public Schools as well as the City of Hamtramck as crowds that number between 5,000-7,000 attended soccer games and brought people into the city that might not otherwise come to the city. Local businesses benefitted from DCFC fans patronizing their establishments.
- A huge point of pride is the purchase of a new elementary school building which the district plans to open as a K-8 school at the beginning of the second semester in January 2018. In addition to the school building there is also a detached house which can be renovated and used for office space, and a separate parking lot.
- And lastly, the district said goodbye to Mr. Thomas Niczay on June 30, 2019. Mr. Niczay proudly served Hamtramck Public Schools for 41 years, with the last ten of those years as Superintendent. The district wishes him many years of health and happiness during his retirement.

Requests for Information

This financial report is intended to provide our citizens and taxpayers with a general overview of the School District's finances. Questions concerning any of the information provided in this report should be addressed to Sherry A. Lynem, CFO, Director of Finance, 3201 Roosevelt, Hamtramck, Michigan, 48212.

BASIC FINANCIAL STATEMENTS

Hamtramck Public Schools
Statement of Net Position
June 30, 2019

	<u>Governmental Activities</u>
Assets	
Cash	\$ 9,495,904
Accounts receivable	413,665
Due from other governmental units	8,614,803
Prepaid items	55,436
Capital assets - net of accumulated depreciation	<u>15,105,377</u>
 Total assets	 <u>33,685,185</u>
 Deferred Outflows of Resources	
Deferred amount on net pension liability	23,701,559
Deferred amount on net OPEB liability	<u>4,673,336</u>
 Total deferred outflows of resources	 <u>28,374,895</u>
 Total assets and deferred outflows of resources	 <u>62,060,080</u>

See Accompanying Notes to the Financial Statements

Hamtramck Public Schools
Statement of Net Position
June 30, 2019

	Governmental Activities
Liabilities	
Accounts payable	\$ 544,981
Due to other governmental units	627,591
Payroll deductions and withholdings	436,378
Accrued expenditures	10,317
Accrued salaries payable	2,885,094
Unearned revenue	633,412
Long-term liabilities	
Debt due within one year	295,000
Debt due in more than one year	2,204,765
Net pension liability	59,663,869
Net OPEB liability	16,369,049
Total liabilities	83,670,456
Deferred Inflows of Resources	
Deferred amount on net pension liability	6,901,730
Deferred amount on net OPEB liability	3,681,045
Total deferred inflows of resources	10,582,775
Total liabilities and deferred inflows of resources	94,253,231
Net Position	
Net investment in capital assets	14,150,377
Restricted for	
Food service	350,291
Capital projects - sinking fund	46,900
Unrestricted	(46,740,719)
Total net position	\$ (32,193,151)

See Accompanying Notes to the Financial Statements

Hamtramck Public Schools
Statement of Activities
For the Year Ended June 30, 2019

	Program Revenues				
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position	
Functions/Programs					
Governmental activities					
Instruction	\$ 25,408,955	\$ -	\$ 10,952,752	\$ 72,951	\$ (14,383,252)
Supporting services	17,080,119	21,821	4,694,036	-	(12,364,262)
Food services	3,308,281	74,335	2,505,754	-	(728,192)
Community services	1,057,564	-	-	-	(1,057,564)
Interest on long-term debt	46,231	-	-	-	(46,231)
	<u>\$ 46,901,150</u>	<u>\$ 96,156</u>	<u>\$ 18,152,542</u>	<u>\$ 72,951</u>	<u>(28,579,501)</u>
General revenues					
Property taxes, levied for general purposes					1,982,200
Property taxes, levied for recreation fund					850,270
Property taxes, levied for sinking fund					773,324
State aid - unrestricted					23,856,404
Interest and investment earnings					3,699
Other					951,228
					<u>28,417,125</u>
					(162,376)
					<u>(32,030,775)</u>
					<u>\$ (32,193,151)</u>

See Accompanying Notes to the Financial Statements

Hamtramck Public Schools
Governmental Funds
Balance Sheet
June 30, 2019

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash	\$ 8,977,938	\$ 517,966	\$ 9,495,904
Accounts receivable	413,665	-	413,665
Due from other funds	-	813,294	813,294
Due from other governmental units	8,409,116	205,687	8,614,803
Prepaid items	32,036	23,400	55,436
	<u>17,832,755</u>	<u>1,560,347</u>	<u>19,393,102</u>
Total assets	<u>\$ 17,832,755</u>	<u>\$ 1,560,347</u>	<u>\$ 19,393,102</u>
Liabilities			
Accounts payable	\$ 425,863	\$ 119,118	\$ 544,981
Due to other funds	708,593	104,701	813,294
Due to other governmental units	627,591	-	627,591
Payroll deductions and withholdings	436,378	-	436,378
Accrued salaries payable	2,869,967	15,127	2,885,094
Unearned revenue	195,710	-	195,710
	<u>5,264,102</u>	<u>238,946</u>	<u>5,503,048</u>
Total liabilities	<u>5,264,102</u>	<u>238,946</u>	<u>5,503,048</u>

See Accompanying Notes to the Financial Statements

Hamtramck Public Schools
Governmental Funds
Balance Sheet
June 30, 2019

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Deferred Inflows of Resources			
Unavailable revenue			
Grants received	\$ 366,497	\$ -	\$ 366,497
Total liabilities and deferred inflows of resources	<u>5,630,599</u>	<u>238,946</u>	<u>5,869,545</u>
Fund Balance			
Non-spendable			
Prepaid items	32,036	23,400	55,436
Restricted for			
Food service	-	350,291	350,291
Recreation	-	924,210	924,210
Capital projects- sinking fund	-	23,500	23,500
Committed	5,109,827	-	5,109,827
Unassigned	<u>7,060,293</u>	<u>-</u>	<u>7,060,293</u>
Total fund balance	<u>12,202,156</u>	<u>1,321,401</u>	<u>13,523,557</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 17,832,755</u>	<u>\$ 1,560,347</u>	<u>\$ 19,393,102</u>

See Accompanying Notes to the Financial Statements

Hamtramck Public Schools
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2019

Total fund balances for governmental funds	\$ 13,523,557
Total net position for governmental activities in the statement of net position is different because:	
Certain receivables are not available to pay for current period expenditures and, therefore, are unavailable in the funds.	
Other governmental units	366,497
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets - net of accumulated depreciation	15,105,377
Deferred outflows (inflows) of resources	
Deferred inflows of resources resulting from net pension liability	(6,901,730)
Deferred outflows of resources resulting from net pension liability	23,701,559
Deferred inflows of resources resulting from net OPEB liability	(3,681,045)
Deferred outflows of resources resulting from net OPEB liability	4,673,336
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Claims and judgments	(10,317)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities.	
Net pension liability	(59,663,869)
Net OPEB liability	(16,369,049)
Compensated absences	(1,544,765)
Bonds payable	(955,000)
Unearned revenue	<u>(437,702)</u>
Net position of governmental activities	\$ <u>(32,193,151)</u>

