Hamtramck Public Schools

Financial Statements

June 30, 2018

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Table of Contents

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Independent Auditors' Report

Management and the Board of Education
Hamtramck Public Schools

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hamtramck Public Schools, as of and for the year ended June 30, 2018, 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 Hamtramck Public Schools, as of June 30, 2018, 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.

Emphasis of Matter:

Adoption of New Accounting Standards
As described in Note 1 to the financial statements, during the year ended June 30, 2018, the School District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinions are not modified with respect to this matter.

Other Matters:

Required Supplementary Information

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

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hamtramck Public Schools' 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 26, 2018 on our consideration of Hamtramck Public Schools' 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 Hamtramck Public Schools' 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 Hamtramck Public Schools' internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Ann Arbor, MI
October 26, 2018

YEO & YEO

MANAGEMENT'S DISCUSSION AND ANALYSIS

Hamtramck Public Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

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, 2018. 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 $9,769,670.
- The total assets of the General Fund District amounted to $15,178,856 in comparison to total liabilities of $5,040,966 as of June 30, 2018.
- In November 2016 Wayne County voters approved a 6 year county wide enhancement millage. During the 2017/2018 Hamtramck Public Schools received $1,018,812 additional local revenue from this millage.

Overview of the Financial Statements

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

District-Wide Financial Statements

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

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

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

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

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

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.

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, 2018 and 2017.

	June 30, 2018 (thousands)	June 30, 2017 (thousands)
Assets		
Current assets	$ 15,930	$ 15,858
Capital assets, net book value	14,821	10,820
Total assets	30,751	26,678
Deferred Outflows of Resources		
Deferred amount on net pension liability	13,034	6,211
Deferred amount on net OPEB liability	1,176	-
Total assets and deferred outflows of resources	44,962	32,889
Liabilities		
Current liabilities	4,439	4,203
Long-term liabilities	67,304	45,702
Total liabilities	71,743	49,905
Deferred Inflows of Resources		
Deferred amount on net pension liability	4,695	1,691
Deferred amount on net OPEB liability	555	-
Total liabilities and deferred inflows of resources	76,993	51,596
Net position		
Invested in capital assets, net of related debt	13,751	9,598
Restricted for sinking fund & food service	1,023	1,341
Unrestricted	(46,805)	(29,646)
Total net position	$ (32,031)	$ (18,707)

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 2017/18 there is a decrease in net position. It is not reasonable to compare the summary of net position for the two fiscal years due to the adoption of GASB 75 which required the inclusion of a liability of $16,413,485, representing the district's share of OPEB liability for the MPSERS reporting unit.

Governmental Activities Summary

	June 30, 2018 (thousands)	June 30, 2017 (thousands)
Revenues		
General		
Property taxes - general operations	$ 1,621	$ 2,074
Property taxes - recreation	833	817
Property taxes - sinking fund	760	737
State aid unrestricted	22,760	21,177
Other	178	151
Total general revenues	26,152	24,956
Operating grants		
Instruction	10,922	8,754
Support services	4,681	3,752
Community service	62	51
Cafeteria	2,492	2,370
Total operating grants	18,157	14,927
Charges for services		
Support	13	9
Cafeteria	47	22
Total charges for services	60	31
Capital grants		
Instruction	73	73
Total revenue	44,442	39,987
Expenses		
Instruction	23,736	19,250
Support services	14,744	11,778
Food services	2,544	2,578
Community service	971	956
Interest and other expenses	50	53
Total expenses	42,045	34,617
Change in net position	2,397	5,370
Net position - beginning, restated in 2018 (GASB 75)	(34,428)	(24,078)
Net position - ending	$ (32,031)	$ (18,707)

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 $11,645,850 in comparison to $11,666,597 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 $9,769,670.

General Fund Budgetary Highlights
The General Fund's fund balance increased by $280,214. Evidence of the district's commitment to remaining fiscally and financially fit, the board passed a resolution to reserve 10% of the unrestricted fund balance as a hedge against unforeseen revenue loses and potential declines in enrollment. This can be seen in the financial statements as "Committed" Fund Balance on the balance sheet.

Economic and Other Factors and Next Year's Budgets

- Property tax revenues are expected remain stable. Delinquent tax collections are not budgeted due to the uncertainty of the collections.

- New revenue streams include a new EL Grant, Adult Education Grant, and PBIS Funding,

- Fiscal year 2017-2018 state aid foundation allowance was increased to $7,631 per pupil however certain other categorical revenues have been eliminated. 31a. At Risk Funding is being increased, however there is more stringent regulations which tie the funding to the 3rd Grade Reading Legislation.

- Fall student enrollment increased by 191 students as compared to fall 2016. The school district is at an unfair disadvantage compared to other districts in terms of competition with charter schools. With the closing of one charter schools in 2016/17 there are still (7) charter schools either in the city or within walking distance of Hamtramck, however the district is holding its own.

- For the second straight year Hamtramck Public Schools will not participate in the State-Aid Anticipation loan Program (via the "Michigan Bond Authority"), thereby reducing borrowing costs and keeping those dollars in the classroom.

- HPS will continue to collaborate with Wayne RESA for a District Study initiative in which weekly "turnaround" meetings are held after school to improve all district systems which will yield targeted instruction by teachers by using assessment data for instructional decisions. Professional Learning Communities have been built into the work day schedule so the PLC'S can meet one hour every week so team decisions are made across all grade levels.

- All buildings are off the Michigan Department of Education's Focus and Priority lists.

- We will continue to bolster our EL services. HPS hired an EL Director in 2016/2017 to develop an EL program for the newly arrived immigrants. In addition to meeting EL curriculum needs the General Education as well as Special Education staff will receive professional develop to better meet the needs of students that have exited the EL program.

- With reading as a top priority, the District's secondary and an Elementary Curriculum Directors hired in 2016/2017 are implementing MAISA to revamp programming and increase literacy. In addition to having a goal of creating a viable curriculum a positive behavior support program is being utilized district wide.

- The District's Technology Coordinator is meeting the challenges of ensuring the buildings technology needs are met for online learning and assessments. Installed a district wide IP phone system, including every classroom. Instituted Google applications district wide, completed E911 compliance. Expanded and upgraded wireless service district wide, increased WAN & LAN speeds. Upgraded server infrastructure, configured off-site backup system.

- A new roof was put on Hamtramck High School over the summer, and work on remodeling the Dickinson East kitchen and cafeteria is underway.

