

CITY OF HAMTRAMCK, MICHIGAN

FINANCIAL REPORT WITH SUPPLEMENTAL INFORMATION

June 30, 2018

CITY OF HAMTRAMCK, MICHIGAN

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Hamtramck, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hamtramck, Michigan (the "City") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City'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 City'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.

To the City Council
City of Hamtramck, Michigan
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 11 to the financial statements, during the year ended June 30, 2018, the City adopted new accounting guidance of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB), which establishes accounting and financial reporting standards for postemployment benefits other than pensions provided to the employees of state and local governments. As a result of implementing this pronouncement, the City's net OPEB liability has been recognized on the government-wide and proprietary statements, and as discussed in Note 11, the 2017 financial statements have been restated. Our opinion is not modified with respect to this matter.

Other Matters – Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the pension and OPEB schedules, 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 supplemental 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.

To the City Council
City of Hamtramck, Michigan
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2018, on our consideration of the City of Hamtramck, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 City of Hamtramck, Michigan's internal control over financial reporting and compliance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining non-major fund financial statements and fiduciary funds statement of assets and liabilities are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The combining non-major fund financial statements and fiduciary funds statement of assets and liabilities are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining non-major fund financial statements, and fiduciary funds statement of assets and liabilities are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The logo for UHY LLP, featuring the letters 'UHY' in a large, stylized, cursive font, with 'LLP' in a smaller, simpler font to the right.

Farmington Hills, Michigan
December 21, 2018

CITY OF HAMTRAMCK, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

Our discussion and analysis of the City of Hamtramck, Michigan's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the City's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2018:

- In March 2018 Governor Snyder terminated the City's receivership status under Public Act 436 of 2012.
- The current year General Fund operations resulted in revenues over expenditures by \$1,715,280, resulting in over \$8.2 million of fund balance. The City continues to strengthen its short-term balance sheet.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net position (deficit) and the statement of activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. The fiduciary fund statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

CITY OF HAMTRAMCK, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

Government-Wide Activities

The following table shows, in a condensed format, the net position as of June 30, 2018 and 2017:

	Government Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets						
Cash and cash equivalents	\$ 12,835	\$ 11,318	\$ 6,457	\$ 5,999	\$ 19,292	\$ 17,317
Other assets	3,226	3,374	1,468	58	4,694	3,432
Capital assets	9,995	9,297	8,312	2,110	18,307	11,407
Total assets	26,056	23,989	16,237	8,167	42,293	14,839
Deferred Outflows	2,562	1,296	-	-	2,562	1,296
Liabilities						
Current liabilities	1,816	2,079	803	1,012	2,620	3,091
Long-term liabilities	82,887	64,777	5,585	6,443	88,472	71,220
Total liabilities	84,703	66,856	6,388	7,455	91,092	74,311
Deferred Inflows	3,188	2,469	-	-	3,188	2,469
Net Position						
Invested in capital assets -						
Net of related debt	8,171	9,297	2,485	2,284	10,656	11,581
Restricted	6,402	6,208	-	862	6,402	7,070
Committed	-	-	1,361	-	1,361	-
Unrestricted	(73,684)	(79,749)	6,003	5,150	(67,681)	(74,599)
Total net position (deficit)	\$ (59,110)	\$ (64,244)	\$ 9,849	\$ 8,296	\$ (49,262)	\$ (55,948)

The City's combined net position increased approximately 12 percent from a year ago, increasing from approximately \$(55,947,146) to \$(49,261,628). Analyzing the governmental activities separately from the business-type activities, the net position related to governmental activities increased by \$5,133,360 and the business-type activities increased by \$1,552,158.

CITY OF HAMTRAMCK, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

The following table shows the changes in net position during the years ended June 30, 2018 and 2017:

	Government Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenue						
Program revenue:						
Charges for services	\$ 2,851	\$ 2,716	\$ 8,315	\$ 7,910	\$ 11,167	\$ 10,626
Operating grants and contributions	1,637	771	-	-	1,637	771
General revenue:						
Property taxes	6,968	7,195	-	-	6,968	7,195
Income taxes	2,734	2,366	-	-	2,734	2,366
State-shared revenue	3,407	4,360	-	-	3,407	4,360
State sources	2,194	1,726	-	-	-	-
Other miscellaneous income	510	637	-	-	510	637
Total revenue	20,301	19,771	8,315	7,910	28,616	27,681
Program Expenses						
General government	2,939	4,439	-	-	2,939	4,439
Public safety	8,691	12,864	-	-	8,691	12,864
Public works	2,467	2,938	-	-	2,467	2,938
Community and economic development	761	696	-	-	761	696
Community and government affairs	96	-	-	-	-	-
Recreation and culture	216	357	-	-	216	357
Interest on long-term debt	(1)	69	-	-	(1)	69
Water and sewer	-	-	6,763	6,796	6,763	6,796
Total program expenses	15,167	21,363	6,763	6,796	21,931	28,159
Change in Net Position	\$ 5,133	\$ (1,592)	\$ 1,552	\$ 1,114	\$ 6,686	\$ (478)

Governmental Activities

Property taxes and revenues from the State of Michigan, including State-Shared Revenue, Act 51 road funding, and other grants, continue to be the City's two largest revenue sources. This year, they account for 51% of total City revenue.

Under full-accrual accounting which is similar to how a business would perform its accounting, the City incurred revenues in excess of expenses in fiscal year 2018. This is primarily due to a reduction in the net liability related to legacy costs such as pension and retiree healthcare.

Business-type Activities

The City's business-type activities consist of the Water and Sewer Fund which provides water and sanitary sewage disposal to its users. The City provides water and sewage treatment to residents through a contract with the Great Lakes Water Authority (GLWA).

The City is continually evaluating its operating costs, capital requirements, and its customer billing rates in order to address the needs of the system.

CITY OF HAMTRAMCK, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

The City's Funds

Our analysis of the City's major funds follows the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millage. The City's major funds for 2018 include the General Fund, Major and Local Streets Funds, and the Water & Sewer Fund.

The General Fund pays for most of the City's governmental services. Its two largest source of revenue, property taxes and state shared revenue, decreased this year. Expenditures remained relatively flat compared to 2017 as the City has diligently monitored all spending throughout the year. As a result, the current year General Fund revenues exceeded expenditures by approximately \$1,715,280, adding to the City's growing General Fund balance.

General Fund Budgetary Highlights

Over the course of the year, the City amended the budget to take into account events during the year. The final amended budget included approximately \$1.2 million more revenue than the originally adopted budget. However, actual revenue came in over the amended budget by approximately \$500,000.

Total expenditures showed a \$740,000 favorable variance compared to the amended budget. Many departments came in under budget with public safety and retiree costs approximately \$650,000 under budget, as the most significant. Again, the City maintained cost-containment methods during the year contributing to the overall decrease in expenditures compared to budget.

The final budget provided that the City would increase fund balance by \$530,000; actual operations resulted in an increase of \$1,715,280 to the fund balance.

Capital Asset and Debt Administration

Notable capital asset additions for governmental activities of \$1,304,538 included infrastructure roadways and alleys, a snow plow, playground structures and police vehicles and equipment for police vehicles.

Capital asset purchases in 2018 for business-type activities of \$127,740 included drainage system engineering and construction in the Water and Sewer fund.

CITY OF HAMTRAMCK, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

Economic Factors and Next Year's Budgets and Rates

A significant concern to the City at this time is the continuing large liability in legacy costs for both current employees and retirees along with the possible idling of two significant taxpayers in the city. The property values continue to increase throughout the City, which increases property tax revenue by a marginal amount. This positive trend, along with the City's other efforts, will help to ensure the City is able to continue providing the best possible services to its residents.

Due to budget constraints for the past several years the City has deferred capital maintenance costs. In the next fiscal year, the City will make a major investment in the infrastructure of alleys in the City. This investment will ultimately result in a decrease to the fund balance in the general fund due to this investment of capital. The City continues to operate on reduced staff hours in City Hall. Furthermore, several employees are planning to retire, some of which may be replaced with part-time employees or not replaced at all. Alternative solutions to staffing are constantly being evaluated in an effort to be proactive to continuing budget pressures.

Contacting the City's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the City of Hamtramck's City Manager's Office, 3401 Evaline, Hamtramck, MI 48212.

