

**Hamtramck Public Schools**

**Financial Statements**

**June 30, 2020**



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**Hamtramck Public Schools**  
**Members of the Board of Education and Administration**  
**June 30, 2020**

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**Members of the Board of Education**

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

**Administration**

Jaleelah Hassan Ahmed	Superintendent
Sherry Lynem	Director of Finance



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## Independent Auditors' Report

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

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, 2020, 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, 2020, 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.

## **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 29, 2020 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 29, 2020

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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# Hamtramck Public Schools Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2020

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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 \$12,981,071.
- The total assets of the General Fund District amounted to \$18,870,585 in comparison to total liabilities of \$5,515,149 as of June 30, 2020.
- In November 2016 Wayne County voters approved a 6 year county wide enhancement millage. During the 2019/20 fiscal year Hamtramck Public Schools received \$1,410,085 additional local revenue from this millage. The millage will expire December 31, 2020 and is currently on the ballot for the November 2020 election.

## **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, 2020

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#### **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, 2020**

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**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, 2020 and 2019.

	June 30,	
	2020	2019
	(thousands)	
<b>Assets</b>		
Current assets	\$ 19,639	\$ 18,580
Capital assets, net book value	15,974	15,105
Total assets	35,613	33,685
<b>Deferred Outflows of Resources</b>		
Deferred amount on net pension liability	25,050	23,702
Deferred amount on net OPEB liability	6,744	4,673
Total deferred outflows of resources	31,794	28,375
<b>Liabilities</b>		
Current liabilities	5,888	5,138
Long-term liabilities	88,181	78,532
Total liabilities	94,069	83,670
<b>Deferred Inflows of Resources</b>		
Deferred amount on net pension liability	4,999	6,902
Deferred amount on net OPEB liability	5,989	3,681
Total deferred inflows of resources	10,988	10,583
<b>Net position</b>		
Invested in capital assets, net of related debt	15,139	14,150
Restricted for sinking fund & food service	212	397
Unrestricted	(53,000)	(46,740)
Total net position	\$ (37,649)	\$ (32,193)

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 2019/20 there is a decrease in net position.

**Hamtramck Public Schools  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2020**

**Governmental Activities Summary**

	June 30,	
	2020	2019
	(thousands)	
<b>Revenues</b>		
General		
Property taxes - general operations	\$ 2,139	\$ 1,982
Property taxes - recreation	886	850
Property taxes - sinking fund	810	773
State aid unrestricted	24,135	23,857
Other	102	955
Total general revenues	<u>28,072</u>	<u>28,417</u>
Operating grants		
Instruction	8,888	10,953
Support services	7,383	4,694
Cafeteria	2,312	2,506
Total operating grants	<u>18,583</u>	<u>18,153</u>
Charges for services		
Support	22	22
Cafeteria	120	74
Total charges for services	<u>142</u>	<u>96</u>
Capital grants		
Instruction	167	73
Total revenue	<u>46,964</u>	<u>46,739</u>
<b>Expenses</b>		
Instruction	28,608	25,409
Support services	19,966	17,080
Food services	2,664	3,308
Community service	1,141	1,058
Interest and other expenses	42	46
Total expenses	<u>52,421</u>	<u>46,901</u>
<b>Change in net position</b>	(5,456)	(162)
<b>Net position - beginning</b>	<u>(32,193)</u>	<u>(32,031)</u>
<b>Net position - ending</b>	<u>\$ (37,649)</u>	<u>\$ (32,193)</u>

# Hamtramck Public Schools

## Management's Discussion and Analysis

### For the Fiscal Year Ended June 30, 2020

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#### **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 \$14,211,053 in comparison to \$13,523,556 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 \$12,981,071.

#### **General Fund Budgetary Highlights**

State aid foundation allowance increased by \$240 per-pupil this year. Unfortunately, the additional revenue generated by this increase was short lived due to the pandemic. A state budget shortfall imposed a \$175 per-pupil reduction totaling a loss of \$583,121 in revenue for the district. Despite the reduction, The General Fund's fund balance increased by \$778,915. Evidence of the district's commitment to remaining fiscally 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 Federal revenue streams include four(4) new one-time grants all stemming from COVID-19 funding. Because the bills for this revenue were not signed until after the end of the 2019/20 fiscal year the revenue will be recorded by the district in the 2020/21 year. The funding will help offset some of the unanticipated expenses that arose from mandatory school closure and remote learning. The bills allow districts to use the funds retroactively back to March, 2020 for COVID-19 related expenses that it incurred.
- Fiscal year 2020/21 state aid foundation allowance will remain at \$8,111 and the state is granting a one time \$66 per-pupil payment. There will be an increase in unreimbursed retirement cost, and certain other categorical revenues may be reduced or eliminated. Because many school districts across the state are returning to school in a remote environment which may have an effect on the way students are counted, the state has temporarily changed the foundation allowance formula from 80% of the current fall enrollment and 20% of the spring enrollment to a new "Super Blend" which will consist of 75% of the 2019/20 enrollment and 25% of the 2020/21 enrollment.
- Fall student enrollment appears to be stable, however there is competition. The school district is at an unfair disadvantage compared to other districts in terms of competition with charter schools. 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.
- We will continue to bolster our EL services. HPS hired a new EL Director in 2019/20 and has continued to develop its EL program for the newly arrived immigrants, students and families requiring EL services. 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, 2020**

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- The District's Technology Director is meeting the challenges of ensuring the buildings technology needs are met for online learning and assessments. The department quickly prepared and distributed chromebooks for every household of our enrolled students when the district went into a mandatory shutdown due to the pandemic. The Technology staff are currently providing training and technical assistance for staff and students in this remote learning environment. Google applications were Instituted district wide, E911 compliance has been completed. Wireless service has been expanded and upgraded district wide, and WAN & LAN speeds have been increased. Server infrastructure has been upgraded, and off-site backup system configuration has been completed.
- The district has put its Sinking Fund dollars to work completing several capital projects this year, and even going beyond and investing general fund money in building upgrades. Completed projects this year include a new boiler at the Kosciuszko Middle, new roofs on Horizon High School and Tau Beta. An exterior building makeover of Holbrook Elementary School, new parking lots and playscapes for both Holbrook and Tau Beta Schools.
- 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. In 2019 new artificial turf was laid and luxury suites were installed and more will continue in the upcoming years 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.
- And lastly, the district welcomed a new Superintendent. Mrs. Jaleelah Ahmed has successfully completed her first year as Superintendent amid the unprecedented challenges of a world-wide pandemic