- The District secured a 10 year partnership with the Detroit City Football Club for renovations to 80 year old Keyworth Stadium. The project began in 2016 with $606,172 put into stadium upgrades and repairs. Another $111,000 in upgrades and repairs were made during 2017 and more will continue in the upcoming years. 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.

- Student enrollment increased by 191 students for the fall 2017 school year as compared to fall 2016. The school district is at an unfair disadvantage in terms of competition with charter schools. With the closing of one charter school there are still (7) charter schools either in the city or within walking distance of Hamtramck, however the district seems to be holding its own.

- A huge point of pride is the purchase of a new elementary school building which the district plans to open as a K-8 school at the beginning of the second semester in January 2018. In addition to the school building there is also a dethatched house which can be renovated and used for office space, and a separate parking lot.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

Hamtramck Public Schools
Statement of Net Position
June 30, 2018

	Governmental Activities
Assets	
Cash	$ 7,379,791
Due from other governmental units	8,509,485
Prepaid items	40,721
Capital assets not being depreciated	469,794
Capital assets - net of accumulated depreciation	14,351,682
Total assets	30,751,473
Deferred Outflows of Resources	
Deferred amount on net pension liability	13,034,415
Deferred amount on net OPEB liability	1,176,253
Total deferred outflows of resources	14,210,668
Total assets and deferred outflows of resources	44,962,141

See Accompanying Notes to the Financial Statements

Hamtramck Public Schools
Statement of Net Position
June 30, 2018

	Governmental Activities
Liabilities	
Accounts payable	$ 633,466
Due to other governmental units	366,825
Payroll deductions and withholdings	393,531
Accrued expenditures	12,345
Accrued salaries payable	2,411,288
Unearned revenue	621,470
Long-term liabilities	
Debt due within one year	215,000
Debt due in more than one year	2,430,196
Net pension liability	48,244,976
Net OPEB liability	16,413,485
Total liabilities	71,742,582
Deferred Inflows of Resources	
Deferred amount on net pension liability	4,695,439
Deferred amount on net OPEB liability	554,895
Total deferred inflows of resources	5,250,334
Total liabilities and deferred inflows of resources	76,992,916
Net Position	
Net investment in capital assets	13,751,476
Restricted for	
Food service	1,022,603
Recreation	845,835
Unrestricted	(47,650,689)
Total net position	$ (32,030,775)

See Accompanying Notes to the Financial Statements

Hamtramck Public Schools
Statement of Activities
For the Year Ended June 30, 2018

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Functions/Programs					
Governmental activities					
Instruction	$ 23,735,764	$ -	$ 10,921,825	$ 72,951	$ (12,740,988)
Supporting services	14,744,376	13,183	4,680,769	-	(10,050,424)
Food services	2,543,648	47,235	2,492,209	-	(4,204)
Community services	971,279	-	61,999	-	(909,280)
Interest on long-term debt	49,969	-	-	-	(49,969)
Total governmental activities	$ 42,045,036	$ 60,418	$ 18,156,802	$ 72,951	(23,754,865)
General revenues					
Property taxes, levied for general purposes					1,620,978
Property taxes, levied for recreation fund					833,186
Property taxes, levied for sinking fund					759,984
State aid - unrestricted					22,759,737
Interest and investment earnings					1,782
Other					176,200
Total general revenues					26,151,867
Change in net position					2,397,002
Net position - beginning, as restated					(34,427,777)
Net position - ending					$ (32,030,775)

Hamtramck Public Schools
Governmental Funds
Balance Sheet
June 30, 2018

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash	$ 6,965,910	$ 413,881	$ 7,379,791
Due from other funds	-	1,272,821	1,272,821
Due from other governmental units	8,179,967	329,518	8,509,485
Prepaid items	32,979	7,742	40,721
Total assets	$ 15,178,856	$ 2,023,962	$ 17,202,818
Liabilities			
Accounts payable	$ 499,791	$ 133,675	$ 633,466
Due to other funds	1,272,821	-	1,272,821
Due to other governmental units	366,825	-	366,825
Payroll deductions and withholdings	393,531	-	393,531
Accrued salaries payable	2,397,181	14,107	2,411,288
Unearned revenue	110,817	-	110,817
Total liabilities	5,040,966	147,782	5,188,748

Hamtramck Public Schools
Governmental Funds
Balance Sheet
June 30, 2018

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Deferred Inflows of Resources			
Unavailable revenue			
Grants received	$ 265,366	$ -	$ 265,366
Property taxes	102,854	-	102,854
Total deferred inflows of resources	368,220	-	368,220
Total liabilities and deferred inflows of resources	5,409,186	147,782	5,556,968
Fund Balance			
Non-spendable			
Prepaid items	32,979	7,742	40,721
Restricted for			
Food service	-	1,022,603	1,022,603
Recreation	-	845,835	845,835
Committed	1,465,451	-	1,465,451
Unassigned	8,271,241	-	8,271,241
Total fund balance	9,769,670	1,876,180	11,645,850
Total liabilities, deferred inflows of resources and fund balance	$ 15,178,856	$ 2,023,962	$ 17,202,818

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, 2018

Total fund balances for governmental funds	$ 11,645,850
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.	
Property taxes	102,884
Other governmental units	265,336
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	469,794
Capital assets - net of accumulated depreciation	14,351,682
Deferred outflows (inflows) of resources	
Deferred inflows of resources resulting from net pension liability	(4,695,439)
Deferred outflow of resources resulting from net pension liability	13,034,415
Deferred inflows of resources resulting from net OPEB liability	(554,895)
Deferred outflow of resources resulting from net OPEB liability	1,176,253
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Claims and judgments	(12,345)
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	(48,244,976)
Net OPEB liability	(16,413,485)
Compensated absences	(1,575,196)
Bonds payable	(1,070,000)
Unearned revenue	(510,653)
Net position of governmental activities	$ (32,030,775)

Hamtramck Public Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2018

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Local sources	$ 2,296,438	$ 1,689,071	$ 3,985,509
State sources	30,236,782	75,393	30,312,175
Federal sources	6,428,183	2,416,816	8,844,999
Interdistrict sources	1,591,445	-	1,591,445
Total revenues	40,552,848	4,181,280	44,734,128
Expenditures			
Current			
Education			
Instruction	22,341,053	-	22,341,053
Supporting services	13,845,888	29,573	13,875,461
Food services	-	2,479,874	2,479,874
Community services	113,393	833,534	946,927
Facilities acquisition	-	1,139,260	1,139,260
Capital outlay	3,770,576	-	3,770,576
Debt service			
Principal	151,755	-	151,755
Interest and other expenditures	49,969	-	49,969
Total expenditures	40,272,634	4,482,241	44,754,875
Excess (deficiency) of revenues over expenditures	280,214	(300,961)	(20,747)
Fund balance - beginning	9,489,456	2,177,141	11,666,597
Fund balance - ending	$ 9,769,670	$ 1,876,180	$ 11,645,850