CITY OF HAMTRAMCK, MICHIGAN
STATEMENT OF NET POSITION (DEFICIT)
June 30, 2018

	Primary Government			Downtown Development Authority
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 12,835,236	\$ 6,456,939	\$ 19,292,175	\$ 140,879
Receivables, net	331,473	1,380,572	1,712,045	-
Due from other governmental units	2,742,022	12,407	2,754,429	-
Due from other funds		74,871	74,871	-
Due from fiduciary funds	99,047	-	99,047	-
Prepaid expenses and other assets	53,621	-	53,621	-
Capital assets, net				
Assets not subject to depreciation	831,138	96,790	927,928	-
Assets subject to depreciation	9,163,704	8,215,501	17,379,205	-
Total assets	<u>26,056,241</u>	<u>16,237,080</u>	<u>42,293,321</u>	<u>140,879</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension	2,561,697	-	2,561,697	-
OPEB	310,774	-	310,774	-
Total deferred outflows of resources	<u>2,872,471</u>	<u>-</u>	<u>2,872,471</u>	<u>-</u>
LIABILITIES				
Accounts payable	798,403	531,243	1,329,646	1,690
Accrued liabilities and other	614,214	6,996	621,210	1,025
Due to fiduciary funds	30,881	-	30,881	-
Noncurrent liabilities				
Due within one year	372,795	265,000	637,795	-
Noncurrent liabilities				
Due in more than one year				
Compensated absences	1,458,848	22,700	1,481,548	-
Workers' compensation liability	112,144	-	112,144	-
Net OPEB liability	25,782,790	-	25,782,790	-
Net pension liability	54,082,069	-	54,082,069	-
Long-term debt	1,451,105	5,562,337	7,013,442	-
Total liabilities	<u>84,703,249</u>	<u>6,388,276</u>	<u>91,091,525</u>	<u>2,715</u>
DEFERRED INFLOWS OF RESOURCES				
Pension	3,187,617	-	3,187,617	-
OPEB	148,278	-	148,278	-
Total deferred inflows of resources	<u>3,335,895</u>	<u>-</u>	<u>3,335,895</u>	<u>-</u>
NET POSITION (DEFICIT)				
Net investment in capital assets	8,170,942	2,484,954	10,655,896	-
Restricted for				
Highways and streets	4,983,622	-	4,983,622	-
Public safety	391,113	-	391,113	-
Community development	488,534	-	488,534	-
Recreation and culture	202,301	-	202,301	-
Building and improvement fund	336,732	-	336,732	-
Water & Sewer	-	1,361,230	1,361,230	-
Unrestricted	<u>(73,683,676)</u>	<u>6,002,620</u>	<u>(67,681,056)</u>	<u>138,164</u>
Total net position (deficit)	<u>\$ (59,110,432)</u>	<u>\$ 9,848,804</u>	<u>\$ (49,261,628)</u>	<u>\$ 138,164</u>

CITY OF HAMTRAMCK, MICHIGAN
STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

Functions/ Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government			
				Governmental Activities	Business-type Activities	Total	
Primary government							
Governmental activities							
General government	\$ 2,939,032	\$ 74,882	\$ -	\$ (2,864,150)	\$ -	\$ (2,864,150)	\$ -
Public safety	8,690,966	1,488,259	1,227,167	(5,975,540)	-	(5,975,540)	-
Public works	2,466,873	1,288,277	-	(1,178,596)	-	(1,178,596)	-
Community and economic development	760,578	-	409,880	(350,698)	-	(350,698)	-
Community and government affairs	95,518	-	-	(95,518)	-	(95,518)	-
Recreation and culture	215,711	-	-	(215,711)	-	(215,711)	-
Interest on long-term debt	(1,284)	-	-	1,284	-	1,284	-
Total governmental activities	<u>15,167,394</u>	<u>2,851,418</u>	<u>1,637,047</u>	<u>(10,678,929)</u>	<u>-</u>	<u>(10,678,929)</u>	<u>-</u>
Business-type activities							
Water and sewer	6,763,116	8,315,274	-	-	1,552,158	1,552,158	-
Total business-type activities	<u>6,763,116</u>	<u>8,315,274</u>	<u>-</u>	<u>-</u>	<u>1,552,158</u>	<u>1,552,158</u>	<u>-</u>
Total primary government	<u>\$ 21,930,510</u>	<u>\$ 11,166,692</u>	<u>\$ 1,637,047</u>	<u>(10,678,929)</u>	<u>1,552,158</u>	<u>(9,126,771)</u>	<u>-</u>
Component units	<u>\$ 27,553</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(27,553)</u>
General revenue							
Property taxes				6,967,749	-	6,967,749	48,934
Income taxes				2,733,969	-	2,733,969	-
State-shared revenue				3,407,030	-	3,407,030	-
State sources				2,193,867	-	2,193,867	-
Other miscellaneous income				509,674	-	509,674	-
Total general revenue				<u>15,812,289</u>	<u>-</u>	<u>15,812,289</u>	<u>48,934</u>
Change in Net Position				5,133,360	1,552,158	6,685,518	21,381
Net Position (Deficit) - Beginning of year				(64,243,792)	8,296,646	(55,947,146)	116,783
Net Position (Deficit) - End of year				<u>\$ (59,110,432)</u>	<u>\$ 9,848,804</u>	<u>\$ (49,261,628)</u>	<u>\$ 138,164</u>

CITY OF HAMTRAMCK, MICHIGAN
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2018

	General Fund	Major Streets Fund	Local Streets Fund	Nonmajor Funds	Total
Assets					
Cash and cash equivalents	\$ 6,441,293	\$ 2,565,947	\$ 2,195,308	\$ 1,632,688	\$ 12,835,236
Other receivable	127,925	525	-	83,977	212,427
Accounts receivable - court	119,048	-	-	-	119,048
Due from other governmental units	2,393,764	229,136	70,382	48,740	2,742,022
Due from other funds	193,499	-	-	7	193,506
Due from fiduciary funds	93,967	-	-	5,080	99,047
Prepaid expenses and other assets	53,621	-	-	-	53,621
Total assets	\$ 9,423,117	\$ 2,795,608	\$ 2,265,690	\$ 1,770,492	\$ 16,254,907
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 698,321	\$ 41,226	\$ 32,059	\$ 26,797	\$ 798,403
Due to other other funds	7	-	-	193,499	193,506
Due to other fiduciary funds	30,881	-	-	-	30,881
Accrued liabilities and other	439,265	2,662	1,729	21,096	464,752
Total liabilities	1,168,474	43,888	33,788	241,392	1,487,542
Deferred inflows of resources - Unavailable revenue	-	-	-	96,287	96,287
Fund Balances					
Nonspendable - prepaids	53,621	-	-	-	53,621
Restricted					
Highways and streets	-	2,751,720	2,231,902	-	4,983,622
Public safety	-	-	-	391,113	391,113
Community development	-	-	-	488,534	488,534
Recreation and culture	-	-	-	202,301	202,301
Building and improvement fund	-	-	-	336,732	336,732
Committed	-	-	-	14,133	14,133
Unrestricted	8,201,022	-	-	-	8,201,022
Total fund balances	8,254,643	2,751,720	2,231,902	1,432,813	14,671,078
Total liabilities and fund balances	\$ 9,423,117	\$ 2,795,608	\$ 2,265,690	\$ 1,770,492	\$ 16,254,907

CITY OF HAMTRAMCK, MICHIGAN
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION (DEFICIT)
June 30, 2018

Fund Balance Reported in Governmental Funds \$ 14,671,078

Amounts reported for governmental activities in the statement of net position (deficit) are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds 9,994,842

Grants and other receivables that are collected after year end, such that they are not available to pay bills outstanding as of year end, are not recognized in the funds 96,287

Bonds payable and claims obligations are not due and payable in the current period and are not reported in the funds (1,823,900)

Net pension liability is not reported in the governmental funds (54,082,069)

Other postemployment benefit obligation is not reported in the governmental funds (25,782,790)

Workers' compensation does not present a claim on current financial resources and is not reported as fund liabilities (112,144)

Accrued interest is not due and payable in the current period and is not reported in the funds (7,464)

Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities (1,458,848)

Lawsuits and judgements do not present a claim on current financial resources and is not reported as fund liabilities (142,000)

Deferred inflows related to pension and OPEB activity (3,335,895)

Deferred outflows related to pension and OPEB activity 2,872,471

Net Position (Deficit) of Governmental Activities \$ (59,110,432)

CITY OF HAMTRAMCK, MICHIGAN
GOVERNMENTAL FUNDS
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
Year Ended June 30, 2018

	General Fund	Major Streets Fund	Local Streets Fund	Nonmajor Funds	Total
Revenue					
Property taxes	\$ 6,620,948	\$ -	\$ -	\$ 346,801	\$ 6,967,749
Income taxes	2,733,969	-	-	-	2,733,969
Licenses and permits	1,288,277	-	-	-	1,288,277
Federal grants	1,459,851	-	-	409,880	1,869,731
State-shared revenue	3,407,030	-	-	-	3,407,030
State sources	98,512	1,340,478	539,497	215,380	2,193,867
Fines and forfeitures	1,288,191	-	-	200,068	1,488,259
Charges for services	74,882	-	-	-	74,882
Other revenue	484,077	-	-	25,597	509,674
Total revenue	17,455,737	1,340,478	539,497	1,197,726	20,533,438
Expenditures					
Current					
General government	2,895,518	-	-	218,319	3,113,837
District court	639,386	-	-	-	639,386
Public safety	9,805,328	-	-	723,626	10,528,954
Public works	1,768,937	798,249	432,567	37,646	3,037,399
Community and economic development	440,770	-	-	320,044	760,814
Community and government affairs	95,518	-	-	-	95,518
Recreation and culture	-	-	-	341,584	341,584
Total expenditures	15,645,457	798,249	432,567	1,641,219	18,517,492
Excess of Revenue Over Expenditures	1,810,280	542,229	106,930	(443,493)	2,015,946
Other Financing Sources (Uses)					
Transfers in	-	-	-	95,000	95,000
Transfers out	(95,000)	-	-	-	(95,000)
Total other financing sources (uses)	(95,000)	-	-	95,000	-
Net Change in Fund Balance	1,715,280	542,229	106,930	(348,493)	2,015,946
Fund Balances - Beginning of year	6,539,363	2,209,491	2,124,972	1,781,306	12,655,132
Fund Balances - End of year	\$ 8,254,643	\$ 2,751,720	\$ 2,231,902	\$ 1,432,813	\$14,671,078