### **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

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**Hamtramck Public Schools**  
**Statement of Net Position**  
**June 30, 2020**

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	<u>Governmental Activities</u>
<b>Assets</b>	
Cash	\$ 12,112,252
Due from other governmental units	7,478,131
Due from agency fund activities	39,322
Prepaid items	9,188
Capital assets - net of accumulated depreciation	<u>15,974,328</u>
 Total assets	 <u>35,613,221</u>
 <b>Deferred Outflows of Resources</b>	
Deferred amount on net pension liability	25,049,929
Deferred amount on net OPEB liability	<u>6,744,441</u>
 Total deferred outflows of resources	 <u>31,794,370</u>

See Accompanying Notes to the Financial Statements

**Hamtramck Public Schools**  
**Statement of Net Position**  
**June 30, 2020**

	Governmental Activities
<b>Liabilities</b>	
Accounts payable	\$ 1,279,587
Due to other governmental units	423,743
Payroll deductions and withholdings	243,674
Accrued salaries payable	2,786,717
Unearned revenue	1,154,291
Long-term liabilities	
Debt due within one year	565,000
Debt due in more than one year	1,981,641
Net pension liability	70,102,504
Net OPEB liability	15,531,471
Total liabilities	94,068,628
<b>Deferred Inflows of Resources</b>	
Deferred amount on net pension liability	4,998,682
Deferred amount on net OPEB liability	5,989,150
Total deferred inflows of resources	10,987,832
<b>Net Position</b>	
Net investment in capital assets	15,139,328
Restricted for	
Food service	210,578
Capital projects - sinking fund	1,716
Unrestricted	(53,000,491)
Total net position	\$ (37,648,869)

See Accompanying Notes to the Financial Statements

**Hamtramck Public Schools**  
**Statement of Activities**  
**For the Year Ended June 30, 2020**

	Program Revenues				
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position	
<b>Functions/Programs</b>					
Governmental activities					
Instruction	\$ 28,607,500	\$ -	\$ 8,887,998	\$ 166,906	\$ (19,552,596)
Supporting services	19,965,836	22,146	7,383,235	-	(12,560,455)
Food services	2,663,834	119,969	2,312,141	-	(231,724)
Community services	1,140,952	-	-	-	(1,140,952)
Interest on long-term debt	42,206	-	-	-	(42,206)
	<u>\$ 52,420,328</u>	<u>\$ 142,115</u>	<u>\$ 18,583,374</u>	<u>\$ 166,906</u>	<u>(33,527,933)</u>
General revenues					
					2,138,837
					886,296
					810,238
					24,134,903
					23,831
					78,111
					28,072,216
					(5,455,717)
					(32,193,152)
					\$ (37,648,869)

See Accompanying Notes to the Financial Statements

**Hamtramck Public Schools**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2020**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash	\$ 11,524,879	\$ 587,373	\$ 12,112,252
Due from other funds	-	854,881	854,881
Due from other governmental units	7,297,196	180,935	7,478,131
Due from agency fund activities	39,322	-	39,322
Prepaid items	9,188	-	9,188
	<u>18,870,585</u>	<u>1,623,189</u>	<u>20,493,774</u>
Total assets	<u>\$ 18,870,585</u>	<u>\$ 1,623,189</u>	<u>\$ 20,493,774</u>
<b>Liabilities</b>			
Accounts payable	\$ 1,101,609	\$ 177,978	\$ 1,279,587
Due to other funds	647,024	207,857	854,881
Due to other governmental units	423,743	-	423,743
Payroll deductions and withholdings	243,674	-	243,674
Accrued salaries payable	2,779,345	7,372	2,786,717
Unearned revenue	319,754	-	319,754
	<u>5,515,149</u>	<u>393,207</u>	<u>5,908,356</u>
Total liabilities	<u>5,515,149</u>	<u>393,207</u>	<u>5,908,356</u>

See Accompanying Notes to the Financial Statements

**Hamtramck Public Schools**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2020**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Deferred Inflows of Resources</b>			
Unavailable revenue			
Grants received	\$ 374,365	\$ -	\$ 374,365
<b>Fund Balance</b>			
Non-spendable			
Prepaid items	9,188	-	9,188
Restricted for			
Food service	-	210,578	210,578
Recreation	-	1,017,688	1,017,688
Capital projects- sinking fund	-	1,716	1,716
Committed	1,947,161	-	1,947,161
Unassigned	11,024,722	-	11,024,722
	<u>12,981,071</u>	<u>1,229,982</u>	<u>14,211,053</u>
Total fund balance			
	<u>\$ 18,870,585</u>	<u>\$ 1,623,189</u>	<u>\$ 20,493,774</u>
Total liabilities, deferred inflows of resources and fund balance			

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, 2020**

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<b>Total fund balances for governmental funds</b>	\$ 14,211,053
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	374,365
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets - net of accumulated depreciation	15,974,328
Deferred outflows (inflows) of resources	
Deferred inflows of resources resulting from net pension liability	(4,998,682)
Deferred outflows of resources resulting from net pension liability	25,049,929
Deferred inflows of resources resulting from net OPEB liability	(5,989,150)
Deferred outflows of resources resulting from net OPEB liability	6,744,441
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	(70,102,504)
Net OPEB liability	(15,531,471)
Compensated absences	(1,711,641)
Bonds payable	(835,000)
Unearned revenue	(834,537)
<b>Net position of governmental activities</b>	<b><u>\$ (37,648,869)</u></b>

**Hamtramck Public Schools**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2020**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Local sources	\$ 2,360,954	\$ 1,847,022	\$ 4,207,976
State sources	33,066,799	117,133	33,183,932
Federal sources	5,300,749	2,195,008	7,495,757
Interdistrict sources	1,902,172	-	1,902,172
	<u>42,630,674</u>	<u>4,159,163</u>	<u>46,789,837</u>
Total revenues			
<b>Expenditures</b>			
Current			
Education			
Instruction	23,890,894	-	23,890,894
Supporting services	16,661,824	20,799	16,682,623
Food services	-	2,573,542	2,573,542
Community services	301,466	800,813	1,102,279
Facilities acquisition	-	855,427	855,427
Capital outlay	835,369	-	835,369
Debt service			
Principal	120,000	-	120,000
Interest and other expenditures	42,206	-	42,206
	<u>41,851,759</u>	<u>4,250,581</u>	<u>46,102,340</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	778,915	(91,418)	687,497
Fund balance - beginning	<u>12,202,156</u>	<u>1,321,400</u>	<u>13,523,556</u>
Fund balance - ending	<u>\$ 12,981,071</u>	<u>\$ 1,229,982</u>	<u>\$ 14,211,053</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, 2020**