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, 2018

Net change in fund balances - Total governmental funds	$	(20,747)
Total change in net position reported for governmental activities in the statement of activities is different because		
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.		
Property taxes		(393,455)
Operating grants		28,414
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		(1,100,450)
Capital outlay		5,102,023
Donations of capital assets		72,951
Expenses are recorded when incurred in the statement of activities.		
Claims and judgments		(2,696)
Compensated absences		(111,233)
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		(5,076,989)
Net change in the deferrals of resources related to the net pension liability		3,819,008
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		164,479
Net change in the deferrals of resources related to the net OPEB liability		(236,058)
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		151,755
Change in net position of governmental activities	$	2,397,002

See Accompanying Notes to the Financial Statements

Hamtramck Public Schools
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2018

	Agency Funds
Assets	
Cash	$ 63,375
Liabilities	
Accounts payable	$ 63,375

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Hamtramck Public Schools (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.

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, 2018, the rates are as follows per $1,000 of assessed value.

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

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

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

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

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

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

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

Deferred Outflows of Resources – A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. For district-wide financial statements, the School District reports deferred outflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. The School District also reported deferred outflows of resources for pension and OPEB contributions made after the measurement date. This amount will reduce the net pension and OPEB liabilities in the following year.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Adoption of New Accounting Standards
Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined OPEB plans, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee services. It also requires additional note disclosures and required supplementary information. Statement No. 75 is effective for the fiscal year ending June 30, 2018.

Statement No. 85, *Omnibus 2017* addresses practice issues that were identified during implementation and application of certain GASB Statements. This statement covers issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits), which is effective for the fiscal year ending June 30, 2018.

Statement No. 86, *Certain Debt Extinguishment Issues* is to improve consistency in accounting and financial reporting for in-substance defeasance of debt. The statement provides uniform guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irremovable trust for the purpose of extinguishing that debt were acquired. Statement No. 86 is effective for the fiscal year ending June 30, 2018.

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

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

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

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* improves the information that is disclosed in notes to the District's financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities districts should include when disclosing information related to debt. It requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. It will also require that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for the fiscal year ending June 30, 2019.

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.

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

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

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

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

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

Budgeted amounts are as originally adopted or as amended by the Board of Education throughout the year. Individual amendments were not material in relation to the original appropriations.

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

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Capital outlay	3,633,911	3,770,576	136,665
Debt - principal	115,000	151,755	36,755

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	$ 7,379,791	$ 63,375	$ 7,443,166

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	$ 7,442,866
Petty cash and cash on hand	300
Total	$ 7,443,166

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, $8,038,553 of the School District's bank balance of $8,289,094 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
Governmental activities				
Capital assets not being depreciated				
Construction in progress	$ 44,460	$ 1,949,074	$ 1,523,740	$ 469,794
Capital assets being depreciated				
Buildings and additions	20,405,865	4,356,897	-	24,762,762
Equipment and furniture	4,521,266	319,792	-	4,841,058
Buses and other vehicles	197,523	-	-	197,523
Total capital assets being depreciated	25,124,654	4,676,689	-	29,801,343
Less accumulated depreciation for				
Buildings and additions	11,598,129	763,590	-	12,361,719
Equipment and furniture	2,562,130	335,541	-	2,897,671
Buses and other vehicles	188,952	1,319	-	190,271
Total accumulated depreciation	14,349,211	1,100,450	-	15,449,661
Net capital assets being depreciated	10,775,443	3,576,239	-	14,351,682
Net capital assets	$ 10,819,903	$ 5,525,313	$ 1,523,740	$ 14,821,476

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

Governmental activities	
Instruction	$ 620,160
Supporting services	385,166
Food services	68,838
Community services	26,286
Total governmental activities	$ 1,100,450

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, 2018 the District received $717,172 of improvements, which is recorded as capital assets. The donated capital assets are recognized over the life of the lease. As of June 30, 2018 there is unearned revenue of $510,653 relating to the donated capital assets.

Note 5 - Interfund Receivable And Payable

Individual interfund receivable and payable balances at year end were:

Due From Fund	Due to Fund	Amount
General Fund	Nonmajor Governmental Funds	$ 1,272,821

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	$	110,817
Donated assets		510,653
Total	$	621,470

Note 7 - 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. Other long-term obligations include compensated absences, claims and judgments, termination benefits, and certain risk liabilities.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Government obligation bonds	$ 1,185,000	$ -	$ 115,000	$ 1,070,000	$ 115,000
Capital lease	36,755	-	36,755	-	-
Compensated absences	1,463,963	202,889	91,656	1,575,196	100,000
Total	$ 2,685,718	$ 202,889	$ 243,411	$ 2,645,196	$ 215,000

For governmental activities, government obligation bonds, compensated absences and capital leases 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%	$ 1,070,000

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

	Principal	Interest	Total
Year Ending June 30,			
2019	$ 115,000	$ 46,232	$ 161,232
2020	120,000	42,206	162,206
2021	125,000	37,406	162,406
2022	130,000	32,406	162,406
2023	135,000	27,044	162,044
2023 - 2027	445,000	42,988	487,988
Total	$ 1,070,000	$ 228,282	$ 1,298,282

Interest expenditures for the fiscal year in the General Fund were $49,969.

Compensated Absences

Accrued compensated absences at year end, consist vacation hours earned and vested and accrued sick time benefits. $1,475,196 of the vested amount is considered long-term as the amount expended each year is expected to be offset by sick time earned for the year. The remaining $100,000 is expected to be used in the next year.

Note 8 - Risk Management

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

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

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

	2018	2017
Estimated liability at the beginning of the year	$ 9,649	$ 9,488
Estimated claims incurred including changes in estimates	150,220	148,964
Claim payments	(147,524)	(148,803)
Estimated liability end of year	$ 12,345	$ 9,649

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

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

Note 9 - Pension Plans and Post-Employment Benefits

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

Treasurer serves as the investment officer and custodian for the System.

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

Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

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

Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2016 valuation will be amortized over a 20-year period for the 2016 fiscal year.

The schedule below summarizes pension contribution rates in effect for fiscal year 2017.

