

CITY OF HAMTRAMCK, MICHIGAN

ANNUAL FINANCIAL REPORT WITH SUPPLEMENTARY
INFORMATION

FOR THE YEAR ENDED JUNE 30, 2023

CITY OF HAMTRAMCK, MICHIGAN

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Hamtramck, Michigan

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining information of the City of Hamtramck, Michigan (the "City") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Hamtramck and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As described in Note 16 to the financial statements, the beginning of year net position of the Governmental Activities and the beginning of year fund balance of the General Fund was adjusted to reflect land held for sale and accrued liabilities. Our opinion is not modified with respect to this matter.

As described in Note 1 to the financial statements, the City adopted the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, as of July 1, 2022. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards* we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

To the City Council
City of Hamtramck, Michigan
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Required Supplementary 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 is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary 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 combining nonmajor fund and combining custodial fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 nonmajor fund and combining custodial fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report issue dated December 12, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.



Farmington Hills, Michigan
December 12, 2023

CITY OF HAMTRAMCK, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023

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, 2023. 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, 2023:

- The City spent \$2.6MM replacing lead water lines for residents and \$4.6MM in other water and sewer equipment and infrastructure upgrades; the majority of which are financed by low interest State of Michigan loans.
- Leveraging its use of federal and state funds, the City closed \$2.1MM of road projects in fiscal year 2023 and contributed to four additional road projects that should be completed in fiscal year 2024. In addition, the City spent \$61K installing speed humps on critical roads and \$832K on alley construction.
- During fiscal year 2023, \$257K worth of security equipment was installed throughout the City.
- During 2023, the City sold several properties resulting in a \$395K gain on sale.
- Property Tax Revenue increased approximately \$708K from the prior year.
- State Shared Revenue decreased approximately \$422K from the prior year.
- Income tax collections decreased approximately \$1,587K from the prior year.
- Investment earnings increased approximately \$326K from the prior year.

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, 2023

Government-Wide Activities

The following table shows, in a condensed format, the net position (in thousands) as of June 30, 2023 and 2022:

	<u>Government Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Assets						
Cash and cash equivalents	\$ 20,562	\$ 16,555	\$ 6,274	\$ 9,263	\$ 26,836	\$ 25,818
Other assets	5,775	5,274	6,601	1,740	12,377	7,014
Capital assets	20,334	18,367	13,162	8,862	33,497	27,229
Total assets	46,671	40,196	26,038	19,865	72,708	60,061
Deferred Outflows	7,346	5,094	-	-	7,346	5,094
Liabilities						
Current liabilities	3,575	5,382	2,512	1,165	6,087	6,547
Long-term liabilities	66,533	59,100	7,458	4,835	73,991	63,935
Total liabilities	70,109	64,482	9,970	6,000	80,079	70,482
Deferred Inflows	115	5,293	-	-	115	5,293
Net Position						
Net investment in capital assets -						
Net of related debt	20,107	17,918	6,913	5,245	27,020	23,163
Restricted	12,269	8,417	-	-	12,269	8,417
Unrestricted	(48,583)	(50,820)	9,155	8,620	(39,427)	(42,200)
Total net position (deficit)	\$ (16,207)	\$ (24,485)	\$ 16,068	\$ 13,865	\$ (139)	\$ (10,620)

The City's combined net position increased approximately 98.7 percent from a year ago, increasing from restated approximately \$(10,620,000) to \$(140,000). Analyzing the governmental activities separately from the business-type activities, the net position deficit related to governmental activities increased by approximately \$8,278,000, and the business-type activities net position increased by \$2,203,000.

CITY OF HAMTRAMCK, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023

The following table shows the changes in net position (in thousands) during the years ended June 30, 2023 and 2022:

	Government Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenue						
Program revenue:						
Charges for services	\$ 3,681	\$ 3,892	\$ 12,195	\$ 8,319	\$ 15,876	\$ 12,211
Operating grants and contributions	6,266	692	-	-	6,266	692
Capital grants and contributions	509	4,270	-	-	509	4,270
General revenue:						
Property taxes	8,046	7,337	-	-	8,046	7,337
Income taxes	3,427	5,014	-	-	3,427	5,014
State-shared revenue	5,033	5,455	-	-	5,033	5,455
State sources	3,495	2,767	-	-	3,495	2,767
Opioid settlement	273	-	-	-	273	-
Other miscellaneous income	1,793	657	-	-	1,793	657
Transfers in/out, net	66	-	(66)	-	-	-
Total revenue and transfers	32,589	30,084	12,129	8,319	44,717	38,403
Program Expenses						
General government	6,391	3,737	-	-	6,391	3,737
Public safety	15,570	5,124	-	-	15,570	5,124
Public works	1,489	2,387	-	-	1,489	2,387
Community and economic development	119	341	-	-	119	341
Code enforcement	190	89	-	-	190	89
Recreation and culture	545	547	-	-	545	547
Interest on long-term debt	5	11	-	-	5	11
Water and sewer	-	-	9,926	8,540	9,926	8,540
Total program expenses	24,310	12,236	9,926	8,540	34,237	20,776
Change in Net Position	\$ 8,278	\$ 17,848	\$ 2,202	\$ (221)	\$ 10,481	\$ 17,627

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 57.33% of total governmental revenue.

CITY OF HAMTRAMCK, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023

Under full-accrual accounting which is similar to how a business would perform its accounting, the City incurred revenue in excess of expenses in fiscal year 2023. This is primarily due to the impact of the OPEB expense related to the amortization of the deferred inflows. There was a change in benefit term and change in assumption in the OPEB valuation that resulted to decreased in OPEB expense, see Note 9 for further details.

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.

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 General Fund pays for most of the City's governmental services. Its two largest source of revenue, property taxes and state shared revenue. Property tax revenue increased approximately \$498,000 due to the taxable value increases. Expenditures increased as the City continues to return to full operations. As a result, the current year General Fund revenues exceeded expenditures by approximately \$2,900,000.

General Fund Budgetary Highlights

Over the course of the year, the City amended the budget to consider events during the year. The final amended budget included approximately \$5,250,000 more revenue than the originally adopted budget. Actual revenue came in over the amended budget by approximately \$895,000.

Total expenditures showed a \$1,245,000 favorable variance compared to the amended budget. Many departments came in under budget.

CITY OF HAMTRAMCK, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023

The final budget provided that the City would increase fund balance by \$141,065; actual operations resulted in an increase of \$2,889,956 to the fund balance.

Capital Asset and Debt Administration

Notable capital asset additions for governmental activities of \$3,067,285 included infrastructure roadways and alleys, and upgrade to public safety systems.

Capital asset purchases in 2023 for business-type activities of \$4,556,682 included meter read server and software and infrastructure for water and sewer mains.

Economic Factors and Next Year's Budgets and Rates

City revenues have been positively impacted by several factors beginning with taxable value increases. In 2018, the City completed a city-wide reappraisal of property which increased the total assessed value and this trend is expected to continue as higher sales prices from property sales to new owners are realized. In addition, focus is being directed toward delinquent income tax collections which is a substantial source of City revenue. General Motors (GM) has completed re-tooling and the City should see an increase in revenue from the CIPP based on GM estimates of payroll. Lastly, Hamtramck's population increases translate to increases in the City's allocation of State Shared Revenues.

The City continues to have a large liability in legacy costs for retirees of the City. In 2021, City administration, with Council approval, was able to enter into an agreement with the pension administrator to smooth a large payment that was being levied in 2021 over the next several years. This means that contributions to the retirement plans will be higher for several years, but the entire amount will not be due immediately.

The City received over \$16.7MM from the state to cover for the short fall in MERS fund and bring the city up to 60% of the funding requirement. This money was sent to MERS directly in August 2023.

Last year the city saw a lot of employee attrition. This has been addressed by hiring resources in various departments. The city continues to look for resources where there are vacancies and plans to adequately staff various departments.

The City also invested in building up its resources in DPW to better serve the community and speed up the development projects to address the inadequacies in its infrastructure. We have hired additional staff and bought additional equipment for this purpose.

Wayne County is continuing the construction of its new jail and expects to move from their Dickerson Jail facility in Hamtramck to the new location. This originally was projected to be complete in late summer 2022 but has been delayed. We are now anticipating this for some time in 2024. The City currently collects over \$1.4 million dollars for this facility being operated as a jail. We are working with Wayne County to try to ensure that there is no revenue shortfall for the City in case the jail is vacated and moved to a new facility.