See Accompanying Notes to the Financial Statements

Hamtramck Public Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2019

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Local sources	\$ 3,133,500	\$ 1,764,307	\$ 4,897,807
State sources	31,426,222	100,606	31,526,828
Federal sources	5,967,813	2,405,148	8,372,961
Interdistrict sources	1,869,950	-	1,869,950
	<u>42,397,485</u>	<u>4,270,061</u>	<u>46,667,546</u>
Total revenues			
Expenditures			
Current			
Education			
Instruction	23,503,372	-	23,503,372
Supporting services	15,773,031	27,321	15,800,352
Food services	-	3,254,951	3,254,951
Community services	225,521	814,995	1,040,516
Facilities acquisition	-	727,573	727,573
Capital outlay	301,844	-	301,844
Debt service			
Principal	115,000	-	115,000
Interest and other expenditures	46,231	-	46,231
	<u>39,964,999</u>	<u>4,824,840</u>	<u>44,789,839</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	2,432,486	(554,779)	1,877,707
Fund balance - beginning	<u>9,769,670</u>	<u>1,876,180</u>	<u>11,645,850</u>
Fund balance - ending	<u>\$ 12,202,156</u>	<u>\$ 1,321,401</u>	<u>\$ 13,523,557</u>

See Accompanying Notes to the Financial Statements

Hamtramck Public Schools
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2019

Net change in fund balances - Total governmental funds	\$ 1,877,707
Total change in net position reported for governmental activities in the statement of activities is different because	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Property taxes	(102,884)
Operating grants	101,161
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(1,249,163)
Capital outlay	1,533,814
Donations of capital assets	72,951
Sale of capital assets (net book value)	(750)
Expenses are recorded when incurred in the statement of activities.	
Claims and judgments	2,028
Compensated absences	30,431
The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contribution.	
Net change in net pension liability	(11,418,893)
Net change in the deferrals of resources related to the net pension liability	8,460,853
The statement of net position reports the net OPEB liability and deferred outflows of resources and deferred inflows related to the net OPEB liability and OPEB expense. However, the amount recorded on the governmental funds equals actual OPEB contribution.	
Net change in net OPEB liability	44,436
Net change in the deferrals of resources related to the net OPEB liability	370,933
Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are recorded as liabilities and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.	
Repayments of long-term debt	115,000
Change in net position of governmental activities	\$ (162,376)

See Accompanying Notes to the Financial Statements

Hamtramck Public Schools
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2019

	<u>Agency Funds</u>
Assets	
Cash	\$ <u>39,749</u>
Liabilities	
Accounts payable	\$ <u>39,749</u>

See Accompanying Notes to the Financial Statements

Hamtramck Public Schools
Notes to the Financial Statements
June 30, 2019

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Hamtramck Public Schools (the School District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School District's significant accounting policies:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

District-wide Financial Statements

The School District's basic financial statements include both district-wide (reporting for the district as a whole) and fund financial statements (reporting the School District's major funds). The district-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

The statement of net position presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net position is reported in three parts (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes and certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The School District does not allocate indirect costs. In creating the district-wide financial statements the School District has eliminated interfund transactions.

The district-wide focus is on the sustainability of the School District as an entity and the change in the School District's net position resulting from current year activities.

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Hamtramck Public Schools
Notes to the Financial Statements
June 30, 2019

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

General Fund – The General Fund is used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds.

Additionally, the School District reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District's Special Revenue Funds include the Food Service Fund and Recreation Fund. Operating deficits generated by these activities are generally transferred from the General Fund.

Sinking Fund – The Sinking Fund is used to record the sinking fund property tax levy and other revenue and the disbursement of invoices specifically for acquiring new school sites, construction or repair of school buildings.

Fiduciary Funds – Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. The Trust Funds are funds entrusted to the School District for scholarship awards and loans and the principal and interest of the trust may be spent. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. This fund is used to record the transactions of student groups for school and school-related purposes.

Assets, Liabilities and Net Position or Equity

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2019, the rates are as follows per \$1,000 of assessed value.

General Fund	
Non-principal residence exemption	18.00000
Commercial personal property	6.00000
Recreation Fund	4.39800
Sinking Fund	4.00000

Hamtramck Public Schools
Notes to the Financial Statements
June 30, 2019

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District's boundaries. All of the School District's tax roll lies within Wayne County.

The property tax levy runs from July 1 to June 30. Property taxes become a lien on the first day of the levy year and are due on or before September 14 or February 14. Collections are forwarded to the School District as collected by the assessing municipalities. Real property taxes uncollected as of March 1 are purchased by the County of Wayne and remitted to the School District by May 15.

Prepaid Items – Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the School District follows the consumption method, and they therefore are capitalized as prepaid items in both district-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their acquisition value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of \$5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized.

The School District does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Site improvements	10-20 years
Equipment and furniture	5-10 years
Buses and other vehicles	5-10 years

Deferred Outflows of Resources – A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. For district-wide financial statements, the

School District reports deferred outflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. The School District also reported deferred outflows of resources for pension and OPEB contributions made after the measurement date. This amount will reduce the net pension and OPEB liabilities in the following year.

Compensated Absences – The liability for compensated absences reported in the district-wide statements consist of unpaid, accumulated annual and sick leave balances. The liability has been calculated for employees who are currently eligible to receive termination payments upon retirement.

Long-term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period.

In the School District's fund financial statements, the face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses.

Pension – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees

Hamtramck Public Schools
Notes to the Financial Statements
June 30, 2019

Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. For district-wide financial statements, the School District reports deferred inflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. Deferred inflows of resources also includes revenue received relating to the amounts included in the deferred outflows for payments related to MPSERS Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

Fund Equity – In the fund financial statements, governmental funds report fund balance in the following categories:

Non-spendable – amounts that are not available in a spendable form.

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed – amounts that have been formally set aside by the Board of Education for specific purposes. A fund balance commitment may be established, modified, or rescinded by a resolution of the Board of Education.

Assigned – amounts intended to be used for specific purposes, as determined by the Board of Education or the Superintendent. The Board of Education has granted the Superintendent the authority to assign funds. Residual amounts in governmental funds other than the General Fund are automatically assigned by their nature.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School District's policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the School District's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

Committed Fund Balance

The School District has resolved to maintain a fund balance of no less than 15% of the available fund balance as committed.

Hamtramck Public Schools
Notes to the Financial Statements
June 30, 2019

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as well as deferred inflows and deferred outflows of resources at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Eliminations and Reclassifications

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities column.

Adoption of New Accounting Standards

Statement No. 83, *Certain Asset Retirement Obligations* establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The requirements of this Statement are effective for the fiscal year ending June 30, 2019.

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* improves the information that is disclosed in notes to the District’s financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities districts should include when disclosing information related to debt. It requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with

finance-related consequences, and significant subjective acceleration clauses. It will also require that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for the fiscal year ending June 30, 2019.

Upcoming Accounting and Reporting Changes

Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus of the criteria includes the following: (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable are: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria. The requirements of this Statement are effective for the fiscal year ending June 30, 2020.

Statement No. 87, *Leases* increases the usefulness of the District’s financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the District’s leasing activities. The requirements of this Statement are effective for the fiscal year ending June 30, 2021.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* enhances the relevance and

Hamtramck Public Schools
Notes to the Financial Statements
June 30, 2019

comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. It requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reporting in a business-type activity or enterprise fund. Interest cost incurred before the end of a construction period should be recognized as an expenditure for financial statements prepared using the current financial resources measurement. The requirements of this Statement are effective for the fiscal year ending June 30, 2021.