Pension Contribution Rates

Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	19.03%
Member Investment Plan	3.0 - 7.0%	19.03%
Pension Plus	3.0 - 6.4%	18.40%
Defined Contribution	0.0%	15.27%

Required contributions to the pension plan from the School District were $4,366,712 for the year ending September 30, 2017.

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

At June 30, 2018, the School District reported a liability of $48,244,976 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2016. 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, 2017, the School District's proportion was 0.1862 percent, which was an increase of 0.0131 percent from its proportion measured as of September 30, 2016. At September 30, 2017, the total pension expense for the School District was $5,662,582.

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	$ 419,282	$ (236,728)	$ 182,554
Changes of assumptions	5,285,620	-	5,285,620
Net difference between projected and actual earnings on pension plan investments	-	(2,306,427)	(2,306,427)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	2,637,502	(171,392)	2,466,110
Total to be recognized in future	8,342,404	(2,714,547)	5,627,857
School District contributions subsequent to the measurement date	4,692,011	(1,980,892)	2,711,119
Total	$ 13,034,415	$ (4,695,439)	$ 8,338,976

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, 2019.

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

Deferred Outflow of Resources by Year
(To Be Recognized in Future Pension Expenses)

2018	$ 1,540,835
2019	2,370,746
2020	1,457,679
2021	258,597
	$ 5,627,857

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, 2016
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 3.5%
- Investment Rate of Return:
  - MIP and Basic Plans (Non-Hybrid): 7.5%
  - Pension Plus Plan (Hybrid): 7.0%
- Projected Salary Increases: 3.5 - 12.3%, including wage inflation at 3.5%

- Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members
- Mortality: RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.5188

Recognition period for assets in years is 5.0000

Full actuarial assumptions are available in the 2017 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future 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, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.6 %
Alternative Investment Pools	18.0	8.7
International Equity	16.0	7.2
Fixed Income Pools	10.5	(0.1)
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.0
Short Term Investment Pools	2.0	(0.9)
	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, 2017, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 13.24%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 7.5% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 7.5% (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate
The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.5% (7.0% for the Hybrid Plan), as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease (Non-Hybrid/Hybrid)*	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)*	1% Increase (Non-Hybrid/Hybrid)*
6.5% / 6.0%	7.5% / 7.0%	8.5% / 8.0%
$ 62,847,157	$ 48,244,976	$ 35,950,870

**The Basic plan and the Member Investment Plan (MIP) are non-hybrid plans. Pension Plus is a hybrid plan, with a defined benefit (pension) component and a defined contribution (DC) component.*

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.

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.

Benefits Provided
Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted

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

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

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are 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, 2016 valuation will be amortized over a 20-year period for the 2017 fiscal year.

The schedule below summarizes OPEB contribution rates in effect for fiscal year 2017.

OPEB Contribution Rates

Benefit Structure	Member	Employer
Premium Subsidy	3.0%	5.91%
Personal Healthcare Fund (PHF)	0.0%	5.69%

Required contributions to the OPEB plan from the School District were $1,443,016 for the year ended September 30, 2017.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
At June 30, 2018, the School District reported a liability of $16,413,485 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September

30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2016. The School District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2017, the School District's proportion was 0.1853 percent, which was the same percent from its proportion measured as of September 30, 2016. At September 30, 2017, the total OPEB expense for the School District was $1,098,010.

At June 30, 2018, 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	$ -	$ (174,755)	$ (174,755)
Net difference between projected and actual earnings on OPEB plan investments	-	(380,140)	(380,140)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	681	-	681
Total to be recognized in future	681	(554,895)	(554,214)
School District contributions subsequent to the measurement date	1,175,572	-	1,175,572
Total	$ 1,176,253	$ (554,895)	$ 621,358

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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Deferred (Inflow) of Resources by Year (To Be Recognized in Future OPEB Expenses)	
2018	$ (133,940)
2019	(133,940)
2020	(133,940)
2021	(133,940)
2022	(18,454)
	$ (554,214)

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, 2016
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 3.5%
- Investment Rate of Return: 7.5%
- Projected Salary Increases: 3.5 - 12.3%, including wage inflation at 3.5%

- Healthcare Cost Trend Rate: 7.5% Year 1 graded to 3.5% Year 12
- Mortality: RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

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 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total OPEB liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 5.4744

Recognition period for assets in years is 5.0000
Full actuarial assumptions are available in the 2017 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets
The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.6 %
Alternative Investment Pools	18.0	8.7
International Equity	16.0	7.2
Fixed Income Pools	10.5	(0.1)
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.0
Short Term Investment Pools	2.0	(0.9)
	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, 2017, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 11.82%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate
A discount rate of 7.5% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 7.5%. 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 7.5%, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
$ 19,224,935	$ 16,413,485	$ 14,027,445

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 6.5%	Current Healthcare Cost Trend Rate 7.5%	1% Increase 8.5%
$ 13,900,016	$ 16,413,485	$ 19,267,355

OPEB Plan Fiduciary Net Position
Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2017 MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

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

Note 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, 2018.

Note 12 - Tax Abatements

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

For the fiscal year ended June 30, 2018, the School District's property tax revenues were reduced by $56,331 under these programs.

There are no significant abatements made by the School District

Note 13 - Adoption of New Accounting Standards

As indicated in Note 1, the School District has adopted Government Accounting Standards Board Statement 75. This required the School District to record their proportionate share of the net OPEB liability and OPEB expense. Previously, these amounts were not recorded on the School District's statements. The standards require this change to be applied retroactively. The impact of this change is to reduce beginning net position in the statement of activities as of July 1, 2017 by $15,720,548, restating it from ($18,707,229) to ($34,427,777).

Note 14 - Subsequent Events

Subsequent to year end the District entered into a 60 month operating lease agreement for 30 new copiers. The annual payment will be $55,200.