**CITY OF HAMTRAMCK, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023**

In 2022-2023, the City incurred in excess of \$2.73MM in debt, \$.792MM of which is to be forgiven, at rates less than 2%, to address Water infrastructure and lead service line replacement needs.

Finally, Hamtramck continues to benefit from multiple Federal, State, Local, and Private grants and contributions. The City had received in excess of \$2.3MM from the American Rescue Plan Act ("ARPA") which has been used for city payroll. In addition, other grants will be directed toward multiple improvements to parks, infrastructure repair and replacement planning, as well as alleyway replacements.

The City is planning to Speed up activities in the infrastructure Including Watermain replacement, Sewer rehabilitation, Lead Service Line Replacements, Roads and Alley replacements in future years. These activities will be funded with a mixture Grants, Loans and revenues from Road and Water Funds. The city administration is working hard with state officials to get Grants to pay for some of the infrastructure investments.

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, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 20,561,559	\$ 6,274,096	\$ 26,835,655	\$ 154,309
Accounts receivable, net	1,929,183	2,267,049	4,196,232	1,930
Land held for sale	235,000	-	235,000	-
Due from other governmental units	3,495,262	4,324,960	7,820,222	-
Prepaid expenses and other assets	115,238	9,389	124,627	-
Capital assets, net				
Assets not subject to depreciation	2,583,620	3,846,977	6,430,597	-
Assets subject to depreciation	17,750,691	9,315,313	27,066,004	-
Total assets	<u>46,670,553</u>	<u>26,037,784</u>	<u>72,708,337</u>	<u>156,239</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension	7,193,934	-	7,193,934	-
OPEB	152,496	-	152,496	-
Total deferred outflows of resources	<u>7,346,430</u>	<u>-</u>	<u>7,346,430</u>	<u>-</u>
LIABILITIES				
Accounts payable	1,944,126	2,127,180	4,071,306	6,797
Accrued liabilities and other	1,238,844	55,313	1,294,157	-
Unearned revenue	47,915	-	47,915	-
Due to Other Governmental Units	117,195	-	117,195	-
Noncurrent liabilities				
Due within one year				
Current portion of long-term debt	227,206	330,000	557,206	-
Noncurrent liabilities				
Due in more than one year				
Compensated absences	1,931,526	29,983	1,961,509	-
Workers' compensation liability	92,708	-	92,708	-
Net OPEB liability	1,011,791	-	1,011,791	-
Net pension liability	63,497,232	-	63,497,232	-
Long-term debt	-	7,427,618	7,427,618	-
Total liabilities	<u>70,108,543</u>	<u>9,970,094</u>	<u>80,078,637</u>	<u>6,797</u>
DEFERRED INFLOWS OF RESOURCES				
OPEB	18,590	-	18,590	-
Deferred inflow from leases	96,498	-	96,498	-
Total deferred inflows of resources	<u>115,088</u>	<u>-</u>	<u>115,088</u>	<u>-</u>
NET POSITION (DEFICIT)				
Net investment in capital assets	20,107,105	6,912,528	27,019,633	-
Restricted for				
Highways and streets	7,988,220	-	7,988,220	-
Public safety	2,452,146	-	2,452,146	-
Community development	349,109	-	349,109	-
Recreation and culture	602,225	-	602,225	-
Building and improvement fund	604,483	-	604,483	-
Opioid settlement	272,680	-	272,680	-
Unrestricted	(48,582,616)	9,155,162	(39,427,454)	149,442
Total net position (deficit)	<u>\$ (16,206,648)</u>	<u>\$ 16,067,690</u>	<u>\$ (138,958)</u>	<u>\$ 149,442</u>