Statement No. 90, *Majority Equity Interests* improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain components. This statement is effective for the year ending June 30, 2020.

Statement No. 91, *Conduit Debt Obligations* provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This statement is effective for the year ending June 30, 2022.

The School District is evaluating the impact that the above pronouncements will have on its financial reporting.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end, thereby canceling all encumbrances. These appropriations are reestablished at the beginning of the year.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the School District to have its budget in place by July 1. A district is not considered in violation of the law if reasonable procedures are in use by the School District to detect violations.

The Superintendent is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Budgeted amounts are as originally adopted or as amended by the Board of Education throughout the year.

Hamtramck Public Schools
Notes to the Financial Statements
June 30, 2019

Excess of Expenditures over Appropriations

During the year, the School District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Capital outlay	177,447	301,844	124,397
Supporting services			
Central	895,961	896,810	849

Compliance - Sinking Funds

The Capital Project Fund records capital project activities funded with Sinking Fund millage. For this fund, management believes the School District has complied, in all material respects, with the applicable provisions of § 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 2004-4.

Note 3 - Deposits And Investments

The School District's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash	<u>\$ 9,495,904</u>	<u>\$ 39,749</u>	<u>\$ 9,535,653</u>

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 9,535,353
Petty cash and cash on hand	<u>300</u>
Total	<u>\$ 9,535,653</u>

Interest rate risk – The School District does not have a formal investment policy to manage its exposure to fair value losses arising from changes in interest rates.

Credit risk – State statutes authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District has no investment policy that would further limit its investment choices.

Concentration of credit risk – The School District has no policy that would limit the amount that may be invested with any one issuer.

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of year-end, \$10,036,585 of the School District's bank balance of \$10,288,915 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Hamtramck Public Schools
Notes to the Financial Statements
June 30, 2019

Note 4 - Capital Assets

A summary of the changes in governmental capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Construction in progress	\$ 469,794	\$ -	\$ 469,794	\$ -
Capital assets being depreciated				
Buildings and additions	24,762,762	1,845,783	-	26,608,545
Equipment and furniture	4,841,058	39,329	512,995	4,367,392
Buses and other vehicles	197,523	118,496	-	316,019
Total capital assets being depreciated	29,801,343	2,003,608	512,995	31,291,956
Less accumulated depreciation for				
Buildings and additions	12,361,719	918,369	-	13,280,088
Equipment and furniture	2,897,671	322,069	512,245	2,707,495
Buses and other vehicles	190,271	8,725	-	198,996
Total accumulated depreciation	15,449,661	1,249,163	512,245	16,186,579
Net capital assets being depreciated	14,351,682	754,445	750	15,105,377
Net capital assets	\$ 14,821,476	\$ 754,445	\$ 470,544	\$ 15,105,377

Depreciation expense was charged to activities of the School District as follows:

Governmental activities	
Instruction	\$ 673,396
Supporting services	452,697
Food services	93,258
Community services	29,812
Total governmental activities	<u>\$ 1,249,163</u>

Donated Capital Assets

As of November 2015 the District entered into a rental lease agreement, exchanging \$1 of rent in lieu of improvements to the District's stadium. As of June 30, 2019 the District received \$717,172 of improvements, which is recorded as capital assets. The donated capital assets are recognized over the life of the lease. As of June 30, 2019 there is unearned revenue of \$437,702 relating to the donated capital assets.

Note 5 - Interfund Receivable And Payable

Individual interfund receivable and payable balances at year end were:

Receivable Fund	Payable Fund	Amount
Nonmajor Governmental Funds	General Fund	\$ 708,593
Nonmajor Governmental Funds	Nonmajor Governmental Funds	104,701
		<u>\$ 813,294</u>

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

Hamtramck Public Schools
Notes to the Financial Statements
June 30, 2019

Note 6 - Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the components of unearned revenue are as follows:

	Unearned
Grant and categorical aid payments received prior to meeting all eligibility requirements	\$ 195,710
Donated assets	437,702
Total	\$ 633,412

Note 7 - Leases

The School District entered into an operating lease for copiers during the fiscal year. The School District paid \$55,188 in the current year. The future minimum lease payments are as follows:

Year ending June 30,		
2020	\$	55,188
2021		55,188
2022		55,188
2023		55,188
Total	\$	220,752

Note 8 - Long-Term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. The State can withhold state aid if it has to make a bond payment on behalf of the School District related to qualified bonds. Other long-term obligations include compensated absences, claims and judgments, termination benefits, and certain risk liabilities.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Bond and notes payable					
General obligation bonds	\$ 1,070,000	\$ -	\$ 115,000	\$ 955,000	\$ 120,000
Other liabilities					
Compensated absences	1,575,196	145,688	176,119	1,544,765	175,000
Total	\$ 2,645,196	\$ 145,688	\$ 291,119	\$ 2,499,765	\$ 295,000

For governmental activities, government obligation bonds, compensated absences are primarily liquidated by the General Fund.

General obligation bonds payable at year end, consist of the following:

2011 Energy Bonds of \$1,775,000 are due in semi-annual payments of \$105,000 to \$155,000 through May 1, 2026, interest at 2.25% to 4.75%	\$ 955,000
--	------------

Future principal and interest requirements for bonded debt are as follows:

Year Ending June 30,	Bonds	
	Principal	Interest
2020	\$ 120,000	\$ 42,206
2021	125,000	37,406
2022	130,000	32,406
2023	135,000	27,044
2024	140,000	21,138
2025 - 2026	305,000	21,850
Total	\$ 955,000	\$ 182,050

Interest expenditures for the fiscal year in the General Fund were \$46,231.

Hamtramck Public Schools
Notes to the Financial Statements
June 30, 2019

Compensated Absences

Accrued compensated absences at year end, consist vacation hours earned and vested and accrued sick time benefits. \$1,369,765 of the vested amount is considered long-term as the amount expended each year is expected to be offset by sick time earned for the year. The remaining \$175,000 is expected to be used in the next year.

Note 9 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) and certain medical benefits provided to employees. The School District has purchased commercial insurance for general liability, property and casualty and health and vision claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

The School District is self-insured for dental insurance. The School District has contracted with an independent administrator to process the dental claims and perform other administrative duties. According to the provisions of this program, the School District pays 80% of dental claims, up to \$1,000 annually, to each covered employee and the remaining 20% is paid by the employee. The School District evaluates the liability related to the dental claims at the end of each fiscal year. The liability is calculated, based upon claims already incurred and reported and an estimate of incurred but not reported claims, as provided by the administrator. For governmental activities, the liability for dental benefits is primarily liquidated by the General Fund.

Change in estimated liabilities for claims for dental benefits for the year is as follows:

	<u>2019</u>	<u>2018</u>
Estimated liability at the beginning of the year	\$ 12,345	\$ 9,649
Estimated claims incurred including changes in estimates	148,887	150,220
Claim payments	<u>(150,915)</u>	<u>(147,524)</u>
 Estimated liability end of year	 <u>\$ 10,317</u>	 <u>\$ 12,345</u>

The School District is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method, the School District must reimburse the Employment Commission for all benefits charged against the School District. The School District had no unemployment compensation expense for the year. No provision has been made for possible future claims.