<b>Net change in fund balances - Total governmental funds</b>	\$	687,497
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.		
Operating grants		7,868
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		(1,276,550)
Capital outlay		1,581,760
Donations of capital assets		166,906
Expenses are recorded when incurred in the statement of activities.		
Claims and judgments		10,317
Compensated absences		(166,876)
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		(10,438,635)
Net change in the deferrals of resources related to the net pension liability		3,251,418
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		837,578
Net change in the deferrals of resources related to the net OPEB liability		(237,000)
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		120,000
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b>(5,455,717)</b>

See Accompanying Notes to the Financial Statements

**Hamtramck Public Schools**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Position**  
**June 30, 2020**

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	<u>Agency Funds</u>
<b>Assets</b>	
Cash	\$ <u>84,614</u>
<b>Liabilities</b>	
Accounts payable	\$ 45,292
Due to other funds	<u>39,322</u>
Total liabilities	<u>\$ 84,614</u>

See Accompanying Notes to the Financial Statements

**Hamtramck Public Schools**  
**Notes to the Financial Statements**  
**June 30, 2020**

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**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.

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.

**Hamtramck Public Schools**  
**Notes to the Financial Statements**  
**June 30, 2020**

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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, 2020, the rates are as follows per \$1,000 of assessed value.

General Fund	
Non-principal residence exemption	18.0000
Commercial personal property	6.0000
Recreation Fund	4.3896
Sinking Fund	3.9924

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.

There are no significant abatements made by the School District.

**Hamtramck Public Schools**  
**Notes to the Financial Statements**  
**June 30, 2020**

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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 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

**Hamtramck Public Schools**  
**Notes to the Financial Statements**  
**June 30, 2020**

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determined on the same basis as they are reported by MPERS. 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 MPERS Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

Fund Balance – 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.

**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.

**Hamtramck Public Schools**  
**Notes to the Financial Statements**  
**June 30, 2020**

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**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. 92, *Omnibus 2020* enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following: (1) The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reports (2) Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan. (3) The applicability of Statements No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits. (4) The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements. (5) Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition. (6) Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers. (7) Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. (8) Terminology used to refer to derivative instruments. Management has implemented the required portions of this Statement and will implement the remaining requirements as each Statement referenced becomes effective.

Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* provides a temporary relief to governments and other stakeholders in light of the COVID-19 pandemic and provides a postponement of certain GASB Statements. This statement was effective upon issuance in May of 2020.

**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, 2021.

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.

**Hamtramck Public Schools**  
**Notes to the Financial Statements**  
**June 30, 2020**

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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. 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, 2023.

Statement No. 93, *Replacement of Interbank Offered Rates* establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement apply to the financial statements of all state and local governments. The requirements of this Statement apply to the financial statements of all

state and local governments. This statement is effective for the year ending June 30, 2022.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. This statement is effective for the year ending June 30, 2023.

**Hamtramck Public Schools**  
**Notes to the Financial Statements**  
**June 30, 2020**

**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.

**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			
Adult and continuing education	\$ 203,342	\$ 208,014	\$ 4,672
School administration	2,515,335	2,537,746	22,411
Business	540,801	554,666	13,865
Pupil transportation services	1,697,652	1,886,231	188,579
Athletic activities	279,682	302,408	22,726
Capital outlay	700,000	835,369	135,369

**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>\$ 12,112,252</u>	<u>\$ 84,614</u>	<u>\$ 12,196,866</u>

**Hamtramck Public Schools**  
**Notes to the Financial Statements**  
**June 30, 2020**

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 12,196,566
Petty cash and cash on hand	<u>300</u>
<b>Total</b>	<b><u>\$ 12,196,866</u></b>

**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, \$12,089,850 of the School District's bank balance of \$12,341,543 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Note 4 - Capital Assets**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets being depreciated				
Buildings and additions	26,608,545	1,318,292	-	27,926,837
Equipment and furniture	4,367,392	201,048	181,044	4,387,426
Buses and other vehicles	<u>316,019</u>	<u>62,420</u>	<u>24,130</u>	<u>354,309</u>
Total capital assets being depreciated	<u>31,291,956</u>	<u>1,581,760</u>	<u>205,144</u>	<u>32,668,572</u>
Less accumulated depreciation for				
Buildings and additions	13,280,088	952,048	-	14,232,136
Equipment and furniture	2,707,495	304,470	181,044	2,830,951
Buses and other vehicles	<u>198,996</u>	<u>20,032</u>	<u>24,130</u>	<u>194,898</u>
Total accumulated depreciation	<u>16,186,579</u>	<u>1,276,550</u>	<u>205,144</u>	<u>17,257,985</u>
Net capital assets	<u>\$ 15,105,377</u>	<u>\$ 305,210</u>	<u>\$ -</u>	<u>\$ 15,410,587</u>

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

<b>Governmental activities</b>	
Instruction	\$ 688,450
Supporting services	480,733
Food services	75,603
Community services	<u>31,764</u>
<b>Total governmental activities</b>	<b><u>\$ 1,276,550</u></b>

**Hamtramck Public Schools**  
**Notes to the Financial Statements**  
**June 30, 2020**

**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, 2020 the District received \$1,280,913 of improvements, which is recorded as capital assets. The donated capital assets are recognized over the life of the lease. As of June 30, 2020 there is unearned revenue of \$834,537 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	\$ 647,024
General Fund	Agency Fund	39,322
Nonmajor Governmental Funds	Nonmajor Governmental Funds	207,857
		\$ 894,203

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.