CITY OF HAMTRAMCK, MICHIGAN
GOVERNMENTAL FUNDS

**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 Year Ended June 30, 2018**

Net Change in Fund Balances - Total Governmental Funds	\$ 2,015,946
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	1,304,538
Depreciation expense	(606,599)
Repayment of bond principal are expenditures in the governmental funds, but not in the statement of activities	363,235
Changes in workers' compensation liability recorded in statement of activities, but not the governmental funds	82,027
Pension activity related to net pension liability is recorded in the statement of activities, but not in the governmental funds	1,686,581
Change in accrued interest payable and other	1,284
Changes in accumulated employee sick and vacation pay and other similar expenses are not reported in the fund statements until they come due for payment	125,147
Long-term grant revenue are recorded in the statement of activities but not the fund statements.	(232,684)
Change in lawsuits and claims is not reported in the governmental funds, but is recorded in the statement of activities	225,883
Other postemployment benefit activity is recognized in the statement of activities, but not in the governmental funds	<u>168,002</u>
Change in Net Position of Governmental Activities	<u>\$ 5,133,360</u>

CITY OF HAMTRAMCK, MICHIGAN
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
June 30, 2018

	<u>Water and Sewer</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 6,456,939
Receivables	1,380,572
Due from other funds	74,871
Due from other governmental units	<u>12,407</u>
Total current assets	<u>7,924,789</u>
Noncurrent assets	
Capital assets	
Assets not subject to depreciation	96,790
Assets subject to depreciation, net	<u>8,215,501</u>
Total noncurrent assets	<u>8,312,291</u>
Total assets	<u><u>\$ 16,237,080</u></u>
LIABILITIES	
Current liabilities	
Accounts payable	\$ 531,243
Accrued liabilities and other	6,996
Current portion of long-term debt	<u>265,000</u>
Total current liabilities	<u>803,239</u>
Noncurrent liabilities	
Compensated absences, net of current portion	22,700
Long-term debt	<u>5,562,337</u>
Total noncurrent liabilities	<u>5,585,037</u>
Total liabilities	<u>6,388,276</u>
NET POSITION	
Net investment in capital assets	2,484,954
Restricted	1,361,230
Unrestricted	<u>6,002,620</u>
Total net position	<u><u>\$ 9,848,804</u></u>

CITY OF HAMTRAMCK, MICHIGAN
PROPRIETARY FUNDS
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
Year Ended June 30, 2018

	<u>Water and Sewer</u>
Operating Revenue	
Sale of water	\$ 2,559,556
Sewage disposal charges	5,552,482
Other sales to customers	<u>203,236</u>
Total operating revenue	<u>8,315,274</u>
Operating Expenses	
Cost of water	696,813
Cost of sewage treatment	4,120,726
Operation and maintenance	1,188,930
General administrative costs	424,693
Depreciation and amortization	<u>180,598</u>
Total operating expenses	<u>6,611,760</u>
Operating Income	<u>1,703,514</u>
Non-operating Expense	
Interest expense	<u>(151,356)</u>
Change in Net Position	<u>1,552,158</u>
Net Position - Beginning of year	<u>8,296,646</u>
Net Position - End of year	<u><u>\$ 9,848,804</u></u>

CITY OF HAMTRAMCK, MICHIGAN
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
Year Ended June 30, 2018

	Water and Sewer
Cash Flows from Operating Activities	
Receipts from customers	\$ 8,030,952
Payments to suppliers	(4,895,284)
Other Operating Expenses	(1,943,908)
	<hr/>
Net cash provided by operating activities	1,191,760
	<hr/>
Cash Flows from Capital and Related Financing Activities	
Purchase of capital assets	(127,740)
Principal and interest paid on capital debt	(404,957)
	<hr/>
Net cash used in capital and related financing activities	(532,697)
	<hr/>
Net Increase in Cash and Cash Equivalents	659,063
Cash and Cash Equivalents - Beginning of year	5,797,876
	<hr/>
Cash and Cash Equivalents - End of year	\$ 6,456,939
	<hr/> <hr/>
Reconciliation of Operating Income to Net Cash from Operating Activities	
Operating income	\$ 1,703,514
Adjustments to reconcile operating income to net cash from operating activities	
Depreciation and amortization	180,598
Changes in assets and liabilities:	
Receivables	(284,322)
Due from other funds	69,963
Due from other governmental units	125,819
Accounts payable	(77,745)
Accrued liabilities and other	(169,322)
Due to other funds	(356,745)
	<hr/>
Net cash provided by operating activities	\$ 1,191,760
	<hr/> <hr/>

CITY OF HAMTRAMCK, MICHIGAN
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2018

	Development Agreement Escrow Private Purpose Trust Fund	Agency Funds
	<u> </u>	<u> </u>
Assets		
Cash and cash equivalents	\$ 513,693	\$ 832,175
Receivables	313	-
Due from other funds	-	30,881
Due from component units	-	1,025
	<u> </u>	<u> </u>
Total assets	<u>\$ 514,006</u>	<u>\$ 864,081</u>
Liabilities		
Accounts payable and other liabilities	\$ 9,359	\$ 49,510
Due to other governmental units	-	591,469
Due to other funds	-	99,047
Due to other enterprise funds	-	74,871
Refundable deposits	-	49,184
	<u> </u>	<u> </u>
Total liabilities	<u>9,359</u>	<u>\$ 864,081</u>
Net position held in trust for development escrow account	<u>\$ 504,647</u>	

CITY OF HAMTRAMCK, MICHIGAN
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
June 30, 2018

	Development Agreement Escrow Private Purpose Trust Fund
Additions	
Interest earned	<u>\$ 3,572</u>
Total additions	<u>3,572</u>
Deductions	
Community and economic development	<u>\$ 195,347</u>
Total deductions	<u>195,347</u>
Net decrease in net position	(191,775)
Net position held in trust - Beginning of year	<u>696,422</u>
Net position held in trust - End of year	<u><u>\$ 504,647</u></u>

CITY OF HAMTRAMCK, MICHIGAN
COMPONENT UNIT
STATEMENT OF NET POSITION
June 30, 2018

	Downtown Development Authority
Assets	
Cash and cash equivalents	\$ 140,879
Total assets	<u>140,879</u>
Liabilities	
Accounts payable and other liabilities	1,690
Due to other funds	<u>1,025</u>
Total liabilities	<u>2,715</u>
Net position	<u><u>\$ 138,164</u></u>

CITY OF HAMTRAMCK, MICHIGAN
COMPONENT UNIT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

	<u>Downtown Development Authority</u>
General revenue - Property tax capture	<u>\$ 48,934</u>
Expenses	<u>27,553</u>
Change in Net Position	21,381
Net position - Beginning of year	<u>116,783</u>
Net position - End of year	<u><u>\$ 138,164</u></u>

CITY OF HAMTRAMCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - NATURE OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Hamtramck, Michigan (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Hamtramck, Michigan:

Reporting Entity

The City of Hamtramck, Michigan is governed by an elected mayor and a six-member City Council.

The accompanying financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City (see discussion below for description).

Discretely Presented Component Unit

The Downtown Development Authority (DDA) was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The DDA's governing body consists of 10 individuals appointed by the mayor, subject to approval of the City Council. In addition, the DDA's budget is subject to approval by the City Council. The DDA does not issue a separate financial report. The DDA's administrative office is located at 3401 Evaline, Hamtramck, Michigan 48212.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position (deficit) and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. The effect of interfund activity has been removed from these statements.

Governmental activities, normally supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

CITY OF HAMTRAMCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - NATURE OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as general revenue.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund, fiduciary fund, and component unit financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. 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 City considers revenue to be available if it is 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, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenue is recognized in the accounting period in which it becomes susceptible to accrual, that is, when it becomes both measurable and available to finance expenditures of the fiscal period. Property taxes, state-shared revenue, 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.

CITY OF HAMTRAMCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - NATURE OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City reports the following major governmental funds:

General Fund - The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Major Streets - The Major Streets Fund is the City's special revenue fund account for the expenditures of motor fuel taxes that are earmarked by state law for major street and highway purposes.

Local Streets - The Local Streets Fund is the City's special revenue fund account for the expenditures of State of Michigan PA 51 monies that are used to construct and maintain local road systems.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's proprietary fund relates to charges to customers for sales and services. Operating expenses for the proprietary fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

The City reports the following major proprietary fund:

Water and Sewer Fund - The Water and Sewer Fund is used to account for the provision of water and sewer services to the residents of the City financed primarily by user charges. All activities necessary to provide such services are accounted for in this fund including, but not limited to, administration, operations, maintenance, billing, and collection.

Additionally, the City reports the following fund types:

Special Revenue Funds - are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purpose other than debt service or capital projects. Additionally, the City reports the following fund types:

Agency Funds - account for assets held by the City in a trustee capacity. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

CITY OF HAMTRAMCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - NATURE OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Development Agreement Escrow Fund – The Development Agreement Escrow fund records money held in trust resulting from a 1981 court judgement. The judgement required the City to create a Tax Increment Finance Authority (TIFA) District (R-31). All revenue including property taxes, income taxes, and sale and building permit proceeds must be held in this fund and used for the replacement rehabilitation of homes in this district. The judgement called for the creation of two corporations to supervise the development in this district.

Pension Trust Fund - is used to account for the assets of the City's employees' pension plan. This fund is accounted for in essentially the same manner as the proprietary funds, using the same measurement focus and basis of accounting.