For risk retention situations (other than commercial coverage or risk sharing pools), the School District estimates the liability for workers' compensation, medical claims, and life insurance that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported.

Hamtramck Public Schools
Notes to the Financial Statements
June 30, 2019

Note 10 - Pension Plans and Post-Employment Benefits

Plan Description

The Michigan Public School Employees' Retirement System (System or MPERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average

compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

A DB plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account if applicable. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2017 valuation will be amortized over a 20-year period for the 2017 fiscal year.

The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2018.

Hamtramck Public Schools
Notes to the Financial Statements
June 30, 2019

Pension Contribution Rates

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Basic	0.0 - 4.0%	17.89%
Member Investment Plan	3.0 - 7.0%	17.89%
Pension Plus	3.0 - 6.4%	16.61%
Pension Plus 2	6.2%	19.74%
Defined Contribution	0.0%	13.54%

Required contributions to the pension plan from the School District were \$5,404,399 for the year ending September 30, 2018.

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

At June 30, 2019, the School District reported a liability of \$59,663,869 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2017. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2018, the School District's proportion was 0.1985 percent, which was an increase of 0.0123 percent from its proportion measured as of September 30, 2017. At September 30, 2018, the total pension expense for the School District was \$8,790,014. For the year ending June 30, 2019, the School District recognized pension expense of \$5,788,971.

At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Total</u>
Difference between expected and actual experience	\$ 276,851	\$ (433,567)	\$ (156,716)
Changes of assumptions	13,818,103	-	13,818,103
Net difference between projected and actual earnings on pension plan investments	-	(4,079,492)	(4,079,492)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	<u>4,182,983</u>	<u>(111,949)</u>	<u>4,071,034</u>
Total to be recognized in future School District contributions subsequent to the measurement date	<u>18,277,937</u>	<u>(4,625,008)</u>	<u>13,652,929</u>
	<u>5,423,622</u>	<u>(2,276,722)</u>	<u>3,146,900</u>
Total	<u>\$ 23,701,559</u>	<u>\$ (6,901,730)</u>	<u>\$ 16,799,829</u>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

Hamtramck Public Schools
Notes to the Financial Statements
June 30, 2019

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred (Inflows) and Deferred Outflows of Resources by Year (To Be Recognized in Future Pension Expenses)	
2019	\$ 5,235,304
2020	4,260,238
2021	3,006,112
2022	1,151,275
	\$ 13,652,929

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2017
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return:
 - MIP and Basic Plans: 7.05%
 - Pension Plus Plan: 7.00%
 - Pension Plus 2 Plan: 6.00%
- Projected Salary Increases: 2.75 - 11.55%, including wage inflation at 2.75%

- Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members
- Mortality:
 - Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
 - Active Members: Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2018, is based on the results of an actuarial valuation date of September 30, 2017, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.5304

Recognition period for assets in years is 5.0000

Full actuarial assumptions are available in the 2018 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future

Hamtramck Public Schools
Notes to the Financial Statements
June 30, 2019

real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.7 %
Alternative Investment Pools	18.0	9.2
International Equity	16.0	7.2
Fixed Income Pools	10.5	5.0
Real Estate and Infrastructure Pools	10.0	3.9
Absolute Return Pools	15.5	5.2
Short Term Investment Pools	2.0	0.0
	<u>100.0%</u>	

*Long-term rates of return are net of administrative expenses and 2.3% inflation.

Rate of Return

For the fiscal year ended September 30, 2018, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 11.11%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 7.05% was used to measure the total pension liability (7.0% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 7.05% (7.0% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between

actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.05% (7.0% for the Hybrid Plan), as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease*	Current Single Discount Rate Assumption*	1% Increase*
6.05% / 6.0% / 5.0%	7.05% / 7.0% / 6.0%	8.05% / 8.0% / 7.0%
<u>\$ 78,334,052</u>	<u>\$ 59,663,869</u>	<u>\$ 44,151,982</u>

*Discount rates listed in the following order: Basic and Member Investment Plan (MIP), Pension Plus, and Pension Plus 2.

Michigan Public School Employees' Retirement System (MPERS) Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS CAFR, available on the ORS website at www.michigan.gov/orschools.

Hamtramck Public Schools
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June 30, 2019

Payables to the Michigan Public School Employees' Retirement System (MPSERS)

There were no significant payables to the pension plan that are not ordinary accruals to the School District.

Note 11 - Postemployment Benefits Other Than Pensions (OPEB)

Plan Description

The Michigan Public School Employees' Retirement System (System or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's health plan provides all eligible retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

Benefits Provided

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300

of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are

Hamtramck Public Schools
Notes to the Financial Statements
June 30, 2019

automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2017 valuation will be amortized over a 20-year period for the 2017 fiscal year.

The schedule below summarizes OPEB contribution rates in effect for fiscal year 2018.

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.0%	6.44%
Personal Healthcare Fund (PHF)	0.0%	6.13%

Required contributions to the OPEB plan from the School District were \$1,336,666 for the year ended September 30, 2018.

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

At June 30, 2019, the School District reported a liability of \$16,369,049 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2017. The School District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2018, the School District's proportion was 0.2059 percent, which was an increase of 0.0206 percent from its proportion measured as of September 30, 2017. At September 30, 2018, the total OPEB expense for the School District was \$1,134,364. For the year ending June 30, 2019, the School District recognized total OPEB expense of \$1,552,888.

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June 30, 2019

At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	\$ -	\$(3,046,701)	\$(3,046,701)
Changes of assumptions	1,733,491	-	1,733,491
Net difference between projected and actual earnings on OPEB plan investments	-	(629,102)	(629,102)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	<u>1,548,160</u>	<u>(5,242)</u>	<u>1,542,918</u>
Total to be recognized in future School District contributions subsequent to the measurement date	<u>3,281,651</u>	<u>(3,681,045)</u>	<u>(399,394)</u>
	<u>1,391,685</u>	<u>-</u>	<u>1,391,685</u>
Total	<u>\$4,673,336</u>	<u>\$(3,681,045)</u>	<u>\$ 992,291</u>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Deferred (Inflows) and Deferred Outflows of Resources by Year (To Be Recognized in Future OPEB Expenses)	
2019	\$ (144,349)
2020	(144,349)
2021	(144,349)
2022	(16,034)
2023	<u>49,687</u>
	<u>\$ (399,394)</u>

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2017
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return: 7.15%
- Projected Salary Increases: 2.75 - 11.55%, including wage inflation of 2.75%
- Healthcare Cost Trend Rate: 7.5% Year 1 graded to 3.0% Year 12
- Mortality:
 - Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
 - Active Members: Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Hamtramck Public Schools
Notes to the Financial Statements
June 30, 2019

Other Assumptions:

- Opt Out Assumptions: 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan
- Survivor Coverage: 80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
- Coverage Election at Retirement: 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total OPEB liability as of September 30, 2018, is based on the results of an actuarial valuation date of September 30, 2017, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 5.6018

Recognition period for assets in years is 5.0000

Full actuarial assumptions are available in the 2018 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding

expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.7 %
Alternative Investment Pools	18.0	9.2
International Equity	16.0	7.2
Fixed Income Pools	10.5	0.5
Real Estate and Infrastructure Pools	10.0	3.9
Absolute Return Pools	15.5	5.0
Short Term Investment Pools	2.0	0.0
	<u>100.0%</u>	

**Long-term rates of return are net of administrative expenses and 2.3% inflation.*

Rate of Return

For the fiscal year ended September 30, 2018, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 10.75%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 7.15% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 7.15%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's

Hamtramck Public Schools
Notes to the Financial Statements
June 30, 2019

fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the School District's proportionate share of the net OPEB liability calculated using the discount rate of 7.15%, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease 6.15%	Current Discount Rate 7.15%	1% Increase 8.15%
\$ 19,650,710	\$ 16,369,049	\$ 13,608,771

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Healthcare Cost Trend Rate

The following presents the School District's proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what the School District's proportionate share of net OPEB liability would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
\$ 13,463,363	\$ 16,369,049	\$ 19,702,465

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2018 MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payables to the OPEB Plan

There were no significant payables to the OPEB plan that are not ordinary accruals to the School District.