**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	\$ 319,754
Donated assets	834,537
Total	\$ 1,154,291

**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,		
2021	\$	55,188
2022		55,188
2023		55,188
Total	\$	165,564

**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, and certain risk liabilities.

**Hamtramck Public Schools**  
**Notes to the Financial Statements**  
**June 30, 2020**

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	\$ 955,000	\$ -	\$ 120,000	\$ 835,000	\$ 125,000
Other liabilities					
Compensated absences	<u>1,544,765</u>	<u>605,124</u>	<u>438,248</u>	<u>1,711,641</u>	<u>440,000</u>
Total	<u>\$ 2,499,765</u>	<u>\$ 605,124</u>	<u>\$ 558,248</u>	<u>\$ 2,546,641</u>	<u>\$ 565,000</u>

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% \$ 835,000

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

Year Ending June 30,	Bonds	
	Principal	Interest
2021	\$ 125,000	\$ 37,406
2022	130,000	32,406
2023	135,000	27,044
2024	140,000	21,138
2025	150,000	14,488
2026	<u>155,000</u>	<u>7,362</u>
Total	<u>\$ 835,000</u>	<u>\$ 139,844</u>

Interest expenditures for the fiscal year in the General Fund were \$42,206.

### Compensated Absences

Accrued compensated absences at year end, consist vacation hours earned and vested and accrued sick time benefits. \$1,711,641 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 amount anticipated to be paid out over the next year is included within the amounts listed as due within one year.

### Note 9 - Pension Plan

#### 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 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

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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](http://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, 2018 valuation will be amortized over a 20-year period beginning Oct. 1, 2018 and ending Sept. 30, 2038.

The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2019.

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	18.25%
Member Investment Plan	3.0 - 7.0%	18.25%
Pension Plus	3.0 - 6.4%	16.46%
Pension Plus 2	6.2%	19.59%
Defined Contribution	0.0%	13.39%

Required contributions to the pension plan from the School District were \$5,623,458 for the year ending September 30, 2019.

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

At June 30, 2020, the School District reported a liability of \$70,102,504 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2018. 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, 2019, the School District's proportion was 0.2117 percent, which was an increase of 0.0132 percent from its proportion measured as of September 30, 2018.

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For the plan year ending September 30, 2019, the School District recognized pension expense of \$12,886,581 for the measurement period. For the reporting period ending June 30, 2020, the School District recognized total pension contribution expense of \$5,860,695

At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Outflows of Resources	Inflows of Resources	Total
Difference between expected and actual experience	\$ 314,222	\$ (292,321)	\$ 21,901
Changes of assumptions	13,726,120	-	13,726,120
Net difference between projected and actual earnings on pension plan investments	-	(2,246,666)	(2,246,666)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	<u>5,349,081</u>	<u>(71,466)</u>	<u>5,277,615</u>
Total to be recognized in future School District contributions subsequent to the measurement date	<u>5,660,506</u>	<u>(2,388,229)</u>	<u>3,272,277</u>
 Total	 <u>\$ 25,049,929</u>	 <u>\$ (4,998,682)</u>	 <u>\$ 20,051,247</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, 2021. The District will offset the contribution expense in the year ended June 30, 2021 with the 147c supplemental income received subsequent to the measurement date which is included in the deferred inflows of resources.

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

Deferred (Inflows) and Deferred Outflows of Resources by Year (To Be Recognized in Future Pension Expenses)	
Year	Amount
2020	\$ 6,676,927
2021	5,363,668
2022	3,429,517
2023	<u>1,308,858</u>
	<u>\$ 16,778,970</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, 2018
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return:
  - MIP and Basic Plans: 6.80%
  - Pension Plus Plan: 6.80%
  - Pension Plus 2 Plan: 6.00%
- Projected Salary Increases: 2.75 - 11.55%, including wage inflation at 2.75%

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- 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, 2019, is based on the results of an actuarial valuation date of September 30, 2018, 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 is 4.4977 years.

Recognition period for assets in years is 5 years.

Full actuarial assumptions are available in the 2019 MPSERS Comprehensive Annual Financial Report found on the ORS website at [www.michigan.gov/orsschools](http://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 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, 2019, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.5 %
Alternative Investment Pools	18.0	8.6
International Equity	16.0	7.3
Fixed Income Pools	10.5	1.2
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.4
Short Term Investment Pools	2.0	0.8
	100.0%	

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

**Rate of Return**

For the fiscal year ended September 30, 2019, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 5.14%. 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 6.80% was used to measure the total pension liability (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2, hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.80% (6.80% 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

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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 6.80% (6.80% for the Pension plus plan, 6.0% for the Pension Plus 2 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 *
5.80% / 5.80% / 5.00%	6.80% / 6.80% / 6.00%	7.80% / 7.80% / 7.00%
\$ 91,137,740	\$ 70,102,504	\$ 52,663,569

*\*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 (MPSERS) Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS CAFR, available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**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 10 - 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](http://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

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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 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, 2018 valuation will be amortized over a 20-year period beginning Oct. 1, 2018 and ending Sept. 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal year 2019.

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.0%	7.93%
Personal Healthcare Fund (PHF)	0.0%	7.57%

Required contributions to the OPEB plan from the School District were \$1,485,707 for the year ended September 30, 2019.

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

At June 30, 2020, the School District reported a liability of \$15,531,471 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2018. The School District's proportion of the net

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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, 2019, the School District's proportion was 0.2164 percent, which was an increase of 0.0105 percent from its proportion measured as of September 30, 2018. For the plan year ending September 30, 2019, the School District recognized OPEB expense of \$892,029 for the measurement period. For the reporting period ending June 30, 2020, the School District recognized total OPEB contribution expense of \$1,494,436

At June 30, 2020, 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	\$ -	\$(5,698,936)	\$(5,698,936)
Changes of assumptions	3,365,355	-	3,365,355
Net difference between projected and actual earnings on OPEB plan investments	-	(270,100)	(270,100)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	<u>1,978,669</u>	<u>(20,114)</u>	<u>1,958,555</u>
Total to be recognized in future School District contributions subsequent to the measurement date	<u>5,344,024</u>	<u>(5,989,150)</u>	<u>(645,126)</u>
	<u>1,400,417</u>	<u>-</u>	<u>1,400,417</u>
<b>Total</b>	<b><u>\$6,744,441</u></b>	<b><u>\$(5,989,150)</u></b>	<b><u>\$ 755,291</u></b>

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, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows during the following plan years:

Deferred (Inflows) and Deferred Outflows of Resources by Year (To Be Recognized in Future OPEB Expenses)	
2020	\$ (228,294)
2021	(228,294)
2022	(93,460)
2023	(17,622)
2024	<u>(77,456)</u>
	<u>\$ (645,126)</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, 2018
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return: 6.95%
- Projected Salary Increases: 2.75 - 11.55%, including wage inflation of 2.75%
- Healthcare Cost Trend Rate: 7.5% Year 1 graded to 3.5% Year 12

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- 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.