Other Policies

As a general rule, the effect of interfund activity has been eliminated from the government wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. General revenue includes all taxes.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the City's policy is to first apply restricted resources. When an expense is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the City's policy to spend funds in this order: committed, assigned, and unassigned.

Property Tax Revenue

Properties are assessed as of December 31. Property taxes are levied the following July 1 and become a lien on December 1. The taxes are due on February 28, after which point they are added to the county tax rolls.

The City's 2017 tax is levied and collectible on July 1 and December 1, 2017 and is recognized as revenue in the year ended June 30, 2018, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2017 taxable valuation of the City totaled \$191,236,246, on which taxes levied consisted of 19.5994 mills for operating purposes, 2.9399 mills for rubbish services, 0.5000 mills for police and fire pension, 1.8171 mills for library, and 1.8251 for DDA District.

CITY OF HAMTRAMCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - NATURE OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Net Assets or Equity

Cash and Cash Equivalents – Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. To the extent that cash from various funds has been pooled, pooled interest income is generally allocated to each fund using a weighted average of balance for the principal.

Receivables and Payables - In general, outstanding balances between funds are reported as “due to/from other funds.”

Prepaid Costs - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$10,000 for infrastructure assets and \$5,000 for all other capital assets and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Roads and sidewalks	30 years
Street lights	20 years
Water and sewer facilities	50 years
Building and building improvements	15 to 50 years
Vehicles	5 to 20 years
Machinery and equipment	5 to 12 years
Library collection	10 years

Compensated Absences (Vacation and Sick Leave) - It is the City’s policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All sick and vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in government-wide statements.

CITY OF HAMTRAMCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - NATURE OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Pension - The City offers an agent defined benefit pension plan to its employees. The City records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan, and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefit Costs - The City offers healthcare benefits to qualified retirees. The City records a net OPEB liability for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. The City to date has not set aside any funds towards this liability, hence the unfunded net OPEB liability is equal to the total OPEB liability calculated by the actuary.

Deferred Outflow and Inflow of Resources - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then. The government-wide statements and proprietary funds report deferred outflows from the change in assumptions of the pension plan, as well as city contributions made after the measurement date of the net pension liability. The government-wide statements and proprietary funds report deferred outflows from the difference between projected and actual experience of the pension and OPEB and contributions made to the pension plan subsequent to the measurement date. At June 30, 2018, total deferred outflows totaled \$2,872,471

CITY OF HAMTRAMCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - NATURE OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The government-wide statements and proprietary funds report deferred inflows from the difference between projected and actual experience of the pension, difference between projected and actual investment earnings of the pension plan, and changes in assumptions of the OPEB plan. Unavailable revenue qualifies for reporting in this category and arises only under a modified accrual basis of accounting.

These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. At June 30, 2018, total deferred inflows totaled \$3,335,895.

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

Fund Equity - In the fund financial statements, governmental funds report the following components of fund balance:

- **Nonspendable** - Amounts that are not in spendable form or are legally or contractually required to be maintained intact.
- **Restricted** - Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for specific purposes.
- **Committed** - Amounts that have been formally set aside by the City Council for use for specific purposes. Commitments are made and can be rescinded only via resolution of the City Council.
- **Assigned** - Intent to spend resources on specific purposes expressed by the governing body remains with the City Council.
- **Unassigned** - Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

CITY OF HAMTRAMCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Noncompliance with Legal or Contractual Provisions - The City did not distribute delinquent personal property tax collections to third parties in a timely manner.

Construction Code Fees - The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative shortfall is as follows:

Cumulative shortfall at July 1, 2017	<u>\$ (1,343,339)</u>
Revenue - Building fee revenue	483,975
Expenditures	<u>(390,770)</u>
Current year income	<u>93,205</u>
Cumulative shortfall at June 30, 2018	<u><u>\$ (1,250,134)</u></u>

NOTE 3 - DEPOSITS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The City is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

CITY OF HAMTRAMCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 3 – DEPOSITS (Continued)

The City has designated four banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 follows the state statutory authority as listed above. The City's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$19,863,070 in bank deposits (certifications of deposit, checking, and savings accounts), that were uninsured or uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

CITY OF HAMTRAMCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 4 - CAPITAL ASSETS

Capital asset activity of the City's governmental and business-type activities was as follows:

	Balance July 1, 2017	Additions	Disposals	Balance June 30, 2018
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 808,656	\$ -	\$ -	\$ 808,656
Construction in progress	22,482			22,482
Subtotal	<u>831,138</u>	<u>-</u>	<u>-</u>	<u>831,138</u>
Capital assets being depreciated				
Land improvements	8,228,392	882,447	-	9,110,839
Street lights	683,201	-	-	683,201
Building and improvements	4,485,942	94,493	-	4,580,435
Machinery and equipment	612,638	228,804	-	841,442
Vehicles	4,474,861	90,270	-	4,565,131
Library collection	1,204,100	8,524	(8,250)	1,204,374
Subtotal	<u>19,689,134</u>	<u>1,304,538</u>	<u>(8,250)</u>	<u>20,985,422</u>
Accumulated depreciation				
Land improvements	4,548,851	210,344	-	4,759,195
Street lights	173,931	34,160	-	208,091
Building and improvements	1,782,736	97,224	-	1,879,960
Machinery and equipment	500,366	34,260	-	534,626
Vehicles	3,129,684	200,110	-	3,329,794
Library collection	1,087,800	30,501	(8,250)	1,110,051
Subtotal	<u>11,223,368</u>	<u>606,599</u>	<u>(8,250)</u>	<u>11,821,717</u>
Net capital assets being depreciated	<u>8,465,766</u>	<u>697,939</u>	<u>-</u>	<u>9,163,705</u>
Net capital assets	<u>\$ 9,296,904</u>	<u>\$ 697,939</u>	<u>\$ -</u>	<u>\$ 9,994,843</u>

CITY OF HAMTRAMCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 4 - CAPITAL ASSETS (Continued)

	Balance July 1, 2017	Additions	Disposals	Balance June 30, 2018
Business-type Activities				
Capital assets not being depreciated				
Land	\$ 96,790	\$ -	\$ -	\$ 96,790
Subtotal	<u>96,790</u>	<u>-</u>	<u>-</u>	<u>96,790</u>
Capital assets being depreciated				
Water and sewer lines	10,003,275	127,740	-	10,131,015
Machinery and equipment	1,415,290	-	-	1,415,290
Subtotal	<u>11,418,565</u>	<u>127,740</u>	<u>-</u>	<u>11,546,305</u>
Accumulated depreciation				
Water and sewer lines	1,734,915	180,598	-	1,915,513
Machinery and equipment	1,415,291	-	-	1,415,291
Subtotal	<u>3,150,206</u>	<u>180,598</u>	<u>-</u>	<u>3,330,804</u>
Net capital assets being depreciated	<u>8,268,359</u>	<u>(52,858)</u>	<u>-</u>	<u>8,215,501</u>
Net capital assets	<u>\$ 8,365,149</u>	<u>\$ (52,858)</u>	<u>\$ -</u>	<u>\$ 8,312,291</u>

CITY OF HAMTRAMCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 4 - CAPITAL ASSETS (Continued)

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

Governmental Activities

General government	\$ 69,090
Public safety	165,508
Public works	320,652
Recreation and culture	<u>51,349</u>
Total governmental activities	<u><u>\$ 606,599</u></u>

Business-type Activities

Water and sewer	<u>\$ 180,598</u>
Total business-type activities	<u><u>\$ 180,598</u></u>

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds	\$ 187,303
	Fiduciary funds	<u>93,967</u>
		<u><u>\$ 281,270</u></u>
Nonmajor Governmental Funds	General Fund	\$ 7
	Fiduciary funds	<u>5,080</u>
		<u><u>\$ 5,087</u></u>
Business-type activities	Fiduciary funds	<u>\$ 74,871</u>
Fiduciary funds	General Fund	<u><u>\$ 30,881</u></u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

CITY OF HAMTRAMCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

Interfund transfers reported in the fund financial statements are comprised of the following:

<u>Transfers To</u>	<u>Transfers From</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	<u>\$ 95,000</u>

NOTE 6 - LONG-TERM DEBT

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City.

The Water and Sewer Fund revenue bonds are payable solely from the net revenue of the system and are not a general obligation of the City. The City has agreed to fix and maintain the system to provide rates for services provided by the system sufficient to provide for payment of necessary expenses of the system, including the principal and interest on the bonds, when due.

The accumulated compensated absences represent the estimated liability to be paid to governmental fund-type employees under the City's sick and vacation pay policy. Under the City's policy, employees earn sick and vacation time based on time of service with the City.