Note 12 - Contingent Liabilities

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time, although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year June 30, 2019.

Note 13 - Tax Abatements

The School District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions and Brownfield Redevelopment Agreements granted by the City Hamtramck. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties.

For the fiscal year ended June 30, 2019, the School District's property tax revenues were reduced by \$56,331 under these programs.

There are no significant abatements made by the School District.

REQUIRED SUPPLEMENTARY INFORMATION

Hamtramck Public Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2019

	Budgeted Amounts			Over (Under) Budget
	Original	Final	Actual	
Revenues				
Local sources	\$ 2,280,225	\$ 3,050,353	\$ 3,133,500	\$ 83,147
State sources	30,170,139	31,448,510	31,426,222	(22,288)
Federal sources	7,286,038	8,158,968	5,967,813	(2,191,155)
Interdistrict sources	1,274,340	1,773,985	1,869,950	95,965
Total revenues	<u>41,010,742</u>	<u>44,431,816</u>	<u>42,397,485</u>	<u>(2,034,331)</u>
Expenditures				
Instruction				
Basic programs	16,336,478	17,225,763	16,781,813	(443,950)
Added needs	6,854,401	7,251,106	6,523,698	(727,408)
Adult and continuing education	327,383	233,274	197,861	(35,413)
Supporting services				
Pupil	3,287,372	3,354,284	3,121,719	(232,565)
Instructional staff	3,287,670	3,948,772	3,261,928	(686,844)
General administration	537,178	593,471	585,862	(7,609)
School administration	2,428,101	2,420,102	2,383,499	(36,603)
Business	497,153	509,880	508,410	(1,470)
Operations and maintenance	2,964,753	3,288,802	3,144,407	(144,395)
Pupil transportation services	1,221,056	1,729,994	1,589,049	(140,945)
Central	1,017,446	895,961	896,810	849
Athletic activities	195,000	314,117	281,347	(32,770)
Community services	244,955	458,751	225,521	(233,230)
Capital outlay	1,963,314	177,447	301,844	124,397
Debt service				
Principal	115,000	115,000	115,000	-
Interest and fiscal charges	46,231	46,231	46,231	-
Total expenditures	<u>41,323,491</u>	<u>42,562,955</u>	<u>39,964,999</u>	<u>(2,597,956)</u>
Excess (deficiency) of revenues over expenditures	<u>(312,749)</u>	<u>1,868,861</u>	<u>2,432,486</u>	<u>563,625</u>

See Accompanying Notes to the Financial Statements

Hamtramck Public Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Other Financing (Uses)				
Transfer in	100,000	220,575	-	(220,575)
Transfers out	(200,908)	(228,522)	-	228,522
Total other financing sources (uses)	(100,908)	(7,947)	-	7,947
Net change in fund balance	(413,657)	1,860,914	2,432,486	571,572
Fund balance - beginning	9,769,670	9,769,670	9,769,670	-
Fund balance - ending	<u>\$ 9,356,013</u>	<u>\$ 11,630,584</u>	<u>\$ 12,202,156</u>	<u>\$ 571,572</u>

See Accompanying Notes to the Financial Statements

Hamtramck Public Schools
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Measurement Date September 30th, of Each Fiscal Year)

	June 30,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
A. Reporting unit's proportion of net pension liability (%)	0.19850%	0.18620%	0.17300%	0.17190%	0.17356%					
B. Reporting unit's proportionate share of net pension liability	\$ 59,663,869	\$ 48,244,976	\$ 43,167,987	\$ 41,981,704	\$ 38,228,483					
C. Reporting unit's covered-employee payroll	\$ 17,544,331	\$ 16,106,218	\$ 14,651,155	\$ 14,508,146	\$ 14,789,623					
D. Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	340.07%	299.54%	294.64%	289.37%	258.48%					
E. Plan fiduciary net position as a percentage of total pension liability	62.36%	64.21%	63.27%	63.17%	66.20%					

Notes:

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2018.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2018.

Hamtramck Public Schools
Required Supplementary Information
Schedule of the School District's Pension Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years

	For the Years Ended June 30,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
A. Statutorily required contributions	\$ 5,788,971	\$ 4,974,157	\$ 3,000,336	\$ 2,768,780	\$ 2,810,507					
B. Contributions in relation to statutorily required contributions	<u>5,788,971</u>	<u>4,974,157</u>	<u>3,000,336</u>	<u>2,768,780</u>	<u>2,810,507</u>					
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>					
D. Reporting unit's covered- employee payroll	\$18,735,471	\$17,132,837	\$15,974,656	\$15,108,789	\$14,833,962					
E. Contributions as a percentage of covered-employee payroll	30.90%	29.03%	18.78%	18.33%	18.95%					

See Accompanying Notes to the Financial Statements

Hamtramck Public Schools
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Measurement Date September 30th, of Each Fiscal Year)

	June 30,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
A. Reporting unit's proportion of the net OPEB liability (%)	0.20590%	0.18530%								
B. Reporting unit's proportionate share of the net OPEB liability	\$ 16,369,049	\$ 16,413,485								
C. Reporting unit's covered-employee payroll	\$ 17,544,331	\$ 16,106,218								
D. Reporting unit's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	93.30%	101.91%								
E. Plan fiduciary net position as a percentage of total OPEB liability	42.95%	36.39%								

Notes:

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2018.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2018.