*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, 2019, is based on the results of an actuarial valuation date of September 30, 2018, 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 is 5.7101 years.

Recognition period for assets is 5 years.

Full actuarial assumptions are available in the 2019 MPSERS Comprehensive Annual Financial Report found on the ORS website at [www.michigan.gov/orsschools](http://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, 2019, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.5 %
Alternative Investment Pools	18.0	8.6
International Equity	16.0	7.3
Fixed Income Pools	10.5	1.2
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.4
Short Term Investment Pools	2.0	0.8
	100.0%	

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

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**Rate of Return**

For the fiscal year ended September 30, 2019, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 5.37%. 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 6.95% 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 6.95%. 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 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 6.95%, 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 5.95%	Current Discount Rate 6.95%	1% Increase 7.95%
\$ 19,051,683	\$ 15,531,471	\$ 12,575,471

**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
\$ 12,450,149	\$ 15,531,471	\$ 19,051,265

**OPEB Plan Fiduciary Net Position**

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2019 MPSERS CAFR, available on the ORS website at [www.michigan.gov/orsschools](http://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 11 - 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, 2020.

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**Note 12 - Subsequent Event**

As result of the global coronavirus pandemic of 2020, the financial picture for Michigan School Districts has seen an unanticipated change. The duration and full effects of the outbreak are currently unknown, as the local and global picture continues to change frequently. To reduce the chance of spreading COVID-19; in March 2020, public schools were closed for the remainder of the 2019-2020 school year. As a result of the pandemic, the State of Michigan encountered a revenue shortfall resulting in a revenue reduction for Districts of \$175 per pupil which reduced the state aid payment in August of 2020. Subsequent to year end, multiple new revenue sources were approved; including Public Act 123 of 2020 which provides Districts an approximate \$12.32 per pupil and Public Act 146 of 2020 which provides Districts \$350 per pupil. These new revenue streams approved after June 30, 2020 will be recognized in the fiscal year ended June 30, 2021 in accordance with reporting criteria established by the Governmental Accounting Standards Board. Additionally, the "Return to Learn" legislation passed subsequent to year end which modifies the per pupil foundation allowance calculation and allows flexibilities in the days and attendance requirements for Districts. Local districts are able to decide whether to provide instruction virtually or face to face for the 2020-2021 school year. Currently, it is not possible to estimate the full extent of any potential impacts to the District or to determine if any changes in fair values are other than temporary in nature. Accordingly, no adjustments to the financial statements were made as a result of these events.

## REQUIRED SUPPLEMENTARY INFORMATION

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**Hamtramck Public Schools**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2020**

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
<b>Revenues</b>				
Local sources	\$ 2,297,096	\$ 2,364,436	\$ 2,360,954	\$ (3,482)
State sources	31,448,510	33,845,803	33,066,799	(779,004)
Federal sources	7,483,968	8,525,719	5,300,749	(3,224,970)
Interdistrict sources	1,310,000	1,667,001	1,902,172	235,171
Total revenues	<u>42,539,574</u>	<u>46,402,959</u>	<u>42,630,674</u>	<u>(3,772,285)</u>
<b>Expenditures</b>				
Instruction				
Basic programs	16,750,939	17,751,520	16,498,434	(1,253,086)
Added needs	7,242,313	8,418,076	7,184,446	(1,233,630)
Adult and continuing education	233,274	203,342	208,014	4,672
Supporting services				
Pupil	3,350,078	3,520,372	3,279,128	(241,244)
Instructional staff	3,983,502	3,213,776	2,747,273	(466,503)
General administration	600,935	699,957	677,450	(22,507)
School administration	2,626,035	2,515,335	2,537,746	22,411
Business	526,479	540,801	554,666	13,865
Operations and maintenance	3,308,164	3,923,835	3,571,468	(352,367)
Pupil transportation services	1,723,627	1,697,652	1,886,231	188,579
Central	1,043,554	1,130,562	1,070,106	(60,456)
Athletic activities	283,673	279,682	302,408	22,726
Other	36,100	35,348	35,348	-
Community services	560,979	598,826	301,466	(297,360)
Capital outlay	250,000	700,000	835,369	135,369
Debt service				
Principal	120,000	120,000	120,000	-
Interest and fiscal charges	41,232	42,207	42,206	(1)
Total expenditures	<u>42,680,884</u>	<u>45,391,291</u>	<u>41,851,759</u>	<u>(3,539,532)</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, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Net change in fund balance	(141,310)	1,011,668	778,915	(232,753)
Fund balance - beginning	<u>12,202,156</u>	<u>12,202,156</u>	<u>12,202,156</u>	<u>-</u>
Fund balance - ending	<u>\$ 12,060,846</u>	<u>\$ 13,213,824</u>	<u>\$ 12,981,071</u>	<u>\$ (232,753)</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,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
A. Reporting unit's proportion of net pension liability (%)	0.21168%	0.19850%	0.18620%	0.17300%	0.17190%	0.17356%				
B. Reporting unit's proportionate share of net pension liability	\$ 70,102,504	\$ 59,663,869	\$ 48,244,976	\$ 43,167,987	\$ 41,981,704	\$ 38,228,483				
C. Reporting unit's covered-employee payroll	\$ 18,951,183	\$ 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	369.91%	340.07%	299.54%	294.64%	289.37%	258.48%				
E. Plan fiduciary net position as a percentage of total pension liability	60.31%	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 2019.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2019.

**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,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
A. Statutorily required contributions	\$ 5,860,695	\$ 5,788,971	\$ 4,974,157	\$ 3,000,336	\$ 2,768,780	\$ 2,810,507				
B. Contributions in relation to statutorily required contributions	<u>5,860,695</u>	<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>	<u>\$ -</u>				
D. Reporting unit's covered- employee payroll	\$19,668,362	\$18,735,471	\$17,132,837	\$15,974,656	\$15,108,789	\$14,833,962				
E. Contributions as a percentage of covered-employee payroll	29.80%	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,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
A. Reporting unit's proportion of the net OPEB liability (%)	0.21640%	0.20590%	0.18530%							
B. Reporting unit's proportionate share of the net OPEB liability	\$ 15,531,471	\$ 16,369,049	\$ 16,413,485							
C. Reporting unit's covered-employee payroll	\$ 18,951,183	\$ 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	81.96%	93.30%	101.91%							
E. Plan fiduciary net position as a percentage of total OPEB liability	48.46%	42.95%	36.39%							

**Notes:**

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2019.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2019.