CITY OF HAMTRAMCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 - LONG-TERM DEBT (Continued)

Long-term debt activity can be summarized as follows:

	Interest Rate Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities						
2012B Fiscal Stability: Amount of issue - \$1,340,000 Maturing through 2021	2% - 3%	\$ 700,000	\$ -	\$ 165,000	\$ 535,000	\$ 170,000
2014 Fiscal Stability: Amount of issue - \$2,070,027 Maturing through 2024	2.30%	1,487,135	-	198,235	1,288,900	202,795
Total Bonds and Installment Obligations		2,187,135	-	363,235	1,823,900	372,795
Accumulated compensated absences		1,583,995	-	125,147	1,458,848	-
Workers' compensation		194,171	-	82,027	112,144	-
Net pension liability		55,221,927	-	1,139,858	54,082,069	-
Net OPEB liability		25,788,296	-	5,506	25,782,790	-
Total governmental activities		\$ 84,975,524	\$ -	\$ 1,715,773	\$ 83,259,751	\$ 372,795
Business-type Activities						
2015 Michigan Finance Authority - Clean Water Program: Amount of issue - \$6,425,000 Maturing through 2030	2.50%	\$ 6,080,938	\$ -	\$ 253,601	\$ 5,827,337	\$ 265,000
Total Bonds and Installment Obligations		6,080,938	-	253,601	5,827,337	265,000
Accumulated compensated absences		22,700	-	-	22,700	-
Total business-type activities		\$ 6,103,638	\$ -	\$ 253,601	\$ 5,850,037	\$ 265,000

CITY OF HAMTRAMCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 - LONG-TERM DEBT (Continued)

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

<u>Years Ending June 30</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 372,795	\$ 43,145	\$ 415,940
2020	387,425	33,265	420,690
2021	397,257	22,957	420,214
2022	217,112	15,328	232,440
2023	222,105	10,334	232,439
2024	227,206	5,233	232,439
Total	<u>\$ 1,823,900</u>	<u>\$ 130,262</u>	<u>\$ 1,954,162</u>

<u>Years Ending June 30</u>	<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 265,000	\$ 145,683	\$ 410,683
2020	270,000	139,058	409,058
2021	280,000	132,308	412,308
2022	285,000	125,308	410,308
2023	290,000	118,183	408,183
2024-2028	1,570,000	478,042	2,048,042
2029-2033	1,780,000	271,667	2,051,667
2034-2036	1,087,337	52,550	1,139,887
Total	<u>\$ 5,827,337</u>	<u>\$ 1,462,799</u>	<u>\$ 7,290,136</u>

NOTE 7 - RISK MANAGEMENT

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. Beginning July 1, 2011, the City became partially insured for workers compensation claims. The following is a summary of the City's risk management programs:

General Liability – The City is exposed to various risks of loss related to property loss, torts, errors and omissions as well as medical benefits provided to employees. The City has purchased insurance coverage through commercial carriers for general and auto liability, auto physical damage, dishonesty, boiler and medical benefits. The City is partially self-insured for general liability claims.

CITY OF HAMTRAMCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 7 - RISK MANAGEMENT (Continued)

Workers' Compensation - The City is partially self-insured for workers' compensation claims. The City estimates the liability for workers' compensation claims 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. Changes in the estimated liabilities are as follows:

	<u>Workers'</u> <u>Compensation</u>	<u>General</u> <u>Liability</u>
	<u>2018</u>	<u>2018</u>
Unpaid claims - Beginning of year	\$ 194,171	\$ 367,883
Incurred claims, including claims incurred but not reported	100,122	-
Claim payments	<u>(182,149)</u>	<u>(225,883)</u>
Unpaid claims - End of year	<u>\$ 112,144</u>	<u>\$ 142,000</u>

NOTE 8 - DEFINED BENEFIT PENSION PLAN

Plan Description - The City participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees' Retirement System (MERS of Michigan) that covers certain general, nonunion, police, and patrol employees of the City. MERS was established as a statewide public employee pension plan by Michigan Legislature under PA 135 of 1945 and is administered by a nine-member retirement board. MERS issues a publicly available financial report which includes the financial statements and required supplemental information of this defined benefit plan. This report can be obtained at www.mersofmichigan.com or in writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

Benefits Provided - The plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established, and amends the benefit provisions of the participants in MERS.

The MERS plan covers general employees, police employees, and department heads. Retirement benefits for general employees and nonunion employees hired before January 1, 2008 are calculated as 2.5 percent (80 percent max) of the employee's final three-year average salary times the employee's years of service. Normal retirement age is 60 with early retirement at 50 with 25 years of service or 55 with 15 years of service. Vesting period is 10 years.

Benefit terms provide for annual cost of living adjustments to each employee's retirement allowance subsequent to the employee's retirement date limited to increases in the Consumer Price Index.

CITY OF HAMTRAMCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 8 - DEFINED BENEFIT PENSION PLAN (Continued)

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the City Council, generally after negotiations of these terms with the affected unions. Police employee benefit terms may be subject to binding arbitration in certain circumstances.

Employees Covered by Benefit Terms – At the December 31, 2017 measurement date, the following employees were covered by the benefit terms:

Employees Covered by Benefit Terms

Inactive plan members or beneficiaries currently receiving benefits	224
Inactive plan members entitled to but not yet receiving benefits	24
Active plan members	<u>86</u>
 Total employees covered by MERS	 <u><u>334</u></u>

Contributions – Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS retirement board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

For the year ended June 30, 2018, the average active employee contribution rate ranges from 0 to 15 percent of annual pay and the City’s average contribution rate ranges from 5.74 to 29.02 percent of annual payroll.

Net Pension Liability – The net pension liability reported at June 30, 2018 was determined using a measure of the total pension liability and the pension net position as of December 31, 2017. The December 31, 2017 total pension liability was determined by an actuarial valuation performed as of that date.

CITY OF HAMTRAMCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 8 - DEFINED BENEFIT PENSION PLAN (Continued)

Changes in the net pension liability during the measurement year were as follows:

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2016	\$ 96,139,335	\$ 40,917,408	\$ 55,221,927
Service cost	541,633	-	541,633
Interest	7,236,039	-	7,236,039
Change to benefit terms	(12,979)	-	(12,979)
Experience differences	601,360	-	601,360
Contributions - Employer	-	3,924,934	(3,924,934)
Contributions - Employee	-	515,150	(515,150)
Changes in actuarial assumptions	-	-	-
Net investment income	-	5,147,710	(5,147,710)
Benefit payments, including refunds	(7,924,923)	(7,924,923)	-
Administrative expenses	-	(81,882)	81,882
Net changes	441,130	1,580,989	(1,139,859)
Balance at December 31, 2017	<u>\$ 96,580,465</u>	<u>\$ 42,498,397</u>	<u>\$ 54,082,068</u>

Assumption Changes – There were no significant assumption changes which affect the measurement of the total pension liability from the time of the last measurement date at December 31, 2016 to December 31, 2017.

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

For the year ended June 30, 2018, the City recognized pension expense of \$3,102,872. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF HAMTRAMCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 8 - DEFINED BENEFIT PENSION PLAN (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 400,907	\$ (446,106)
Net difference between projected and actual earnings on pension plan investments	-	(2,741,511)
Employer contributions to the plan subsequent to the measurement date	<u>2,160,790</u>	<u>-</u>
Total	<u><u>\$ 2,561,697</u></u>	<u><u>\$ (3,187,617)</u></u>

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of the employer contributions to the plan made subsequent to the measurement date (\$2,160,790), which will impact the net pension liability in fiscal year 2018, rather than pension expense.

Years Ending June 30	Amount
2019	\$ (1,195,667)
2020	(483,813)
2021	(684,266)
2022	(422,964)

Actuarial Assumptions – The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%	
Salary increases	3.75 - 14.75%	Including inflation Gross of pension plan investment expense, including inflation
Investment rate of return	7.75%	

CITY OF HAMTRAMCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 8 - DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

The mortality table used to project the mortality experience of nondisabled plan members is a 50 percent male – 50 percent female blend of the following tables:

1. The RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105 percent
2. The RP-2014 Employee Mortality Tables
3. The RP-2014 Juvenile Mortality Tables

For disabled retirees, the RP-2014 Disabled Retiree Mortality Table is used with a 50 percent male and 50 percent female blend.

The actuarial assumptions used in the December 31, 2017 valuation were based on assumptions that include a 10% margin for future mortality improvements, relative to the actual mortality experience seen in the 2009-2013 Experience Study.

Discount Rate – The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumes that employee 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 employee rate.

Projected Cash Flows

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF HAMTRAMCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 8 - DEFINED BENEFIT PENSION PLAN (Continued)

Projected Cash Flows (Continued)

The long-term expected rate of return on pension plan investments was determined using a model 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. The ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as December 31, 2017, the measurement date, for each major class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	55.5%	8.65%
Global fixed income	18.5%	3.76%
Real assets	13.5%	9.72%
Diversifying strategies	12.5%	7.50%

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the City, calculated using the discount rate of 8 percent, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7 percent) or one percentage point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Discount Rate (8.00%)	1% Increase (9.00%)
Net pension liability of the City	\$ 63,770,528	\$ 54,082,067	\$ 45,906,472

Pension Plan Fiduciary Net Position – Detailed information about the plan’s fiduciary net position is available in the separately issued financial report found at www.mersomichigan.com. The plan’s fiduciary net position has been determined on the same basis used by the plan. The plan uses the economic resource measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employees contributions are recognized as expense when due and payable in accordance with the benefit terms.

CITY OF HAMTRAMCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS

Plan Description - The City provides healthcare benefits to all full-time employees upon retirement, in accordance with labor contracts. Currently, the plan has 213 members (including employees in active service, terminated employees not yet receiving benefits, and retired employees and beneficiaries currently receiving benefits).

This is a single-employer defined benefit plan administered by the City. The benefits are provided under collective bargaining agreements. The plan does not issue a separate stand-alone financial statement. Administrative costs are paid by the employer.

Funding Policy - The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's collective bargaining units. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a "pay-as-you-go" basis). The retirees contribute varying amounts, as negotiated by collective bargaining units.