CITY OF HAMTRAMCK, MICHIGAN
STATEMENT OF ACTIVITIES
Year Ended June 30, 2023

Functions/ Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 6,391,999	\$ 113,577	\$ -	\$ -	\$ (6,278,422)	\$ -	\$ (6,278,422)	\$ -
Public safety	15,570,081	1,968,562	4,358,369	-	(9,243,150)	-	(9,243,150)	-
Public works	1,488,685	1,599,222	1,694,416	-	1,804,953	-	1,804,953	-
Community and economic development	119,300	-	154,777	508,760	544,237	-	544,237	-
Code enforcement	190,302	-	-	-	(190,302)	-	(190,302)	-
Recreation and culture	544,950	-	58,819	-	(486,131)	-	(486,131)	-
Interest on long-term debt	5,180	-	-	-	(5,180)	-	(5,180)	-
Total governmental activities	<u>24,310,497</u>	<u>3,681,361</u>	<u>6,266,381</u>	<u>508,760</u>	<u>(13,853,995)</u>	<u>-</u>	<u>(13,853,995)</u>	<u>-</u>
Business-type activities								
Water and sewer	9,926,219	12,194,500	-	-	-	2,268,281	2,268,281	-
Total business-type activities	<u>9,926,219</u>	<u>12,194,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,268,281</u>	<u>2,268,281</u>	<u>-</u>
Total primary government	<u>\$ 34,236,716</u>	<u>\$ 15,875,861</u>	<u>\$ 6,266,381</u>	<u>\$ 508,760</u>	<u>(13,853,995)</u>	<u>2,268,281</u>	<u>(11,585,714)</u>	<u>-</u>
Component unit	<u>\$ 42,366</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(42,366)</u>
General revenue								
Property taxes					8,045,579	-	8,045,579	33,304
Income taxes					3,426,901	-	3,426,901	-
State-shared revenue					5,033,330	-	5,033,330	-
State sources					3,494,862	-	3,494,862	-
Opioid settlement					272,680	-	272,680	-
Other miscellaneous income					1,792,986	-	1,792,986	-
Transfers in/out, net					66,000	(66,000)	-	-
Total general revenue and transfers					<u>22,132,338</u>	<u>(66,000)</u>	<u>22,066,338</u>	<u>33,304</u>
Change in Net Position					<u>8,278,343</u>	<u>2,202,281</u>	<u>10,480,624</u>	<u>(9,062)</u>
Net Position (Deficit) - Beginning of year, as restated (Note 1)					<u>(24,484,991)</u>	<u>13,865,409</u>	<u>(10,619,582)</u>	<u>158,504</u>
Net Position (Deficit) - End of year					<u>\$ (16,206,648)</u>	<u>\$ 16,067,690</u>	<u>\$ (138,958)</u>	<u>\$ 149,442</u>

CITY OF HAMTRAMCK, MICHIGAN
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2023

	General Fund	Major Streets Fund	Local Streets Fund	Nonmajor Funds	Total
Assets					
Cash and cash equivalents	\$ 8,704,875	\$ 4,381,006	\$ 3,375,146	\$ 4,100,532	\$ 20,561,559
Accounts receivable	1,417,738	500	-	468,611	1,886,849
Land held for sale	235,000	-	-	-	235,000
Due from nonmajor governmental funds	388,703	-	-	-	388,703
Due from other governmental units	1,747,126	374,760	114,814	1,258,562	3,495,262
Income tax receivable	42,334	-	-	-	42,334
Prepaid expenses and other assets	115,238	-	-	-	115,238
	<u>\$ 12,651,014</u>	<u>\$ 4,756,266</u>	<u>\$ 3,489,960</u>	<u>\$ 5,827,705</u>	<u>\$ 26,724,945</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 1,170,654	\$ 157,819	\$ 68,517	\$ 547,136	\$ 1,944,126
Due to general fund	-	-	-	388,703	388,703
Due to other governmental units	102,666	14,529	-	-	117,195
Unearned revenue	-	-	-	47,915	47,915
Accrued liabilities and other	1,196,578	8,755	8,386	24,909	1,238,628
	<u>2,469,898</u>	<u>181,103</u>	<u>76,903</u>	<u>1,008,663</u>	<u>3,736,567</u>
Deferred inflows of resources -					
Unavailable revenue	755,375	-	-	811,079	1,566,454
Opioid settlement - unavailable revenue	210,141	-	-	-	210,141
Deferred inflows from leases	96,498	-	-	-	96,498
	<u>1,062,014</u>	<u>-</u>	<u>-</u>	<u>811,079</u>	<u>1,873,093</u>
Fund Balances					
Nonspendable - prepaids	115,238	-	-	-	115,238
Restricted					
Highways and streets	-	4,575,163	3,413,057	-	7,988,220
Public safety	-	-	-	2,452,146	2,452,146
Community development	-	-	-	349,109	349,109
Recreation and culture	-	-	-	602,225	602,225
Building and improvement fund	-	-	-	604,483	604,483
Opioid settlement	62,540	-	-	-	62,540
Unrestricted	8,941,324	-	-	-	8,941,324
	<u>9,119,102</u>	<u>4,575,163</u>	<u>3,413,057</u>	<u>4,007,963</u>	<u>21,115,285</u>
Total liabilities and fund balances	<u>\$ 12,651,014</u>	<u>\$ 4,756,266</u>	<u>\$ 3,489,960</u>	<u>\$ 5,827,705</u>	<u>\$ 26,724,945</u>