REQUIRED SUPPLEMENTARY INFORMATION

Hamtramck Public Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2018

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Over (Under) Budget
Revenues				
Local sources	$ 2,194,810	$ 2,280,225	$ 2,296,438	$ 16,213
State sources	27,151,635	30,130,957	30,236,782	105,825
Federal sources	6,832,746	7,933,249	6,428,183	(1,505,066)
Interdistrict sources	1,284,039	1,323,522	1,591,445	267,923
Total revenues	37,463,230	41,667,953	40,552,848	(1,115,105)
Expenditures				
Instruction				
Basic programs	14,675,258	16,556,454	16,252,903	(303,551)
Added needs	5,892,291	6,641,349	5,815,796	(825,553)
Adult and continuing education	407,740	330,113	272,354	(57,759)
Supporting services				
Pupil	2,732,031	3,083,116	2,713,314	(369,802)
Instructional staff	2,691,309	3,134,364	2,848,513	(285,851)
General administration	621,601	533,839	531,745	(2,094)
School administration	1,782,238	2,199,660	2,199,036	(624)
Business	463,901	486,020	485,364	(656)
Operations and maintenance	2,629,704	2,801,337	2,776,715	(24,622)
Pupil transportation services	915,220	1,247,636	1,207,860	(39,776)
Central	861,541	906,703	900,293	(6,410)
Athletic activities	161,706	189,648	183,048	(6,600)
Community services	162,599	225,333	113,393	(111,940)
Capital outlay	367,787	3,633,911	3,770,576	136,665
Debt service				
Principal	110,000	115,000	151,755	36,755
Interest and fiscal charges	53,269	49,970	49,969	(1)
Total expenditures	34,528,195	42,134,453	40,272,634	(1,861,819)
Excess (deficiency) of revenues over expenditures	2,935,035	(466,500)	280,214	746,714
Other Financing (Uses)				
Transfers out	(31,295)	(141,887)	-	141,887
Net change in fund balance	2,903,740	(608,387)	280,214	888,601
Fund balance - beginning	9,489,456	9,489,456	9,489,456	-
Fund balance - ending	$ 12,393,196	$ 8,881,069	$ 9,769,670	$ 888,601

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,									
		2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
A.	Reporting unit's proportion of net pension liability (%)	0.18620%	0.17300%	0.17190%	0.17356%						
B.	Reporting unit's proportionate share of net pension liability	$48,244,976	$43,167,987	$41,981,704	$ 38,228,483						
C.	Reporting unit's covered-employee payroll	$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	299.54%	294.64%	289.37%	258.48%						
E.	Plan fiduciary net position as a percentage of total pension liability	64.21%	63.27%	63.17%	66.20%						

Notes:

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2017.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2017.

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,									
		2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
A.	Statutorily required contributions	$ 4,974,157	$ 3,000,336	$ 2,768,780	$ 2,810,507						
B.	Contributions in relation to statutorily required contributions	4,974,157	3,000,336	2,768,780	2,810,507						
C.	Contribution deficiency (excess)	$ -	$ -	$ -	$ -						
D.	Reporting unit's covered-employee payroll	$17,132,837	$ 15,974,656	$ 15,108,789	$ 14,833,962						
E.	Contributions as a percentage of covered-employee payroll	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,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
A. Reporting unit's proportion of the net OPEB liability (%)	0.18530%									
B. Reporting unit's proportionate share of the net OPEB liability	$16,413,485									
C. Reporting unit's covered-employee payroll	$16,106,218									
D. Reporting unit's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	101.91%									
E. Plan fiduciary net position as a percentage of total OPEB liability	36.39%									

Notes:

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2017.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2017.

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,									
		2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
A.	Statutorily required contributions	$ 1,263,911									
B.	Contributions in relation to statutorily required contributions	1,263,911									
C.	Contribution deficiency (excess)	$ -									
D.	Reporting unit's covered-employee payroll	$17,132,837									
E.	Contributions as a percentage of covered-employee payroll	7.38%									

OTHER SUPPLEMENTARY INFORMATION

Hamtramck Public Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2018

	Special Revenue Funds		Capital Projects Fund	Total Nonmajor Governmental Funds
	Food Service	Recreation	Sinking Fund	
Assets				
Cash	$ 249,363	$ 164,444	$ 74	$ 413,881
Due from other funds	568,822	702,840	1,159	1,272,821
Due from other governmental units	329,518	-	-	329,518
Prepaid items	-	7,742	-	7,742
Total assets	$ 1,147,703	$ 875,026	$ 1,233	$ 2,023,962
Liabilities				
Accounts payable	$ 125,100	$ 7,342	$ 1,233	$ 133,675
Accrued salaries payable	-	14,107	-	14,107
Total liabilities	125,100	21,449	1,233	147,782
Fund Balance				
Non-spendable				
Prepaid items	-	7,742	-	7,742
Restricted for				
Food service	1,022,603	-	-	1,022,603
Recreation	-	845,835	-	845,835
Total fund balance	1,022,603	853,577	-	1,876,180
Total liabilities and fund balance	$ 1,147,703	$ 875,026	$ 1,233	$ 2,023,962

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, 2018

	Special Revenue Funds		Capital Projects Fund	Total Nonmajor Governmental Funds
	Food Service	Recreation	Sinking Fund	
Revenues				
Local sources	$ 49,017	$ 880,070	$ 759,984	$ 1,689,071
State sources	75,393	-	-	75,393
Federal sources	2,416,816	-	-	2,416,816
Total revenues	2,541,226	880,070	759,984	4,181,280
Expenditures				
Current				
Education				
Supporting services	-	29,573	-	29,573
Food services	2,479,874	-	-	2,479,874
Community services	-	833,534	-	833,534
Facilities acquisition	-	-	1,139,260	1,139,260
Total expenditures	2,479,874	863,107	1,139,260	4,482,241
Excess (deficiency) of Excess of revenues over expenditures	61,352	16,963	(379,276)	(300,961)
Fund balance - beginning	961,251	836,614	379,276	2,177,141
Fund balance - ending	$ 1,022,603	$ 853,577	$ -	$ 1,876,180

Hamtramck Public Schools

Single Audit Report

June 30, 2018

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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

Members of the Board of Education
Hamtramck Public Schools

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, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Hamtramck Public Schools' basic financial statements, and have issued our report thereon dated October 26, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hamtramck Public Schools' 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 Hamtramck Public Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Hamtramck Public Schools' 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 Hamtramck Public Schools' 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.

Ann Arbor, Michigan
October 26, 2018

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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

Members of the Board of Education
Hamtramck Public Schools

Report on Compliance for Each Major Federal Program

We have audited Hamtramck Public Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Hamtramck Public Schools' major federal programs for the year ended June 30, 2018. Hamtramck Public Schools' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Hamtramck Public Schools' 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 Hamtramck Public Schools' 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 Hamtramck Public Schools' compliance.

Opinion on Each Major Federal Program

In our opinion, Hamtramck Public Schools 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, 2018.

Report on Internal Control Over Compliance

Management of Hamtramck Public Schools 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 Hamtramck Public Schools' 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 Hamtramck Public Schools' 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 Hamtramck Public Schools as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Hamtramck Public Schools' basic financial statements. We issued our report thereon dated October 26, 2018, 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 expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Yeo & Yeo, P.C.