**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,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
A. Statutorily required contributions	\$ 1,494,436	\$ 1,552,888	\$ 1,263,911							
B. Contributions in relation to statutorily required contributions	<u>1,494,436</u>	<u>1,552,888</u>	<u>1,263,911</u>							
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>							
D. Reporting unit's covered- employee payroll	\$19,668,362	\$18,735,471	\$17,132,837							
E. Contributions as a percentage of covered-employee payroll	7.60%	8.29%	7.38%							

See Accompanying Notes to the Financial Statements

## OTHER SUPPLEMENTARY INFORMATION

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**Hamtramck Public Schools**  
**Other Supplementary Information**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2020**

	Special Revenue Funds		Capital Projects Fund	Total Nonmajor Governmental Funds
	Food Service	Recreation	Sinking Fund	
<b>Assets</b>				
Cash	\$ 380,459	\$ 205,685	\$ 1,229	\$ 587,373
Due from other funds	-	824,624	30,257	854,881
Due from other governmental units	180,935	-	-	180,935
Total assets	<u>\$ 561,394</u>	<u>\$ 1,030,309</u>	<u>\$ 31,486</u>	<u>\$ 1,623,189</u>
<b>Liabilities</b>				
Accounts payable	\$ 142,959	\$ 5,249	\$ 29,770	\$ 177,978
Due to other funds	207,857	-	-	207,857
Accrued salaries payable	-	7,372	-	7,372
Total liabilities	<u>350,816</u>	<u>12,621</u>	<u>29,770</u>	<u>393,207</u>
<b>Fund Balance</b>				
Restricted for				
Food service	210,578	-	-	210,578
Recreation	-	1,017,688	-	1,017,688
Sinking fund	-	-	1,716	1,716
Total fund balance	<u>210,578</u>	<u>1,017,688</u>	<u>1,716</u>	<u>1,229,982</u>
Total liabilities and fund balance	<u>\$ 561,394</u>	<u>\$ 1,030,309</u>	<u>\$ 31,486</u>	<u>\$ 1,623,189</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, 2020**

	Special Revenue Funds		Capital Projects Fund	Total Nonmajor Governmental Funds
	Food Service	Recreation	Sinking Fund	
<b>Revenues</b>				
Local sources	\$ 121,688	\$ 915,090	\$ 810,244	\$ 1,847,022
State sources	117,133	-	-	117,133
Federal sources	2,195,008	-	-	2,195,008
 Total revenues	<u>2,433,829</u>	<u>915,090</u>	<u>810,244</u>	<u>4,159,163</u>
<b>Expenditures</b>				
Current				
Education				
Supporting services	-	20,799	-	20,799
Food services	2,573,542	-	-	2,573,542
Community services	-	800,813	-	800,813
Facilities acquisition	-	-	855,427	855,427
 Total expenditures	<u>2,573,542</u>	<u>821,612</u>	<u>855,427</u>	<u>4,250,581</u>
 Excess (deficiency) of revenues over expenditures	 (139,713)	 93,478	 (45,183)	 (91,418)
 Fund balance - beginning	 <u>350,291</u>	 <u>924,210</u>	 <u>46,899</u>	 <u>1,321,400</u>
 Fund balance - ending	 <u>\$ 210,578</u>	 <u>\$ 1,017,688</u>	 <u>\$ 1,716</u>	 <u>\$ 1,229,982</u>

See Accompanying Notes to the Financial Statements

**Hamtramck Public Schools**

**Single Audit**

**June 30, 2020**



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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, 2020, 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 29, 2020.

#### **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 29, 2020



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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, 2020. 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, 2020.

## 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, 2020, 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 29, 2020, 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 29, 2020

**Hamtramck Public Schools**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2020**

	Federal CFDA Number	Award Grant Entitlement Program Amount	Accrued (Unearned) Revenue at July 1, 2019	Prior Year Expenditures	Current Year Expenditures	Current Year Cash Payments/In Kind Received	Adjustments	Accrued (Unearned) Revenue at June 30, 2020
<b>U.S. Department of Agriculture</b>								
Passed Through Michigan Department of Education								
Child Nutrition Cluster								
Non-Cash Assistance								
National School Lunch Program	10.555							
Entitlement Commodities 2019-2020		\$ 92,168	\$ -	\$ -	\$ 92,168	\$ 92,168	\$ -	\$ -
Cash Assistance								
School Breakfast Program	10.553							
Project Number: 201970		509,372	-	-	509,372	509,372	-	-
Project Number: 191970		728,430	74,487	632,001	96,429	170,916	-	-
Total School Breakfast Program			74,487	632,001	605,801	680,288	-	-
National School Lunch Program	10.555							
Project Number: 201960		896,499	-	-	896,499	896,499	-	-
Project Number: 201980		103	-	-	103	103	-	-
Project Number: 200902 - COVID-19		277,523	-	-	277,523	96,588	-	180,935
Project Number: 191960		1,359,725	108,781	1,171,326	188,399	297,180	-	-
Total National School Lunch Program			108,781	1,171,326	1,362,524	1,290,370	-	180,935
Summer Food Service Program for Children	10.559							
Project Number: 190900		72,019	6,470	43,059	28,960	35,430	-	-
Project Number: 191900		6,128	550	3,663	2,465	3,015	-	-
Total Summer Food Service Program for Children			7,020	46,722	31,425	38,445	-	-
Total Child Nutrition Cluster			190,288	1,850,049	2,091,918	2,101,271	-	180,935
Child and Adult Care Food Program	10.558							
Project Number: 201920		12,279	-	-	12,279	12,279	-	-
Project Number: 202010		716	-	-	716	716	-	-
Project Number: 191920		61,772	14,479	61,772	-	14,479	-	-
Project Number: 192010		3,965	918	3,965	-	918	-	-
Total Child and Adult Care Food Program			15,397	65,737	12,995	28,392	-	-