Hamtramck Public Schools
Required Supplementary Information
Schedule of the School District's OPEB Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years

	For the Years Ended June 30,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
A. Statutorily required contributions	\$ 1,552,888	\$ 1,263,911								
B. Contributions in relation to statutorily required contributions	<u>1,552,888</u>	<u>1,263,911</u>								
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>								
D. Reporting unit's covered- employee payroll	\$18,735,471	\$17,132,837								
E. Contributions as a percentage of covered-employee payroll	8.29%	7.38%								

See Accompanying Notes to the Financial Statements

OTHER SUPPLEMENTARY INFORMATION

Hamtramck Public Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2019

	Special Revenue Funds		Capital Projects Fund	Total Nonmajor Governmental Funds
	Food Service	Recreation	Sinking Fund	
Assets				
Cash	\$ 321,487	\$ 195,256	\$ 1,223	\$ 517,966
Due from other funds	-	757,400	55,894	813,294
Due from other governmental units	205,687	-	-	205,687
Prepaid items	-	-	23,400	23,400
Total assets	<u>\$ 527,174</u>	<u>\$ 952,656</u>	<u>\$ 80,517</u>	<u>\$ 1,560,347</u>
Liabilities				
Accounts payable	\$ 72,182	\$ 13,319	\$ 33,617	\$ 119,118
Due to other funds	104,701	-	-	104,701
Accrued salaries payable	-	15,127	-	15,127
Total liabilities	<u>176,883</u>	<u>28,446</u>	<u>33,617</u>	<u>238,946</u>
Fund Balance				
Non-spendable				
Prepaid items	-	-	23,400	23,400
Restricted for				
Food service	350,291	-	-	350,291
Recreation	-	924,210	-	924,210
Sinking fund	-	-	23,500	23,500
Total fund balance	<u>350,291</u>	<u>924,210</u>	<u>46,900</u>	<u>1,321,401</u>
Total liabilities and fund balance	<u>\$ 527,174</u>	<u>\$ 952,656</u>	<u>\$ 80,517</u>	<u>\$ 1,560,347</u>

See Accompanying Notes to the Financial Statements

Hamtramck Public Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2019

	Special Revenue Funds		Capital Projects Fund	Total Nonmajor Governmental Funds
	Food Service	Recreation	Sinking Fund	
Revenues				
Local sources	\$ 76,885	\$ 912,949	\$ 774,473	\$ 1,764,307
State sources	100,606	-	-	100,606
Federal sources	2,405,148	-	-	2,405,148
	<u>2,582,639</u>	<u>912,949</u>	<u>774,473</u>	<u>4,270,061</u>
Expenditures				
Current				
Education				
Supporting services	-	27,321	-	27,321
Food services	3,254,951	-	-	3,254,951
Community services	-	814,995	-	814,995
Facilities acquisition	-	-	727,573	727,573
	<u>3,254,951</u>	<u>842,316</u>	<u>727,573</u>	<u>4,824,840</u>
Excess (deficiency) of				
Excess of revenues over expenditures	(672,312)	70,633	46,900	(554,779)
Fund balance - beginning	<u>1,022,603</u>	<u>853,577</u>	<u>-</u>	<u>1,876,180</u>
Fund balance - ending	<u>\$ 350,291</u>	<u>\$ 924,210</u>	<u>\$ 46,900</u>	<u>\$ 1,321,401</u>

See Accompanying Notes to the Financial Statements

Hamtramck Public Schools

Single Audit

June 30, 2019



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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditors' Report

Management and the Board of Education
Hamtramck Public Schools
Hamtramck, MI

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hamtramck Public Schools (the School District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated October 28, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Yeo & Yeo, P.C.

Saginaw, MI
October 28, 2019



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Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditors' Report

Management and the Board of Education
Hamtramck Public Schools
Hamtramck, MI

Report on Compliance for Each Major Federal Program

We have audited Hamtramck Public Schools' (the School District's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2019. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements. We issued our report thereon dated October 28, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Yeo & Yeo, P.C.

Saginaw, MI
October 28, 2019

Hamtramck Public Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

	Award Grant Entitlement	Accrued (Unearned)	Prior Year	Current Year	Current Year Cash	Accrued (Unearned)		
Federal CFDA Number	Program Amount	Revenue at July 1, 2018	Expenditures	Expenditures	Payments/In Kind Received	Revenue at June 30, 2019	Adjustments	
U.S. Department of Agriculture								
Passed Through Michigan Department of Education Child Nutrition Cluster								
Non-Cash Assistance								
National School Lunch Program	10.555	138,956	\$ -	\$ -	\$ 138,956	\$ 138,956	\$ -	\$ -
Entitlement Commodities 2018-2019								
Cash Assistance								
School Breakfast Program	10.553	782,219	118,124	687,694	94,525	212,649	-	-
Project Number: 181970		632,001	-	-	632,001	557,514	-	74,487
Project Number: 191970								
Total School Breakfast Program			118,124	687,694	726,526	770,163	-	74,487
National School Lunch Program	10.555	1,325,570	168,689	1,166,823	158,747	327,436	-	-
Project Number: 181960		1,171,326	-	-	1,171,326	1,062,545	-	108,781
Project Number: 191960								
Total National School Lunch Program			168,689	1,166,823	1,330,073	1,389,981	-	108,781
Summer Food Service Program for Children	10.559	48,627	5,568	5,568	43,059	42,157	-	6,470
Project Number: 180900		4,136	473	473	3,663	3,586	-	550
Project Number: 181900								
Total Summer Food Service Program for Children			6,041	6,041	46,722	45,743	-	7,020
Total Child Nutrition Cluster			292,854	1,860,558	2,242,277	2,344,843	-	190,288
Child and Adult Care Food Program	10.558	84,124	21,260	81,322	2,802	24,062	-	-
Project Number: 181920		5,358	1,396	5,199	159	1,555	-	-
Project Number: 182010		61,772	-	-	61,772	47,293	-	14,479
Project Number: 191920		3,965	-	-	3,965	3,047	-	918
Project Number: 192010								
Total Child and Adult Care Food Program			22,656	86,521	68,698	75,957	-	15,397

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Hamtramck Public Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

	Award Grant Entitlement Program Amount	Accrued (Unearned) Revenue at July 1, 2018	Prior Year Expenditures	Current Year Expenditures	Current Year Cash Payments/In Kind Received	Adjustments	Accrued (Unearned) Revenue at June 30, 2019
Federal CFDA Number							
U.S. Department of Agriculture (continued)							
Passed Through Michigan Department of Education							
National School Lunch Program Equipment Assistance Project Number: 161991	10.579	8,023	\$ -	\$ -	\$ 8,023	\$ 8,023	\$ -
Fresh Fruit and Vegetable Program Project Number: 190950	10.582	86,150	-	-	86,150	86,150	-
Total U.S. Department of Agriculture		<u>315,510</u>	<u>1,947,079</u>	<u>2,405,148</u>	<u>2,514,973</u>	<u>-</u>	<u>205,685</u>
U.S. Department of Education							
Passed Through Wayne County Regional Educational Service Agency Special Education Cluster (IDEA)							
Special Education - Grants to States Project Number: 170450	84.027	475,785	9,510	63,536	7,835	17,345	-
Project Number: 180450		450,650	448,436	448,436	2,214	448,436	-
Project Number: 190450		442,465	-	-	442,465	183,517	-
Total Special Education - Grants to States/Special Education Cluster (IDEA)		<u>457,946</u>	<u>511,972</u>	<u>452,514</u>	<u>649,298</u>	<u>-</u>	<u>261,162</u>
Passed Through Michigan Department of Education							
Federal Adult Ed English Literacy Civics Project Number: 185727	84.002	15,200	1,520	15,200	-	1,520	-
Project Number: 181827		250,000	38,633	208,108	-	38,633	-
Project Number: 191130		250,000	-	-	211,187	-	211,187
Total Federal Adult Ed English Literacy Civics		<u>40,153</u>	<u>223,308</u>	<u>211,187</u>	<u>40,153</u>	<u>-</u>	<u>211,187</u>
Title I Grants to Local Educational Agencies Part A Imp Basic Programs 181530	84.010	4,665,697	1,372,877	3,397,438	507,168	1,866,328	(13,717)
Part A Imp Basic Programs 191530		4,572,498	-	-	3,205,382	1,967,218	-
Total Title I Grants to Local Educational Agencies		<u>1,372,877</u>	<u>3,397,438</u>	<u>3,712,550</u>	<u>3,833,546</u>	<u>(13,717)</u>	<u>1,238,164</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Hamtramck Public Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