Ann Arbor, Michigan
October 26, 2018

Hamtramck Public Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

	Federal CFDA Number	Award Grant Entitlement Program Amount	Accrued (Unearned) Revenue at July1, 2017	Prior Year Expenditures	Current Year Expenditures	Current Year Cash Payments/In Kind Received	Adjustments	Accrued (Unearned) Revenue at June 30, 2018
U.S. Department of Agriculture								
Passed Through Michigan Department of Education								
Child Nutrition Cluster								
Non-Cash Assistance								
National School Lunch Program	10.555							
Entitlement Commodities 2017-2018		126,783	$ -	$ -	$ 126,783	$ 126,783	$ -	$ -
Cash Assistance								
School Breakfast Program	10.553							
Project Number: 171970		730,880	91,268	645,158	85,722	176,990	-	-
Project Number: 181970		687,694	-	-	687,694	569,570	-	118,124
Total School Breakfast Program			91,268	645,158	773,416	746,560	-	118,124
National School Lunch Program	10.555							
Project Number: 171960		1,235,680	153,220	1,091,281	144,399	297,619	-	-
Project Number: 181960		1,166,823	-	-	1,166,823	998,134	-	168,689
Total National School Lunch Program			153,220	1,091,281	1,311,222	1,295,753	-	168,689
National School Lunch Program - Snack	10.555							
Project Number: 181980		106	-	-	106	106	-	-
Summer Food Service Program for Children	10.559							
Project Number: 170900		41,970	5,425	7,209	34,761	40,186	-	-
Project Number: 171900		3,378	458	458	2,920	3,378	-	-
Project Number: 180900		5,568	-	-	5,568	-	-	5,568
Project Number: 181900		473	-	-	473	-	-	473
Total Summer Food Service Program for Children			5,883	7,667	43,722	43,564	-	6,041
Total Child Nutrition Cluster			250,371	1,744,106	2,255,249	2,212,766	-	292,854
Child and Adult Care Food Program	10.558							
Project Number: 171920		89,363	3,680	86,546	2,817	6,497	-	-
Project Number: 172010		6,027	252	5,860	167	419	-	-
Project Number: 181920		81,322	-	-	81,322	60,062	-	21,260
Project Number: 182010		5,199	-	-	5,199	3,953	150	1,396
Total Child and Adult Care Food Program			3,932	92,406	89,505	70,931	150	22,656

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Hamtramck Public Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

	Federal CFDA Number	Award Grant Entitlement Program Amount	Accrued (Unearned) Revenue at July1, 2017	Prior Year Expenditures	Current Year Expenditures	Current Year Cash Payments/In Kind Received	Adjustments	Accrued (Unearned) Revenue at June 30, 2018
U.S. Department of Agriculture (continued)								
Fresh Fruit and Vegetable Program	10.582							
Project Number: 170950		65,372	$ 9,851	$ 49,044	$ 16,328	$ 26,179	$ -	$ -
Project Number: 180950		55,734	-	-	55,734	55,734	-	-
Total Fresh Fruit and Vegetable Program			9,851	49,044	72,062	81,913	-	-
Total U.S. Department of Agriculture			264,154	1,885,556	2,416,816	2,365,610	150	315,510
U.S. Department of Education								
Passed Through Wayne County Regional Educational Service Agency								
Special Education Cluster								
Special Education Cluster - Grants to States	84.027							
Project Number: 160450		476,506	21,273	467,091	9,412	30,685	-	-
Project Number: 170450		475,785	159,697	404,417	63,536	213,723	-	9,510
Project Number: 180450		450,650	-	-	448,436	-	-	448,436
Total Special Education Cluster - Grants to States			180,970	871,508	521,384	244,408	-	457,946
Passed Through Michigan Department of Education								
Federal Adult Ed English Literacy Civics	84.002							
Project Number: 175727		40,000	14,414	28,479	-	14,414	-	-
Project Number: 171727		141,050	62,195	110,652	-	62,195	-	-
Project Number: 185727		15,200	-	-	15,200	13,680	-	1,520
Project Number: 181727		250,000	-	-	208,108	169,475	-	38,633
Total Federal Adult Ed English Literacy Civics			76,609	139,131	223,308	259,764	-	40,153
Title I Grants to Local Educational Agencies	84.010							
Part A Imp Basic Programs 171530		4,129,739	1,936,107	3,024,668	564,663	2,500,770	-	-
Part A Imp Basic Programs 181530		4,665,697	-	-	3,397,438	2,024,561	-	1,372,877
Total Title I Grants to Local Educational Agencies			1,936,107	3,024,668	3,962,101	4,525,331	-	1,372,877

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Hamtramck Public Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

	Federal CFDA Number	Award Grant Entitlement Program Amount	Accrued (Unearned) Revenue at July1, 2017	Prior Year Expenditures	Current Year Expenditures	Current Year Cash Payments/In Kind Received	Adjustments	Accrued (Unearned) Revenue at June 30, 2018
U.S. Department of Education (continued)								
Passed Through Michigan Department of Education								
Career and Technical Education - Basic Grants to States	84.048							
Project Number: 171225		78,824	$ 55,567	$ 78,824	$ -	$ 55,567	$ -	$ -
Project Number: 181225		71,107	-	-	71,107	68,899	-	2,208
Total Career and Technical Education - Basic Grants to States			55,567	78,824	71,107	124,466	-	2,208
21st Century Community Learning Centers	84.287							
Project Number: 172110		675,000	323,651	674,944	-	323,651	-	-
Project Number: 182110		675,000	-	-	612,717	466,430	-	146,287
Total 21st Century Community Learning Centers			323,651	674,944	612,717	790,081	-	146,287
Title III Limited English Proficient Students	84.365							
Project Number: 160580		177,842	3,897	177,842	-	3,897	-	-
Project Number: 170580		169,823	75,065	125,520	17,409	92,474	-	-
Project Number: 180570		94,916	-	-	8,632	-	-	8,632
Project Number: 180580		210,035	-	-	153,182	90,317	-	62,865
Total Title III Limited English Proficient Students			78,962	303,362	179,223	186,688	-	71,497
Passed Through Wayne County Regional Educational Service Agency								
Title III Limited English Proficient Students	84.365							
Project Number: 180570		94,916	-	-	500	7,001	6,501	-
Title III Immigrant Students	84.365							
Project Number: 170520		20,276	12,870	12,870	-	12,870	-	-
Total Title III			91,832	316,232	179,723	206,559	6,501	71,497