Employees Covered by Benefit Terms

The following members were covered by the contractual benefit terms:

Date of member count	June 30, 2018
Retirees and beneficiaries currently receiving benefits	145
Active plan members	<u>68</u>
Total plan members	<u><u>213</u></u>

Contributions

Retiree healthcare costs are funded by the City on a 'pay-as-you-go" basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment. For the fiscal year ended June 30, 2018, the City made payments for postemployment healthcare benefits of \$1,916,627.

Total OPEB Liability

The City's total OPEB liability of \$25,782,790 was measured as of June 30, 2018 and was determined by an actuarial valuation as of June 30, 2018.

CITY OF HAMTRAMCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Total OPEB Liability (Continued)

Changes in the total OPEB liability during the measurement year were as follows:

Changes in Net OPEB Liability	Total OPEB Liability	Plan Net Position	Net OPEB Liability
Balance at July 1, 2017	\$ 25,788,296	\$ -	\$ 25,788,296
Changes for the year:			
Service cost	276,210	-	276,210
Interest	897,777	-	897,777
Differences between expected and actual experience	452,125	-	452,125
Changes in assumptions	(215,720)	-	(215,720)
Contributions - Employer	-	1,415,898	(1,415,898)
Benefit payments, including refunds	(1,415,898)	(1,415,898)	-
Net Changes	(5,506)	-	(5,506)
Balance at June 30, 2018	<u>\$ 25,782,790</u>	<u>\$ -</u>	<u>\$ 25,782,790</u>

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

For the year ended June 30, 2018, the City recognized OPEB expense of \$2,704,041.

At June 30, 2018, the City 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
Difference between expected and actual experience	\$ 310,774	\$ -
Changes in assumptions	-	(148,278)
Total	<u>\$ 310,774</u>	<u>\$ (148,278)</u>

CITY OF HAMTRAMCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Amounts reported as deferred outflows of resources and deferred inflow of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 73,909
2020	73,909
2021	14,678

Actuarial Assumptions

Actuarial assumptions used in the June 30, 2017 valuation were based on the results of the MERS 5-year experience study for the period January 1, 2009 to December 31, 2013 performed by the prior MERS pension actuary. The total OPEB liability as of June 30, 2018 was determined using an inflation assumption of 2.5 percent; assumed salary increases (including inflation) of 3.5 to 14.5 percent, a healthcare cost trend rate of 9.0 percent for 2018, reduced by decrements to an ultimate rate of 3.5 percent for 2028 and later years; and a 50 percent Male – 50 percent Female blend of the RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105 percent, the RP-2014 Employee Mortality Tables, and the RP-2014 Juvenile Mortality Tables. In addition, 100 percent of active employees currently receiving healthcare through the City were assumed to elect retiree coverage. These assumptions were applied to all periods included in the measurement, except for the discount rate, which was 3.56 percent in the calculation of the beginning of year total OPEB liability.

Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.62 percent; however, the discount rate used to measure the total OPEB liability at the beginning of the year was 3.58 percent. The discount rate was based on the 20-Year Municipal GO AA Bond Index.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.62 percent, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point or lower or 1 percentage point higher than the current rate:

	<u>1 Percent Decrease (2.62%)</u>	<u>Current Discount Rate (3.62%)</u>	<u>1 Percent Increase (4.62%)</u>
Total OPEB liability of the Plan	\$ 29,775,477	\$ 25,782,790	\$ 22,563,517

CITY OF HAMTRAMCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability of the City, calculated using the healthcare cost trend rate of 9.0 percent, as well as what the City's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (8.0%) Decreasing to 2.5%)	Current Healthcare Cost Trend Rate (9.0%) Decreasing to 3.5%)	1 Percent Increase (10.0%) Decreasing to 4.5%)
Total OPEB liability of the Plan	\$ 22,314,688	\$ 25,782,790	\$ 30,105,048

NOTE 10 - CONTINGENT LIABILITIES

The City has been named as a defendant in multiple claims and lawsuits requesting damages of various amounts. The various proceedings have not yet progressed to the point where legal opinions can be reached as to the ultimate liabilities, if any, after consideration of available insurance, where applicable, that may result from the resolution of these matters. The City has not recorded an estimate of this liability as of June 30, 2018.

NOTE 11 - REPORTING CHANGE

During the current year, the City adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*, which replaces GASB Statement No. 45. As a result, the government-wide statements and proprietary funds now include a liability for the City's estimated unfunded OPEB costs. Some of the changes in this net OPEB liability will be recognized immediately as part of the OPEB expense measurement, and part will be deferred and recognized over future years. Refer to the other postemployment benefit plan disclosure for further details. This change does not impact the modified accrual funds.

CITY OF HAMTRAMCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 11 - REPORTING CHANGE (Continued)

The financial statements for the year ended June 30, 2017 have been restated in order to adopt GASB Statement No. 75. The effect of this new accounting standard resulted in a decrease in the net position of the governmental and business-type activities as follows:

	Governmental Activities	Business-type Activities
Net position (deficit) - June 30, 2017 - As previously reported	\$ (44,040,326)	\$ 8,123,920
Adjustment for implementation of GASB Statement No. 75	(20,203,466)	172,726
Net position (deficit) - June 30, 2017 - As restated	<u>\$ (64,243,792)</u>	<u>\$ 8,296,646</u>

NOTE 12 - UPCOMING ACCOUNTING PRONOUNCEMENTS

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of governments and improves guidance for accounting and financial reporting related to how these activities should be reported. The City is currently evaluating the impact this standard will have on the financial statements when adopted. GASB Statement No. 84 is effective for the City's financial statements for the year ending June 30, 2020.

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2021.

In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. This statement establishes criteria to improve the information that is disclosed in the notes to the government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effect for the City's financial statements for the year ending June 30, 2019.

CITY OF HAMTRAMCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 13 - SUBSEQUENT EVENTS

City's management has performed a review of events subsequent to the balance sheet date through December 31, 2018, the date the financial statements were available to be issued.

On November 25, 2018, General Motors announced it would be closing the Detroit-Hamtramck Assembly plant, located within the City. Although an exact date has not been announced, the closure is estimated to take place in 2019. This event could impact future revenue to the City.

Wayne County has entered into negotiations with Rock Ventures to construct a new 2,280-bed jail facility on Warren Avenue near I-75. The construction of this proposed jail would allow Wayne County to close the Division I, II and III jails. This would include closing the William Dickerson Detention Facility located in the City of Hamtramck. This event could impact future revenue to the City.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF HAMTRAMCK, MICHIGAN
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenue				
Property taxes	\$ 6,245,948	\$ 6,453,928	\$ 6,620,948	\$ 167,020
Income taxes	2,180,000	2,639,600	2,733,969	94,369
Licenses and permits	1,095,000	1,282,675	1,288,277	5,602
Federal grants	950,000	1,350,863	1,459,851	108,988
State-shared revenue	3,266,867	3,403,307	3,407,030	3,723
State sources	90,000	97,400	98,512	1,112
Fines and forfeitures	1,250,000	1,170,000	1,288,191	118,191
Charges for services	195,000	69,700	74,882	5,182
Other revenue	444,000	451,300	484,077	32,777
Total revenue	15,716,815	16,918,773	17,455,737	536,964
Expenditures - Current				
General government				
Legislature	54,650	54,825	50,079	4,746
City Manager	215,050	92,200	85,779	6,421
Controller	257,200	256,490	214,266	42,224
Treasurer	211,800	151,800	136,249	15,551
City Assesor	274,100	248,915	189,140	59,775
City Clerk	112,950	133,865	123,804	10,061
Elections	58,800	49,850	33,155	16,695
Legal	400,000	400,000	677,666	(277,666)
Personnel	127,400	106,625	100,948	5,677
Income tax	368,000	368,000	353,533	14,467
General administration	872,200	961,400	930,899	30,501
Total general government	2,952,150	2,823,970	2,895,518	(71,548)
District Court	707,565	707,565	639,386	68,179
Public Safety				
Police	3,853,572	3,825,907	3,566,349	259,558
Fire	3,399,138	3,661,168	3,484,198	176,970
Retiree Benefits	3,108,712	2,969,762	2,754,781	214,981
Total public safety	10,361,422	10,456,837	9,805,328	651,509
Public Works - Sanitation	1,429,400	1,793,600	1,768,937	24,663
Community and economic development	476,110	467,435	440,770	26,665
Community and government affairs	79,917	88,917	95,518	(6,601)
Total expenditures	16,006,564	16,338,324	15,645,457	692,867
Excess of Revenue Over Expenditures	(289,749)	580,449	1,810,280	1,229,831
Other Financing Sources (Uses)				
Transfers out	(50,000)	(50,000)	(95,000)	(45,000)
Net Change in Fund Balance	(339,749)	530,449	1,715,280	1,184,831
Fund Balance - Beginning of year	6,539,363	6,539,363	6,539,363	-
Fund Balance - End of year	\$ 6,199,614	\$ 7,069,812	\$ 8,254,643	\$ 1,184,831

CITY OF HAMTRAMCK, MICHIGAN
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - MAJOR STREETS
Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue				
State sources	\$ 1,030,000	\$ 1,030,000	\$ 1,340,478	\$ 310,478
Expenditures				
Highways and streets	615,000	615,000	798,249	(183,249)
Net Change in Fund Balance	<u>415,000</u>	<u>415,000</u>	<u>542,229</u>	<u>(127,229)</u>
Fund Balance - Beginning of year	<u>2,209,491</u>	<u>2,209,491</u>	<u>2,209,491</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 2,624,491</u>	<u>\$ 2,624,491</u>	<u>\$ 2,751,720</u>	<u>\$ (127,229)</u>

CITY OF HAMTRAMCK, MICHIGAN
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - LOCAL STREETS
Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue				
State sources	\$ 300,000	\$ 300,000	\$ 539,497	\$ 239,497
Expenditures				
Highways and streets	658,300	658,300	432,567	225,733
Net Change in Fund Balance	<u>(358,300)</u>	<u>(358,300)</u>	<u>106,930</u>	<u>(465,230)</u>
Fund Balance - Beginning of year	<u>2,124,972</u>	<u>2,124,972</u>	<u>2,124,972</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 1,766,672</u></u>	<u><u>\$ 1,766,672</u></u>	<u><u>\$ 2,231,902</u></u>	<u><u>\$ (465,230)</u></u>

CITY OF HAMTRAMCK, MICHIGAN
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2018

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all special revenue funds, except that operating transfers and debt proceeds have been included in the "revenue" and "expenditures" categories, rather than as "other financing sources (uses)." In addition, reimbursements of expenditures from other funds have been included in revenue, rather than as a reduction of expenses.