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

**Hamtramck Public Schools**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2020**

	Federal CFDA Number	Award Grant Entitlement Program Amount	Accrued (Unearned) Revenue at July 1, 2019	Prior Year Expenditures	Current Year Expenditures	Current Year Cash Payments/In Kind Received	Adjustments	Accrued (Unearned) Revenue at June 30, 2020
<b>U.S. Department of Agriculture (continued)</b>								
Fresh Fruit and Vegetable Program	10.582							
Project Number: 200950		\$ 85,550	\$ -	\$ -	\$ 85,550	\$ 85,550	\$ -	\$ -
Project Number: 190950		4,545	-	-	4,545	4,545	-	-
Total Fresh Fruit and Vegetable Program			-	-	90,095	90,095	-	-
Total U.S. Department of Agriculture			205,685	1,915,786	2,195,008	2,219,758	-	180,935
<b>U.S. Department of Education</b>								
Passed Through Wayne County Regional Educational Service Agency Special Education Cluster (IDEA)								
Special Education - Grants to States	84.027							
Project Number: 200450		475,785	-	-	418,453	252,940	-	165,513
Project Number: 180450		450,650	2,214	450,650	-	2,214	-	-
Project Number: 190450		442,465	258,948	442,465	-	258,948	-	-
Total Special Education - Grants to States/Special Education Cluster (IDEA)			261,162	893,115	418,453	514,102	-	165,513
Passed Through Michigan Department of Education								
Federal Adult Ed English Literacy Civics	84.002							
Project Number: 201930		250,000	-	-	250,000	174,029	-	75,971
Project Number: 191130		250,000	211,187	211,187	-	211,187	-	-
Total Federal Adult Ed English Literacy Civics			211,187	211,187	250,000	385,216	-	75,971
Title I Grants to Local Educational Agencies	84.010							
Part A Imp Basic Programs 201530		4,703,504	-	-	2,981,100	1,807,496	-	1,173,604
Part A Imp Basic Programs 191530		4,572,498	1,238,164	3,205,382	538,797	1,776,961	-	-
Total Title I Grants to Local Educational Agencies			1,238,164	3,205,382	3,519,897	3,584,457	-	1,173,604

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

**Hamtramck Public Schools**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2020**

	Federal CFDA Number	Award Grant Entitlement Program Amount	Accrued (Unearned) Revenue at July 1, 2019	Prior Year Expenditures	Current Year Expenditures	Current Year Cash Payments/In Kind Received	Adjustments	Accrued (Unearned) Revenue at June 30, 2020
<b>U.S. Department of Education (continued)</b>								
Passed Through Wayne County Regional Educational Service Agency								
Career and Technical Education - Basic Grants to States								
Project Number: 201225	84.048	\$ 62,286	\$ -	\$ -	\$ 62,286	\$ 50,543	\$ -	\$ 11,743
Project Number: 191225		83,620	30,762	72,644	-	30,762	-	-
Total Career and Technical Education - Basic Grants to States			30,762	72,644	62,286	81,305	-	11,743
Passed Through Michigan Department of Education								
21st Century Community Learning Centers								
Project Number: 192110	84.287	675,000	168,840	565,930	105,703	274,543	-	-
Total 21st Century Community Learning Centers			168,840	565,930	105,703	274,543	-	-
Title III - Limited English Proficient Students								
Project Number: 200570	84.365	199,141	-	-	74,893	49,294	-	25,599
Project Number: 200580		259,495	-	-	186,440	134,135	-	52,305
Project Number: 190570		198,560	17,311	48,326	41,938	59,249	-	-
Project Number: 190580		210,888	66,041	170,255	5,409	71,450	-	-
Total Title III - Limited English Proficient Students			83,352	218,581	308,680	314,128	-	77,904
Title II - Improving Teacher Quality State Grants								
Project Number: 200520	84.367	692,826	-	-	409,051	282,104	-	126,947
Project Number: 190520		798,665	162,665	452,085	102,435	265,100	-	-
Total Improving Teacher Quality State Grants			162,665	452,085	511,486	547,204	-	126,947
Title IV - Student Support & Academic Education								
Project Number: 200750	84.424	368,603	-	-	115,508	184,820	-	(69,312)
Project Number: 190750		307,845	52,334	221,654	-	52,334	-	-
Total Title IV - Student Support & Academic Education			52,334	221,654	115,508	237,154	-	(69,312)
Total U.S. Department of Education			2,208,466	5,840,578	5,292,013	5,938,109	-	1,562,370

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

**Hamtramck Public Schools**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2020**

	Award Grant Entitlement	Accrued (Unearned)	Accrued (Unearned)	Current Year Cash	Accrued (Unearned)				
Federal CFDA	Program	Revenue at July	Prior Year	Current Year	Payments/In	Kind Received	Adjustments	Revenue at June	Revenue at June
Number	Amount	1, 2019	Expenditures	Expenditures	Kind Received	Adjustments	Adjustments	30, 2020	30, 2020
<b>U.S. Department of Health and Human Services</b>									
Passed Through Wayne County Regional Educational Service Agency									
Medicaid Cluster									
Medical Assistance Program	93.778								
2019-20	\$ 5,973	\$ -	\$ -	\$ 5,973	\$ 4,140	\$ -	\$ -	\$ 1,833	
2018-19	6,444	-	3,949	2,495	2,495	-	-	-	
Total Medical Assistance Program/Medicaid Cluster/U.S. Department of Health and Human Services		-	3,949	8,468	6,635	-	-	1,833	
<b>Total Expenditures of Federal Awards</b>		<u>\$ 2,414,151</u>	<u>\$ 7,760,313</u>	<u>\$ 7,495,489</u>	<u>\$ 8,164,502</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,745,138</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, 2020**

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**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, 2020. 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	\$ 7,495,489
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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	(298,111)
Title II	(40,905)
Title III	(27,213)

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	197,657
21st Century	<u>168,840</u>

Total revenues reported on the District's fund statements	<u>\$ 7,495,757</u>
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**Note 4 - 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, 2020**

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**Note 5 - 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>
10.558	191920	7,308	14,479	(7,171)
10.558	192010	461	918	(457)

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, 2020**

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**Section II – *Government Auditing Standards* Findings**

There were no *Government Auditing Standards* findings for the year ended June 30, 2020.

**Section III – Federal Award Findings**

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2020.

**Hamtramck Public Schools**  
**Summary Schedule of Prior Audit Findings**  
**June 30, 2020**

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**Section IV – Prior Audit Findings**

***Government Auditing Standards Findings***

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

**Federal Award Findings**

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



October 29, 2020

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, 2020, and have issued our report dated October 29, 2020. 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.

Our communication includes the following appendices:

- I. Auditors' Communication of Significant Matters with Those Charged with Governance
- II. Matters for Management's Consideration

Matters for management's consideration are not required to be communicated but we believe are valuable for management.

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.