CITY OF HAMTRAMCK, MICHIGAN
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION (DEFICIT)
June 30, 2023

Fund Balance Reported in Governmental Funds	\$ 21,115,285
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	20,334,311
Some receivables are not available to pay for current period expenditures and, therefore are deferred in the funds	210,141
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	1,566,454
Bonds payable and claims obligations are not due and payable in the current period and are not reported in the funds	(227,206)
Net pension liability is not reported in the governmental funds	(63,497,232)
Other postemployment benefit obligation is not reported in the governmental funds	(1,011,791)
Workers' compensation does not present a claim on current financial resources and is not reported as fund liabilities	(92,708)
Accrued interest is not due and payable in the current period and is not reported in the funds	(216)
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	(1,931,526)
Deferred inflows related to pension and OPEB activity	(18,590)
Deferred outflows related to pension and OPEB activity	<u>7,346,430</u>
Net Position (Deficit) of Governmental Activities	<u>\$ (16,206,648)</u>

CITY OF HAMTRAMCK, MICHIGAN
GOVERNMENTAL FUNDS
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
Year Ended June 30, 2023

	General Fund	Major Streets Fund	Local Streets Fund	Nonmajor Funds	Total
Revenue					
Property taxes	\$ 7,604,382	\$ -	\$ -	\$ 429,579	\$ 8,033,961
Income taxes	3,676,177	-	-	-	3,676,177
Licenses and permits	1,599,222	-	-	-	1,599,222
Grants	2,269,811	-	-	4,531,209	6,801,020
State-shared revenue	5,033,330	-	-	-	5,033,330
State sources	438,559	2,232,642	703,759	237,407	3,612,367
Fines and forfeitures	1,913,354	-	-	55,208	1,968,562
Charges for services	124,780	-	-	-	124,780
Other revenue	1,433,086	-	-	359,900	1,792,986
Total revenue	24,092,701	2,232,642	703,759	5,613,303	32,642,405
Expenditures					
Current					
General government	5,212,086	-	-	1,055,859	6,267,945
District court	877,843	-	-	-	877,843
Public safety	13,586,816	-	-	738,337	14,325,153
Public works	754,416	1,085,077	770,774	1,392,176	4,002,443
Community and economic development	116,378	-	-	-	116,378
Code enforcement	190,302	-	-	-	190,302
Recreation and culture	-	-	-	473,161	473,161
Total expenditures	20,737,841	1,085,077	770,774	3,659,533	26,253,225
Excess of Revenue Over (Under) Expenditures	3,354,860	1,147,565	(67,015)	1,953,770	6,389,180
Other Financing Sources (Uses)					
Transfers in	21,843	-	266,000	486,747	774,590
Transfers out	(486,747)	(200,000)	-	(21,843)	(708,590)
Total other financing sources (uses)	(464,904)	(200,000)	266,000	464,904	66,000
Net Change in Fund Balance	2,889,956	947,565	198,985	2,418,674	6,455,180
Fund Balances - Beginning of year, as restated (Note 1)	6,229,146	3,627,598	3,214,072	1,589,289	14,660,105
Fund Balances - End of year	\$ 9,119,102	\$ 4,575,163	\$ 3,413,057	\$ 4,007,963	\$ 21,115,285