	Federal CFDA Number	Award Grant Entitlement Program Amount	Accrued (Unearned) Revenue at July 1, 2018	Prior Year Expenditures	Current Year Expenditures	Current Year Cash Payments/In Kind Received	Adjustments	Accrued (Unearned) Revenue at June 30, 2019
U.S. Department of Education (continued)								
Passed Through Wayne County Regional Educational Service Agency								
Career and Technical Education - Basic Grants to States								
Project Number: 181225	84.048	71,107	\$ 2,208	\$ 71,107	\$ -	\$ -	\$ -	\$ 2,208
Project Number: 191225		83,620	-	-	72,644	44,090	-	28,554
Total Career and Technical Education - Basic Grants to States			<u>2,208</u>	<u>71,107</u>	<u>72,644</u>	<u>44,090</u>	<u>-</u>	<u>30,762</u>
Passed Through Michigan Department of Education								
21st Century Community Learning Centers								
Project Number: 182110	84.287	675,000	146,287	612,717	-	146,287	-	-
Project Number: 192110		675,000	-	-	565,930	397,090	-	168,840
Total 21st Century Community Learning Centers			<u>146,287</u>	<u>612,717</u>	<u>565,930</u>	<u>543,377</u>	<u>-</u>	<u>168,840</u>
Title III - Limited English Proficient Students								
Project Number: 180570	84.365	94,916	8,632	8,632	-	2,206	(6,426)	-
Project Number: 180580		210,035	62,865	153,182	56,853	119,718	-	-
Project Number: 190570		198,560	-	-	48,326	31,015	-	17,311
Project Number: 190580		210,888	-	-	170,255	104,214	-	66,041
Total Title III - Limited English Proficient Students			<u>71,497</u>	<u>161,814</u>	<u>275,434</u>	<u>257,153</u>	<u>(6,426)</u>	<u>83,352</u>
Title II - Improving Teacher Quality State Grants								
Project Number: 180520	84.367	719,224	95,058	387,305	93,047	188,105	-	-
Project Number: 190520		798,665	-	-	452,085	289,420	-	162,665
Total Improving Teacher Quality State Grants			<u>95,058</u>	<u>387,305</u>	<u>545,132</u>	<u>477,525</u>	<u>-</u>	<u>162,665</u>
Title IV - Student Support & Academic Education								
Project Number: 180750	84.424	57,838	8,719	8,719	21,697	30,416	-	-
Project Number: 190750		307,845	-	-	221,654	169,320	-	52,334
Total Title IV - Student Support & Academic Education			<u>8,719</u>	<u>8,719</u>	<u>243,351</u>	<u>199,736</u>	<u>-</u>	<u>52,334</u>
Total U.S. Department of Education			<u>2,194,745</u>	<u>5,374,380</u>	<u>6,078,742</u>	<u>6,044,878</u>	<u>(20,143)</u>	<u>2,208,466</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Hamtramck Public Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

	Award Grant Entitlement	Accrued (Unearned)	Prior Year	Current Year	Current Year Cash	Accrued (Unearned)		
Federal CFDA Number	Program Amount	Revenue at July 1, 2018	Expenditures	Expenditures	Payments/In Kind Received	Revenue at June 30, 2019	Adjustments	
U.S. Department of Health and Human Services								
Passed Through Wayne County Regional Educational Service Agency Medicaid Cluster								
Medical Assistance Program	93.778							
2017-18		7,693	\$ 2,093	\$ 5,026	\$ -	\$ 2,093	\$ -	\$ -
2018-19		3,949	-	-	3,949	3,949	-	-
			<u>2,093</u>	<u>5,026</u>	<u>3,949</u>	<u>6,042</u>	<u>-</u>	<u>-</u>
Total Medical Assistance Program/Medicaid Cluster/U.S. Department of Health and Human Services			<u>2,093</u>	<u>5,026</u>	<u>3,949</u>	<u>6,042</u>	<u>-</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 2,512,348</u>	<u>\$ 7,326,485</u>	<u>\$ 8,487,839</u>	<u>\$ 8,565,893</u>	<u>\$ (20,143)</u>	<u>\$ 2,414,151</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Hamtramck Public Schools
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2019

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Hamtramck Public Schools (the School District) under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position or changes in fund balance or net position of the School District.

Note 2 - Summary of Significant Accounting Policies

Expenditures

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance where certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Indirect Cost Rate

Hamtramck Public Schools has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 - Reconciliation to the Financial Statements

The federal revenues per the financial statements reconcile the schedule of expenditures of federal awards as follows:

Expenses per SEFA	\$ 8,487,839
Amounts reported on the current year SEFA that did not meet the District's revenue recognition requirements and were therefore deferred in the fund statements:	
Title I	(197,657)
21st Century	(168,840)
Amounts reported on the prior year SEFA that did not meet the District's revenue recognition requirements and were therefore deferred in the fund statements in the prior year and recorded in the fund statements in the current year:	
Title I	265,336
Adjustments	<u>(13,717)</u>
Total revenues reported on the District's fund statements	<u><u>\$ 8,372,961</u></u>

Note 4 - Explanation of Adjustments

The adjustments represent grant expenditures recorded in a previous year that were recaptured in fiscal year 2019.

Note 5 - Subrecipients

The School District did not transfer any federal funds to subrecipients during the year.

Hamtramck Public Schools
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2019

Note 6 - Michigan Department of Education Disclosures

The federal amounts reported on the Grant Auditor Report (GAR) are in agreement with the schedule of expenditures of federal awards except for the following variances due to timing of when payments were initiated by MDE and received by the School District.

<u>CFDA</u>	<u>Grant</u>	<u>Per GAR</u>	<u>Per SEFA</u>	<u>Difference</u>
10.553	181970	\$ 124,160	\$ 212,649	\$ (88,489)
10.555	181960	198,066	327,436	(129,370)
10.558	181920	15,011	24,062	(9,051)
10.558	182010	955	1,555	(600)
10.558	191920	54,464	47,293	7,171
10.558	192010	3,504	3,047	457
84.002	181827	32,538	38,633	(6,095)
84.010	181530	1,462,973	1,866,328	(403,355)
84.287	182110	113,073	146,287	(33,214)
84.365	180570	(6,426)	2,206	(8,632)
84.365	180580	110,599	119,718	(9,119)
84.367	180520	165,389	188,105	(22,716)
84.424	180750	28,684	30,416	(1,732)

The amounts reported on the recipient entitlement balance report agree with the schedule of expenditures of federal awards for U.S.D.A. donated food commodities.

Hamtramck Public Schools
Schedule of Findings and Questioned Costs
June 30, 2019

Section I – Summary of Auditors’ Results

Financial Statements

Type of report the auditor issued on whether the financial statements were prepared in accordance with Generally Accepted Accounting Principles: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified _____ yes X none reported

Type of auditors’ report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes X no

Identification of major federal programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
10.553, 10.555, 10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X yes _____ no

Hamtramck Public Schools
Schedule of Findings and Questioned Costs
June 30, 2019

Section II – *Government Auditing Standards* Findings

There were no *Government Auditing Standards* findings for the year ended June 30, 2019.