This information is intended solely for the information and use of management, the Board of Education, and others within the School District, and is not intended to be, and should not be, used by anyone other than these 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 October 29, 2020. 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 the footnotes of the financial statements. The School District has adopted the following Governmental Accounting Standards Board Statements effective July 1, 2019:

- Statement No. 92, *Omnibus 2020* enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following: (1) The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reports (2) Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan. (3) The applicability of Statements No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits. (4) The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements. (5) Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition. (6) Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers. (7) Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. (8) Terminology used to refer to derivative instruments.
- Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* provides a temporary relief to governments and other stakeholders in light of the COVID-19 pandemic and provides a postponement of certain GASB Statements.

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.

The financial statement disclosures are neutral, consistent, and clear.

## **Accounting Standards and Regulatory Updates**

### **Accounting Standards**

The Governmental Accounting Standards Board has released additional Statements. Details regarding these Statements are described in Note 1 of the financial statements.

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

### **Regulatory and Other Updates**

#### **FER Extended Time Notification**

The 2019-20 Final Expenditure Report (FER) due date is November 29, 2020. This report should reconcile to the Single Audit Report and the LEA's financial records. LEAs should verify that the figures on the report are a true and accurate representation of expenditures for each project. LEAs experiencing extenuating circumstances will be allowed to request additional time for submission prior to November 21, 2020, to the Office of Educational Supports Financial Unit at [OFSFinancialUnit@michigan.gov](mailto:OFSFinancialUnit@michigan.gov). Extension time is available if needed, but will not exceed December 31, 2020. Your timely submission of these reports helps ensure carryover funds are available for program implementation for the current school year.

#### **District Guide to School-Level Expenditure Reporting Under the Every Student Succeeds Act (ESSA)**

The federal Every Student Succeeds Act (ESSA) contains a new requirement that all local public school districts (local education agencies and public school academies) publish actual per-pupil expenditures by individual school building. MDE has recently published a District Guide to School-Level Expenditure Reporting under the Every Student Succeeds Act to assist districts in communication planning around this data that will be posted on the Michigan School Data website no later than June 30, 2020. This guide is intended to support district-level personnel communicating with principals, educators, community members, and media on the reporting requirement and school-level spending information. Districts are encouraged to continue to scrutinize reporting results at the building level and use building codes when applicable to properly allocate expenses to avoid future questions resulting from this data being available to the public.

#### **Financial Accounting Guidance During the COVID-19 Pandemic**

Michigan Department of Education (MDE) has issued guidance about financial accounting for transactions related to the COVID19 pandemic, school closures, and implementation of a Continuity of Learning and COVID19 Response Plan. This guidance is updated regularly and can be found using this link:

[https://www.michigan.gov/documents/mde/COVID-19\\_Accounting\\_Guidance\\_691616\\_7.pdf](https://www.michigan.gov/documents/mde/COVID-19_Accounting_Guidance_691616_7.pdf)

#### **FID Changes for 2020 and Beyond**

Expenditure object code requirements submitted through the FID will be changing. The system currently allows for two-digit detail. This is being changed to require three digits. The 2019-20 submission will generate warnings for data that doesn't comply with the three-digit detail. Take note of the warnings in order to correct them prior to the 2020-21 submission. If the data is not in compliance for the 2021 submission, error codes will be generated. The goal of this change is to potentially reduce or streamline other program specific reporting. There will also be a new error check to ensure that any buildings that have an enrollment greater than zero should have expenditures reported.

### **ESSER and CARES Act Accounting**

As LEAs are recognizing Elementary and Secondary School Emergency Relief (ESSER) fund in revenues and expenditures, a new account code should be used. The new major class code of 414 should be used with a suffix of 0250. Expenditures should be reported under the new grant code 796. Most function codes are allowable, but the grant guidance should be referred to when determining the allowable uses of funds. MDE's guidance on what the funds can be used for can be found in the guidance memo located at [https://www.michigan.gov/documents/mde/ESSER\\_guidance\\_688430\\_7.pdf](https://www.michigan.gov/documents/mde/ESSER_guidance_688430_7.pdf)

### **Summer Food Service Program**

The school year ended with many LEAs experiencing changes to their food service distribution programs. With those changes in mind, we would like to encourage districts to make sure they have all the documentation in place to have successful administrative reviews. All new SFSP sponsors will be subject to a review. The focus of the administrative reviews will be on menus, production records, daily meal count sheets, and monthly claims. Keep in mind that the Unanticipated School Closure Summer Food Service Program meals ended June 30, 2020. Subsequent to this date, claims will be related to the Summer Food Service Program.

### **Special Education Compliance Information**

The excess cost requirement testing is being implemented for 2019-20 as a pilot test. This will be completed in fall of 2020. Due to the test being in the pilot phase, any districts that do not meet the requirement will be made aware for informational purposes only, and a formal violation will not be triggered at this time.

Maintenance of Effort includes a test for compliance and a test for eligibility. The compliance testing piece went live on March 17, 2020 for the 2018-19 period, it is anticipated that all 56 ISDs will meet compliance under at least one of the four methods to calculate. The 2020-21 eligibility testing went live on June 1, 2020. These tests are being conducted at the ISD level. It is important for all LEAs to verify they are submitting accurate information to the ISD in order to have accurate data in these calculations. Starting in fiscal year 2021, the IDEA Flowthrough and Preschool funds will move from a 27-month grant application to 15-month grant application period. Any unspent funds will be carried over to the next grant award. Additionally, there will be no IFERs starting in fiscal year 2021. Final expenditure reports will be done in CMS and final district level expenditure reports will be done in MEGS+. Starting with fiscal year 2022, grant applications will be done in NexSys, the new grants management system. It will contain both grant applications and payments.

## **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 known misstatements detected as a result of audit procedures that were more than trivial.

There were no known 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 such 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.

## **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. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

## **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 as of and for the year ended June 30, 2020, 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 a matter for management's consideration that is an opportunity for strengthening internal controls. This letter does not affect our report dated October 29, 2020, on the financial statements of Hamtramck Public schools. Our comment and recommendation regarding that matters is:

#### **Journal entries**

During our testing of journal entries, we noted that there is no formal secondary review of journal entries before they are posted. We noted that only two individuals have access to post journal entries within the system. Strong internal controls would include journal entry approval prior to posting in the general ledger. In order to strengthen your internal controls, we recommend that journal entries be reviewed, initialed, signed off, or otherwise documented as approved prior to the entries being posted.