Hamtramck Public Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

	Federal CFDA Number	Award Grant Entitlement Program Amount	Accrued (Unearned) Revenue at July1, 2017	Prior Year Expenditures	Current Year Expenditures	Current Year Cash Payments/In Kind Received	Adjustments	Accrued (Unearned) Revenue at June 30, 2018
U.S. Department of Education (continued)								
Passed Through Michigan Department of Education								
Title II Improving Teacher Quality State Grants	84.367							
Project Number: 170520		529,843	$ 42,434	$ 163,232	$ 61,244	$ 103,678	$ -	$ -
Project Number: 180520		719,224	-	-	387,305	292,247	-	95,058
Total Title II Improving Teacher Quality State Grants			42,434	163,232	448,549	395,925	-	95,058
Passed Through Wayne County Regional Educational Service Agency								
Title IV Student Support & Academic Education	84.424							
Project Number: 180750		57,838	-	-	8,719	-	-	8,719
Total U.S. Department of Education			2,707,170	5,268,539	6,027,608	6,546,534	6,501	2,194,745
U.S. Department of Health and Human Services								
Passed Through Wayne County Regional Educational Service Agency								
Medicaid Cluster								
Medical Assistance Program	93.778							
2017-18		7,693	-	-	7,119	5,026	-	2,093
Total Expenditures of Federal Awards			$ 2,971,324	$ 7,154,095	$ 8,451,543	$ 8,917,170	$ 6,651	$ 2,512,348

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, 2018

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Hamtramck Public Schools under programs of the federal government for the year ended June 30, 2018. 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 Hamtramck Public Schools, it is not intended to and does not present the financial position or changes in net assets of Hamtramck Public Schools.

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.

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

Note 3 - Reconciliation to the Financial Statements

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

Expenses per SEFA	$ 8,451,543
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 Grants to Local Educational Agencies	589,586
Title III Limited English Proficient Students	33,197
Title III Immigrant Students	12,870
Title II Improving Teacher Quality State Grants	23,139
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 Grants to Local Educational Agencies	(265,336)
Total revenues reported on the District's fund statements	$ 8,844,999

Note 4 - Subrecipients

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

Note 5 - Michigan Department of Education Disclosures

The federal amounts reported on the Grant Auditor Report 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.

CFDA	Grant	Per GAR	Per SEFA	Difference
10.553	171970	85,721	176,990	(91,269)
10.553	181970	658,059	569,570	88,489
10.555	171960	144,399	297,619	(153,220)
10.555	181960	1,127,353	998,134	129,219
10.558	181920	69,113	60,062	9,051
10.558	182010	4,553	3,953	600
84.002	181727	175,570	169,475	6,095
84.010	181530	2,427,917	2,024,561	403,356
84.287	182110	499,644	466,430	33,214
84.365	180570	8,152	-	8,152
84.365	180580	99,436	90,317	9,119
84.367	180520	314,963	292,247	22,716
84.424	180750	1,733	-	1,733

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, 2018

Section I – Summary of Auditors' Results

Financial Statements

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

Internal control over financial reporting:

• Material weakness(es) identified?	_____ yes	X no
• Significant Deficiencies identified that are not considered to be material weaknesses?	_____ yes	X none reported
Noncompliance material to financial statements noted?	_____ yes	X no

Federal Awards

Internal control over major programs:

• Material weakness(es) identified?	_____ yes	X no
• Significant Deficiencies identified that are not considered to be material weakness(es)?	_____ yes	X none reported

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

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

Identification of major programs:

CFDA Number(s)	*Name of Federal Program or Cluster*
84.010	Title I Grants to Local Educational Agencies

Dollar threshold used to distinguish between type A and type B programs:	$ 750,000	
Auditee qualified as low-risk auditee?	X yes	_____ no

Section II – Government Auditing Standards Findings

There were no findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards* for the year ended June 30, 2018.

Section III – Federal Award Findings

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

Section IV – Government Auditing Standards Findings

There were no findings related to the financial statements which are required to be reported in accordance with Governmental Auditing Standards for the year ended June 30, 2017.

Section V – Federal Award Findings

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2017.

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October 26, 2018

Management and the Board of Education
Hamtramck Public Schools
3201 Roosevelt
Hamtramck, MI 48212

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 as of and for the year ended June 30, 2018, and have issued our report dated October 26, 2018. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit. The first appendix to this letter sets forth those communications as follows:

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

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

II. Matters for Management's Consideration

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

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

Yeo & Yeo, P.C.

Ann Arbor, Michigan

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

Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards* and Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated May 21, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School District are described in Note 1 of the financial statements. The School District has adopted the new Governmental Accounting Standards Board Statements as noted in the notes to the financial statements, effective July 1, 2017.

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.

- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.

- 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.

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

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

Accounting Standards and Regulatory Updates

Accounting Standards

The Governmental Accounting Standards Board has released the following Statements:

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

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

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

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* improves the information that is disclosed in notes to the District's financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities districts should include when disclosing information related to debt. It requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. It will also require that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for the fiscal year ending June 30, 2019.

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.

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

Regulatory and Other Updates

Cybersecurity Posture

Cybersecurity posture, an overall measure of cybersecurity strength, is more prevalent than ever as organizations continue to face cybersecurity risks. Billions of emails are sent every day, some of which contain attachments with malicious files or malicious embedded links aimed at negatively impacting unsuspecting organizations. A recent study showed as many as four out of five U.S. companies have suffered from an attack. Not only can a successful attack cost thousands of dollars and put a strain on IT resources while remediation efforts are underway, but sensitive information may be breached.

Risk assessment is a first step in mitigating cybersecurity risks and improving your School District's overall cybersecurity posture. The National Institute of Standards and Technology published *Framework for Improving Critical Infrastructure Cybersecurity*, which "enables organizations, regardless of size, degree of cybersecurity risk, or cybersecurity sophistication, to apply the principles and best practices of risk management to improving the security and resilience of critical infrastructure." The framework is designed to cover five areas including identification, protection, detection, responsiveness and recovery. The publication can be found at www.nist.gov.

Placing significant emphasis on evaluating your School District's cybersecurity posture, and channeling sufficient resources towards proper risk assessment, implementation, and education will reduce the likelihood of a cybersecurity threat, and help lessen the impact of a breach.