The City follows these procedures in establishing the budget reflected in the financial statements:

1. The city manager, on or before 60 days prior to the commencement of the fiscal and budgetary year (July 1), shall prepare and submit to the City Council a complete itemized proposed budget for the next fiscal year.
2. A public hearing on the budget shall be held before its final adoption, at such time and place as the City Council shall direct, and notice of such public hearing shall be published at least 10 days in advance thereof by the clerk.
3. The City Council shall, on or before 30 days prior to the commencement of the next fiscal year, adopt a budget for the ensuing fiscal year.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level. The city manager has the authority to approve budget amendments between line items within a department; however, any amendments changing department totals must be approved by the City Council.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

CITY OF HAMTRAMCK, MICHIGAN
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2018

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the City of Hamtramck, Michigan incurred the following expenditures that were in excess of the amounts budgeted in the City's major funds:

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
General Government - Legal	\$ 400,000	\$ 677,666	\$ 277,666
Community and Government Affairs - Salaries	\$ 88,917	\$ 95,518	\$ 6,601
Major Streets			
Highways and streets	\$ 615,000	\$ 798,249	\$ 183,249

The excess expenditures were attributed to more purchases made during the current year than expected.

CITY OF HAMTRAMCK, MICHIGAN
REQUIRED SUPPLEMENTAL INFORMATION
Schedule of Changes in the Total OPEB Liability and Related Ratios
Year Ended June 30, 2018
(Schedule is built prospectively upon implementation of GASB 75)

	<u>2018</u>
Total OPEB Liability	
Service cost	\$ 276,210
Interest	897,777
Differences between expected and actual experience	452,125
Changes in actuarial assumptions	(215,720)
Benefit payments, including refunds	<u>(1,415,898)</u>
Net Change in Total OPEB Liability	(5,506)
Total OPEB Liability - Beginning of year	<u>25,788,296</u>
Total OPEB Liability - End of year	<u><u>\$ 25,782,790</u></u>
Plan Fiduciary Net Position	
Contributions - Employer	\$ 1,415,898
Benefit payments, including refunds	<u>(1,415,898)</u>
Net Change in Plan Fiduciary Net Position	-
Plan Fiduciary Net Position - Beginning of Year	<u>-</u>
Plan Fiduciary Net Position - End of Year	<u><u>\$ -</u></u>
NET OPEB Liability - Ending	<u><u>\$ 25,782,790</u></u>
Plan Fiduciary net Position as a percentage of Total OPEB Liability	
Covered Payroll	\$ 3,594,807
Total OPEB Liability as a Percentage of Covered Payroll	717.22%

CITY OF HAMTRAMCK, MICHIGAN
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF CITY CONTRIBUTIONS- OPEB
(Schedule is built prospectively upon implementation of GASB 75)

	<u>2018</u>
Actuarially determined contribution	\$ 1,864,156
Contributions in relation to the actuarially determined contribution	<u>1,415,898</u>
Contribution excess (deficiency)	<u>\$ (448,258)</u>
Covered employee payroll	\$ 3,594,807
Contributions as a percentage of covered employee payroll	39.39%

CITY OF HAMTRAMCK, MICHIGAN
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF CHANGES IN THE CITY NET PENSION LIABILITY AND RELATED RATIOS
LAST THREE FISCAL YEARS
(Schedule is built prospectively upon implementation of GASB 68)

	2018	2017	2016
Total Pension Liability			
Service cost	\$ 541,633	\$ 538,706	\$ 564,484
Interest	7,236,039	7,345,944	7,228,630
Change to benefit terms	(12,979)	-	-
Experience differences	601,360	(1,338,316)	(1,298,294)
Change in actuarial assumptions	-	-	4,678,844
Other changes	-	-	225,895
Benefit payments, including refunds	<u>(7,924,923)</u>	<u>(7,820,686)</u>	<u>(8,123,012)</u>
Net change in total pension liability	441,130	(1,274,352)	3,276,547
Total Pension Liability - Beginning of year	<u>96,139,335</u>	<u>97,413,687</u>	<u>94,137,140</u>
Total Pension Liability - End of year	<u>\$96,580,465</u>	<u>\$96,139,335</u>	<u>\$97,413,687</u>
Plan Fiduciary Net Position			
Contributions - Employer	\$ 3,924,934	\$ 3,540,664	\$ 3,351,106
Contributions - Employee	515,150	529,811	558,856
Net investment income	5,147,710	4,382,753	(5,198,513)
Administrative expenses	(81,883)	(86,626)	-
Benefit payments, including refunds	<u>(7,924,923)</u>	<u>(7,820,686)</u>	<u>(8,123,012)</u>
Net change in plan fiduciary net position	1,580,988	545,916	(9,411,563)
Plan Fiduciary Net Position - Beginning of year	<u>40,917,408</u>	<u>40,371,492</u>	<u>49,783,055</u>
Plan Fiduciary Net Position - End of year	<u>\$42,498,396</u>	<u>\$40,917,408</u>	<u>\$40,371,492</u>
City's Net Pension Liability - Ending	<u>\$54,082,069</u>	<u>\$55,221,927</u>	<u>\$57,042,195</u>
Plan Fiduciary Net Position as a Percent of Total Pension Liability	44.00%	42.56%	41.44%
Covered Employee Payroll	\$ 4,718,262	# \$ 4,462,514	# \$ 4,638,309
City's Net Pension Liability as a Percent of Covered Employee Payroll	1146.23%	1237.46%	1229.81%

**CITY OF HAMTRAMCK, MICHIGAN
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF CITY CONTRIBUTIONS- PENSION
LAST TEN FISCAL YEARS**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 2,245,142	\$ 4,666,848	\$ 4,474,296	\$ 3,169,757	\$ 3,239,661	\$ 3,169,757	\$ 3,538,769	\$ 3,215,370	\$ 2,946,379	\$ 3,322,569
Contributions in relation to the actuarially determined contribution	3,924,934	5,082,339	3,497,280	3,423,084	1,127,814	839,667	3,538,769	3,215,370	2,946,379	3,322,569
Contribution excess (deficiency)	\$ 1,679,792	\$ 415,491	\$ (977,016)	\$ 253,327	\$ (2,111,847)	\$ (2,330,090)	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 4,718,262	\$ 4,462,514	\$ 4,638,309	\$ 4,595,866	\$ 5,115,809	\$ 6,532,664	\$ 6,752,884	\$ 6,859,618	\$ 7,708,454	\$ 6,903,656
Contributions as a percentage of covered employee payroll	83.19%	113.89%	75.40%	74.48%	22.05%	12.85%	52.40%	46.87%	38.22%	48.13%