Section III – Federal Award Findings

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2019.

**Hamtramck Public Schools
Summary Schedule of Prior Audit Findings
June 30, 2019**

Section IV – Prior Audit Findings

Government Auditing Standards Findings

There were no *Government Auditing Standards* findings for the year ended June 30, 2018.

Federal Award Findings

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2018.



October 28, 2019

Management and the Board of Education
Hamtramck Public Schools
Hamtramck, MI

We have completed our audit of the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Hamtramck Public Schools (the School District) as of and for the year ended June 30, 2019, and have issued our report dated October 28, 2019. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit. The first appendix to this letter sets forth those communications as follows:

I. Auditors' Communication of Significant Matters with Those Charged with Governance

In addition, we have identified additional matters that are not required to be communicated but we believe are valuable for management:

II. Matters for Management's Consideration

We discussed these matters with various personnel in the School District during the audit and with management. We would also be pleased to meet with you to discuss these matters at your convenience.

These communications are intended solely for the information and use of management, the Board of Education, and others within the School District, and are not intended to be and should not be used by anyone other than those specified parties.

Yeo & Yeo, P.C.

Saginaw, Michigan

Appendix I

Auditors' Communication of Significant Matters with Those Charged with Governance

Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards* and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated May 31, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School District are described in Note 1 of the financial statements. The School District has adopted the new Governmental Accounting Standards Board Statements as noted in the notes to the financial statements, effective July 1, 2018.

We noted no transactions entered into by the School District during the year where there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the School District's financial statements were:

- The useful lives of its capital assets. Useful lives are estimated based on the expected length of time during which the asset is able to deliver a given level of service.
- Net pension liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.
- Net OPEB liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.

We have evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole and free from bias.

Disclosures in the financial statements are neutral, consistent and clear.

Accounting Standards and Regulatory Updates

Accounting Standards

The Governmental Accounting Standards Board has released the following Statements:

Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The criteria generally is on (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable are: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria. The requirements of this Statement are effective for the fiscal year ending June 30, 2020.

Statement No. 87, *Leases* increases the usefulness of the School District's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the School District's leasing activities. The requirements of this Statement are effective for the fiscal year ending June 30, 2021.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. It requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reporting in a business-type activity or enterprise fund. Interest cost incurred before the end of a construction period should be recognized as an expenditure for financial statements prepared using the current financial resources measurement. The requirements of this Statement are effective for the fiscal year ending June 30, 2021.

Statement No. 90, *Majority Equity Interests* improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain components. This statement is effective for the year ending June 30, 2020.

Statement No. 91, *Conduit Debt Obligations* provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This statement is effective for the year ending June 30, 2022.

The School District is evaluating the impact the above pronouncements will have on its financial reporting.

Regulatory and Other Updates

Federal Compliance

The Federal Compliance Supplement is being fully revised for 2019. Included in the revision is a mandate that the federal awarding agencies limit the requirement to test six of the compliance areas for each program. These program testing requirements are anticipated to vary on an annual basis. However, auditors will still need to perform a risk assessment to determine if any additional requirements may need to be tested, or if some of those requirements will not be necessary to test as it may not be direct and material to the program.

This does not alleviate districts from following all of the compliance requirements as described in the grant agreement. It simply identifies which ones auditors will be testing.

Budget Assumptions & Early Warning

Each school district that has a general fund balance less than 5% of total unrestricted general revenue for either of the 2016-2017 or 2017-2018 school fiscal years is required to submit budget assumptions to the Center for Educational Performance and Information (CEPI).

Uniform Budgeting and Accounting Act (UBAA)

The UBAA establishes budget and accounting requirements for local governments and school districts, including public school academies. It also establishes oversight requirements for MDE as well as the Michigan Attorney General. Material violations of the UBAA, including but not limited to General Fund deficits, should be reported as financial statement findings in the audit report. UBAA states that if it becomes apparent during the year that the probable revenues will be less than the budgeted revenues, the fiscal officer shall present recommendations to the legislative body which, if adopted, would prevent expenditures from exceeding available revenues for the fiscal year. UBAA states that an officer of the school district shall not incur expenditures against an appropriation account in excess of the amount appropriated by the board. Noncompliance includes, but is not limited to, over-expending the budget authorized by the board. MDE is analyzing the General Fund only, and at the total revenues, expenditures and financing sources (uses) levels, rather than at the line item level. MDE has stated a 0% tolerance for UBAA noncompliance.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require that the auditor accumulate all known and likely misstatements identified during the audit, other than those the auditor believes to be trivial, and communicate them to the appropriate level of management. There were no misstatements detected as a result of audit procedures that were more than trivial.

There were no uncorrected misstatements that were more than trivial.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditors' report. We are pleased to report we had no disagreements with management during the audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

Management's Consultations with Other Accountants

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

Other Audit Findings or Issues

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

Other Reports

Other information that is required to be reported to you is included in the: Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance For Each Major Federal Program; Independent Auditors' Report on Internal Control Over Compliance; Independent Auditors' Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance; and the Schedule of Findings and Questioned Costs. Please read all information included in those reports to ensure you are aware of relevant information.

Report on Required Supplementary Information

With respect to the required supplementary information accompanying the financial statements, which includes management's discussion and analysis, schedule of the school district's proportionate share of the net pension liability, schedule of the school district's pension contributions, schedule of the school district's proportionate share of the net OPEB liability, schedule of the school district's OPEB contributions, and budgetary comparison information, we applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

Report on Other Supplementary Information

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

Appendix II Matters for Management's Consideration

In planning and performing our audit of the financial statements of Hamtramck Public Schools (the School District) as of and for the year ended June 30, 2019, we considered the School District's internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

However, during our audit we became aware of several matters for management's consideration that are opportunities for strengthening internal controls and grant compliance. This letter does not affect our report dated October 28, 2019, on the financial statements of Hamtramck Public Schools. Our comments and recommendations regarding those matters are:

Cash Posting

During our review of year end bank reconciliations, we noted that almost a full year's worth of bank deposits for the Cafeteria Fund and Sinking Fund were not recorded as revenue and cash in the general ledger. These bank deposits were listed as a reconciling item on the bank reconciliation. The general ledger system is used for monthly financial statement reporting and should be kept current throughout the year.

We recommend the School District implement procedures to record deposits timely to the general ledger system for proper reconciliation.

Federal Equipment Listing

The Federal standards 2 CFR 200 require equipment listings to be maintained for all items purchased with federal funds. While the District had a minimal listing of equipment, there is room for improvements. Federal standards require:

- A physical inventory to be taken every two years
- Policies and procedures be put into place for recordkeeping and disposal
- Property records should contain a detailed description of the items including cost, location, identification number

Review of existing records will aid the School District in compiling this information. We recommend the School District implement procedures to ensure the federal equipment listing are updated and remain current.

Child Nutrition Cash Requests

For 9 months out of the year, cash reimbursement requests submitted to the State for the child nutrition program did not match the monthly meal counts completed by Sodexo. The School District under requested by 9,472 meals or about \$31,000.

Subsequent to year end, the School District has implemented procedures to properly reconcile monthly meal counts to cash reimbursement requests.