Uniform Guidance – Implementation of Federal Grant Procurement Standards

In May 2017, the federal government granted an additional one-year delay for implementation of the procurement standards under the Uniform Guidance. The grace period now extends through December 25, 2017. Therefore entities with fiscal years beginning on or after December 26, 2017 must have procurement standards, for federal expenditures, that meet the more stringent requirements of 2 CFR 200.317 to 326. For school districts, it will apply to fiscal year 2019 and therefore, must be in place starting July 1, 2018. It is imperative that your procurement policies – whatever they are documented as – be followed. The Uniform Guidance and the old guidance in the OMB Circulars provide minimum requirements that must be covered by an entity's procurement policies. If an entity's policies are stricter than the federal rules, the entity policies still must be followed. As you adopt new procurement policies, we also recommend that you consider separate policies for federal and non-federal expenditures to ease the administrative burden of certain federal requirements.

Fiscal Year (FY) 2019 School Aid

The School Aid budget for FY 2019 was signed in June, 2018. Following are some significant highlights of the bill:

- The per pupil Foundation Grants for FY 2019 will increase by a range of $120 to $240 using the "2X formula." The increase will be added to the FY 2018 foundation grant resulting in the lowest foundation for FY 2018 being $7,871 and the maximum state guaranteed foundation being $8,409.
- The Pupil Membership Blend will remain at 90% of the current school year October count and 10% of the prior school year February count.
- The Section 31a At-Risk funding is maintained at $499,000,000. Eligibility expanded to include grades K-12, from K-3, and shall use resources to address early literacy and numeracy through an evidence-based framework that uses data-driven problem solving though a multi-tiered system of supports. Adds language that for schools in which more than 40% of pupils are identified as At-Risk, a district may use the funds it receives to implement schoolwide reforms that are guided by the district's comprehensive needs assessment and are included in the district improvement plan. Allows for up to 5% to be used for professional development.
- The per pupil funding under Section 20f will be equal to the per pupil funding in 2017-18.
- A New Section 31m has been created as a separate account to improve mental health and support services for K-12 pupils. A deposit of $30 million has been allocated for this purpose.

- A new Section 54d appropriates $5 million in grant funds for intermediate districts to provide pilot programs for children from birth to 3 years of age with developmental disability and/or delay.
- Section 147c has a MPSERS rate cap funding set at $1.03 billion, which is an increase of $72 million. The rate cap is estimated at $690 per pupil.
- Section 147e includes $37.6 million allocated as a direct reimbursement for additional retirement costs for specific qualified participants due to PA 92 of 2017.

Budget Assumptions & Early Warning

Each school district that has a general fund balance less than 5% of total unrestricted general revenue for either of the 2015-2016 or 2016-2017 school fiscal years is required to submit budget assumptions to the Center for Educational Performance and Information (CEPI).

Uniform Budgeting and Accounting Act (UBAA)

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

Current Operating Expenditures (COE) for UAAL

Effective FY 2019, the percentage change in Current Operating Expenditures (COE) from one year to the next will be used to adjust the payroll on which the UAAL rate is charged. FY 2017 reported payroll will be adjusted by the percent change in COE from 2016 to 2017 to establish the FY19 adjusted payroll. The capped UAAL rate of 20.96% continues to be used in the calculation. ORS has put examples on their website to walk the school district through the calculation.

- UAAL contributions will no longer be calculated on member wages reported throughout the FY.
- This did not affect the 2018 fiscal year, but will impact the 2019 fiscal year.
- The FY 2019 payment process for contributions will be spread out over all Employer Statements in State FY 2019 (October 2018 through September 2019).

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. The adjustments identified during the audit have been communicated to management and management has posted all adjustments.

In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

There were no uncorrected misstatements that were more than trivial.

Disagreements with Management

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

Management Representations

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

Management's Consultations with Other Accountants

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

Other Audit Findings or Issues

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

Emphasis of Matters in Independent Auditors' Report

Our report will include the following emphasis of matter paragraph:

Adoption of New Accounting Standards

As described in Note 1 to the financial statements, during the year ended June 30, 2018, the School District adopted GASB Statement no. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

Other Reports

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

Report on Required Supplementary Information

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

Report on Other Supplementary Information

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

Appendix II
Matters for Management's Consideration

In planning and performing our audit of the financial statements of Hamtramck Public Schools as of and for the year ended June 30, 2018, we considered Hamtramck Public Schools' internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

However, during our audit we became aware of several matters for management's consideration that are opportunities for strengthening internal controls. This letter does not affect our report dated October 26, 2018, on the financial statements of Hamtramck Public Schools. Our comments and recommendations regarding those matters are:

Decentralized Cash Collections - Athletics

The School District's athletic department has cash collections for the sports events. There are procedures for cash collections and reconciling the tickets sold to the amount collected, however, we noted these procedures were not being followed. There were deposits with no reconciliation and reconciliation sheets that were being used in previous year were not used. During the year there was a change in staffing in the athletic department, however having procedures and following them should mitigate any changes in staffing.

We recommend that the procedures in place are be followed and revisited by staff to ensure that the procedures are known by all staff involved in the process. A review of these procedures should be performed to ensure that they are being followed.

Timesheets and Personnel Activity Reports – Federal Programs

Time charged to grants should be supported by internal records prepared after the fact by the district and their employees. During our testing of time charged to federal programs, we noted several employees who had signed personnel activity reports indicating a particular amount of their time to be spent working in Title I related activities. However, the reports did not match the amount of time allocated per their timesheet or the allocation of their wages per the payroll system. After further inquiry, we believe that the hours were reported in total correctly, but did not match up in the individual payroll time periods.

We recommend that management correct these allocations to match the signed personnel activity reports and/or their weekly timesheets during the time period that the payroll is being paid. This will result in the proper amount of expenditures being charged to federal programs.

Parental Involvement

School Districts with allocations of more than $500,000 of Title I funds must reserve at least 1% of their allocation for parental involvement activities and spend at least 95% of the budgeted amount. The School District budgeted to spend 1% of their allocation on parental involvement; however, the expenditures during the year were not 95% of the 1% allocation.

We recommend that the District find ways to expend the total amount budgeted for parental activities in order to meet the requirement. We understand that there were significant increases to the program this year, making spending requirements higher than normal. However, the school should strive for compliance with spending.

Excess Fund Balance – Food Service

The Uniform Guidance standards under 2 CFR 210.19(a)(2) limits the fund balance a District can carry in the Food Service Fund. The fund balance is limited to 3 months of expenditures. The District currently has approximately $290,000 in excess fund balance. This is a decrease of $35,000 from the previous year.

The District is following procedures to reduce fund balance as approved by the State of Michigan. We recommend that the District continue to spend down fund balance and prevent future surpluses by doing a major renovation on one of the cafeteria facilities.

Prior Year Comments

Comment	Corrected	Partially Corrected	Current Year Comment
Sinking fund expenditures	X		
Federal equipment listing	X		
Excess food service fund balance			X