OTHER SUPPLEMENTAL INFORMATION

CITY OF HAMTRAMCK, MICHIGAN
OTHER SUPPLEMENTAL INFORMATION
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2018

	Special Revenue Funds											Total Nonmajor Governmental Funds
	Building and Improvements	Special Events	911 Emergency	Miscellaneous Grants	Drug Law Enforcement State	Drug Law Enforcement Federal	Library	Community Development Block Grant	NSP 2 Grant	Police Training	Property Revitalization	
Assets												
Cash and cash equivalents	\$ 329,177	\$ 9,811	\$ 25,000	\$ 78,360	\$ 167,939	\$ 131,804	\$ 172,834	\$ 208,527	\$ 82,454	\$ 20,702	\$ 406,080	\$ 1,632,688
Accounts receivable	-	-	-	5,617	-	-	-	78,360	-	-	-	83,977
Due from other governmental units	7,555	-	-	1,100	-	-	40,085	-	-	-	-	48,740
Due from other funds	-	-	-	-	-	7	-	-	-	-	-	7
Due from fiduciary funds	-	-	-	-	-	-	5,080	-	-	-	-	5,080
Total assets	<u>\$ 336,732</u>	<u>\$ 9,811</u>	<u>\$ 25,000</u>	<u>\$ 85,077</u>	<u>\$ 167,939</u>	<u>\$ 131,811</u>	<u>\$ 217,999</u>	<u>\$ 286,887</u>	<u>\$ 82,454</u>	<u>\$ 20,702</u>	<u>\$ 406,080</u>	<u>\$ 1,770,492</u>
Liabilities and Fund Balance (Deficit)												
Liabilities												
Accounts payable	\$ -	\$ -	\$ 10,449	\$ 3,495	\$ 1,382	\$ -	\$ 7,701	\$ 3,770	\$ -	\$ -	\$ -	\$ 26,797
Due to other funds (Note 6)	-	-	6,196	-	-	-	-	187,303	-	-	-	193,499
Accrued liabilities and other	-	-	4,341	1,220	5,616	-	7,997	1,922	-	-	-	21,096
Total liabilities	-	-	20,986	4,715	6,998	-	15,698	192,995	-	-	-	241,392
Deferred inflows of resources - Unavailable revenue	-	-	-	6,717	-	-	-	89,570	-	-	-	96,287
Fund Balances (Deficit)												
Nonspendable - prepaid expenses	-	-	-	-	-	-	-	-	-	-	-	-
Restricted												
Public safety	-	-	4,014	73,645	160,941	131,811	-	-	-	20,702	-	391,113
Community development	-	-	-	-	-	-	-	-	82,454	-	406,080	488,534
Recreation and culture	-	-	-	-	-	-	202,301	-	-	-	-	202,301
Building and improvement fund	336,732	-	-	-	-	-	-	-	-	-	-	336,732
Committed	-	9,811	-	-	-	-	-	4,322	-	-	-	14,133
Unrestricted	-	-	-	-	-	-	-	-	-	-	-	-
Total fund balances (deficit)	<u>336,732</u>	<u>9,811</u>	<u>4,014</u>	<u>73,645</u>	<u>160,941</u>	<u>131,811</u>	<u>202,301</u>	<u>4,322</u>	<u>82,454</u>	<u>20,702</u>	<u>406,080</u>	<u>1,432,813</u>
Total liabilities and fund balances (deficit)	<u>\$ 336,732</u>	<u>\$ 9,811</u>	<u>\$ 25,000</u>	<u>\$ 85,077</u>	<u>\$ 167,939</u>	<u>\$ 131,811</u>	<u>\$ 217,999</u>	<u>\$ 286,887</u>	<u>\$ 82,454</u>	<u>\$ 20,702</u>	<u>\$ 406,080</u>	<u>\$ 1,770,492</u>

CITY OF HAMTRAMCK, MICHIGAN
OTHER SUPPLEMENTAL INFORMATION
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN
FUND BALANCES (DEFICIT)
Nonmajor Governmental Funds
Year Ended June 30, 2018

	Special Revenue Funds											Total Nonmajor Governmental Funds
	Building and Improvements	Special Events	911 Emergency	Miscellaneous Grants	Drug Law Enforcement State	Drug Law Enforcement Federal	Library	Community Development Block Grant	NSP 2 Grant	Police Training	Property Revitalization	
Revenue												
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 346,801	\$ -	\$ -	\$ -	\$ -	\$ 346,801
Federal grants	-	-	-	-	-	111,611	-	298,269	-	-	-	409,880
State sources	-	-	-	32,737	141,862	-	35,837	-	-	4,944	-	215,380
Fines and forfeitures	85,045	-	115,023	-	-	-	-	-	-	-	-	200,068
Other revenue	-	-	-	-	-	-	21,250	-	-	-	4,347	25,597
Total revenue	85,045	-	115,023	32,737	141,862	111,611	403,888	298,269	-	4,944	4,347	1,197,726
Expenditures - Current												
General Government	218,319	-	-	-	-	-	-	-	-	-	-	218,319
Public Safety	-	-	189,822	-	533,804	-	-	-	-	-	-	723,626
Public Works	-	-	-	37,646.00	-	-	-	-	-	-	-	37,646
Community and Economic Development	-	-	-	-	-	-	-	320,044	-	-	-	320,044
Recreation and Culture	-	-	-	-	-	-	341,584	-	-	-	-	341,584
Total expenditures	218,319	-	189,822	37,646	533,804	-	341,584	320,044	-	-	-	1,641,219
Excess of Revenue Over Expenditures	(133,274)	-	(74,799)	(4,909)	(391,942)	111,611	62,304	(21,775)	-	4,944	4,347	(443,493)
Other Financing Sources (Uses)												
Transfers in	-	-	25,000	-	-	-	-	70,000	-	-	-	95,000
Net Change in Fund Balances	(133,274)	-	(49,799)	(4,909)	(391,942)	111,611	62,304	48,225	-	4,944	4,347	(348,493)
Fund Balances (Deficit) - Beginning of year	470,006	9,811	53,813	78,554	552,883	20,200	139,997	(43,903)	82,454	15,758	401,733	1,781,306
Fund Balances (Deficit) - End of year	\$ 336,732	\$ 9,811	\$ 4,014	\$ 73,645	\$ 160,941	\$ 131,811	\$ 202,301	\$ 4,322	\$ 82,454	\$ 20,702	\$ 406,080	\$ 1,432,813

CITY OF HAMTRAMCK, MICHIGAN
OTHER SUPPLEMENTAL INFORMATION
STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2018

	<u>Agency Funds</u>				
	<u>Tax Collections</u>	<u>General</u>	<u>Highland Park Tax Collections</u>	<u>31st District Court</u>	<u>Total Agency Funds</u>
Assets					
Cash and cash equivalents	\$ 212,769	\$ 139,792	\$ 171,702	\$ 307,912	\$ 832,175
Due from other funds	-	-	30,881	-	30,881
Due from component units	<u>1,025</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,025</u>
Total assets	<u>\$ 213,794</u>	<u>\$ 139,792</u>	<u>\$ 202,583</u>	<u>\$ 307,912</u>	<u>\$ 864,081</u>
Liabilities					
Accounts payable and other liabilities \$	59	\$ -	\$ -	\$ 49,451	\$ 49,510
Due to other governmental units	40,317	139,792	202,083	209,277	591,469
Due to other other funds	98,547	-	500	-	99,047
Due to other enterprise funds	74,871	-	-	-	74,871
Refundable Deposits	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,184</u>	<u>49,184</u>
Total liabilities	<u>\$ 213,794</u>	<u>\$ 139,792</u>	<u>\$ 202,583</u>	<u>\$ 307,912</u>	<u>\$ 864,081</u>

INDEPENDENT AUDITOR'S 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

To the Mayor and City Council of
City of Hamtramck

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 of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hamtramck (the "City") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 21, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements of the City as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing 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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and a certain deficiency in internal control that we consider to be a significant deficiency

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 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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2018-01 and 2018-02 to be material weaknesses.

To the City Council
City of Hamtramck, Michigan
Page Two

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2018-03 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance 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 disclosed under *Government Auditing Standards*.

City of Hamtramck's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of the Report

This communication is intended solely for the information and use of City Council, management, and others within the City, and is not intended to be and should not be used by anyone other than these specified parties.

The logo for UHY LLP, featuring the letters 'UHY' in a large, stylized, cursive font, with 'LLP' in a smaller, simpler font to the right.

UHY LLP
Farmington Hills, Michigan
December 21, 2018

CITY OF HAMTRAMCK
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2018

2018-01 - Finding Type: Material Weakness in Internal Control over Financial Reporting.

Financial Reporting

Condition: The trial balance of the City did not originally include the financial activity for the 31st District Court.

Criteria: All Michigan governments are required to maintain accounting records and prepare financial statements in accordance with generally prepared accounting principles (GAAP).

Effect: Audit adjustments were necessary to properly state account balances.

Recommendation: We recommend that the City implement policies and procedures to ensure that the trial balance is reasonably adjusted prior to the start of the audit, and all necessary supporting reconciliations and workpapers are prepared timely.

View of Responsible Officials:

All policies and procedures are in place so that this will not be a repeat material weakness. The financial activities of the 31st District Court are maintained by the Court throughout the year and the results are provided to the City to be reported in the financial statements at year end. The City has established a fund in the City maintained general ledger to record the net activity of the 31st District Court at year end.

2018-02 - Finding Type: Material Weakness in Internal Control over Financial Reporting

Property Tax Distribution (Repeat from Prior Year)

Condition: During the first part of the fiscal year ended June 30, 2018, the City did not remit collected property tax receipts to other governments within the statutes set forth by the State of Michigan.

Criteria: As required by the State, tax collecting units are required to distribute tax collections on hand within 10 business days after the first and fifteenth of each month.

Effect: The City was not compliance with State Law.

Recommendation: We recommend that policies and procedures be implemented to ensure that tax collections are distributed in accordance with State statutes.

View of Responsible Officials:

Knowing that this was a repeat material weakness, the City implemented policies and procedures in the first half of the fiscal year to ensure that tax collections are distributed in accordance with State statutes.

2018-03 - Finding Type: Significant Deficiency in Internal Control over Financial Reporting

Expenditures in Excess of Budget Amounts

Condition: Expenditures exceeded budgeted amounts in excess of 10% of the total budgeted amount for certain categories within the General Fund and Major Streets Fund.

Criteria: The Michigan Public Act 621 of 1978, as amended, provides that the City adopt formal budgets for all applicable General and Special Revenue Funds, and shall not incur expenditures in excess of the amounts appropriated. Also, the Public Act requires amendments to be performed prior to incurring additional expenditures.

Effect: The City was not compliance with State Law.

Recommendation: We recommend that the City implement policies and procedures, including the use of budget amendments to ensure that expenditures do not exceed final approved budgeted amounts.

View of Responsible Officials:

While the City does quarterly budget amendments as needed, the City incurred unanticipated expenditures at the very end of the fiscal year. The payments were made after year end, and properly recorded in the fiscal year ending 6/30/2018.