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, 2023

Net Change in Fund Balances - Total Governmental Funds	\$ 6,455,180
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	3,067,284
Depreciation expense	(1,100,076)
Repayment of bond principal are expenditures in the governmental funds, but not in the statement of activities	222,105
Changes in workers' compensation liability recorded in statement of activities, but not the governmental funds	(3,313)
Pension activity related to net pension liability is recorded in the statement of activities, but not in the governmental funds	(1,017,123)
Change in accrued interest payable and other	208
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	(164,566)
Property tax revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available.	11,618
Income tax revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available.	(249,276)
Grant revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available.	(80,844)
Opioid settlement revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available.	210,140
Charges for services in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available.	(11,203)
Other postemployment benefit activity is recognized in the statement of activities, but not in the governmental funds	<u>938,209</u>
Change in Net Position of Governmental Activities	<u>\$ 8,278,343</u>

CITY OF HAMTRAMCK, MICHIGAN
PROPRIETARY FUND
STATEMENT OF NET POSITION
June 30, 2023

	<u>Water and Sewer</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 6,274,096
Receivables	2,267,049
Due from other governmental units	4,324,960
Prepaid expenses	<u>9,389</u>
Total current assets	<u>12,875,494</u>
Noncurrent assets	
Capital assets	
Assets not subject to depreciation	3,846,977
Assets subject to depreciation, net	<u>9,315,313</u>
Total noncurrent assets	<u>13,162,290</u>
Total assets	<u>26,037,784</u>
LIABILITIES	
Current liabilities	
Accounts payable	2,127,180
Accrued liabilities and other	55,313
Current portion of long-term debt	<u>330,000</u>
Total current liabilities	<u>2,512,493</u>
Noncurrent liabilities	
Compensated absences	29,983
Long-term debt, net of current portion	<u>7,427,618</u>
Total noncurrent liabilities	<u>7,457,601</u>
Total liabilities	<u>9,970,094</u>
NET POSITION	
Net investment in capital assets	6,912,528
Unrestricted	<u>9,155,162</u>
Total net position	<u><u>\$ 16,067,690</u></u>

CITY OF HAMTRAMCK, MICHIGAN
PROPRIETARY FUND
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
Year Ended June 30, 2023

	Water and Sewer
Operating Revenue	
Sale of water	\$ 4,177,590
Sewage disposal charges	4,984,100
Grant revenue	2,027,369
Other sales to customers	<u>1,005,441</u>
Total operating revenue	<u>12,194,500</u>
Operating Expenses	
Cost of water	891,932
Cost of sewage treatment	4,123,727
Operation and maintenance	2,725,599
General administrative costs	1,803,132
Depreciation and amortization	<u>256,299</u>
Total operating expenses	<u>9,800,689</u>
Operating Profit	<u>2,393,811</u>
Non-Operating Expense	
Interest expense	<u>(125,530)</u>
Income - Before transfer	2,268,281
Transfer to other funds	
Transfers out	<u>(66,000)</u>
Change in Net Position	<u>2,202,281</u>
Net Position - Beginning of year	<u>13,865,409</u>
Net Position - End of year	<u><u>\$ 16,067,690</u></u>

CITY OF HAMTRAMCK, MICHIGAN
PROPRIETARY FUND
STATEMENT OF CASH FLOWS
Year Ended June 30, 2023

	Water and Sewer
Cash Flows from Operating Activities	
Receipts from customers	\$ 11,664,663
Payment to employees	(255,126)
Payments to suppliers	(7,958,732)
Receipts from other governments	<u>(1,464,179)</u>
Net cash provided by operating activities	<u>1,986,626</u>
Cash Flows used in Capital and Related Financing Activities	
Purchase of capital assets	(4,556,682)
Proceeds from debt	82,562
Principal paid on capital debt	(310,000)
Interest paid on capital debt	<u>(125,530)</u>
Net cash used in capital and related financing activities	<u>(4,909,650)</u>
Cash Flows used in Noncapital and Related Financing Activities	
Transfers to other funds	<u>(66,000)</u>
Net Decrease in Cash and Cash Equivalents	(2,989,024)
Cash and Cash Equivalents - Beginning of year	<u>9,263,120</u>
Cash and Cash Equivalents - End of year	<u><u>\$ 6,274,096</u></u>
Reconciliation of Operating Profit to Net Cash Provided by Operating Activities	
Operating profit	\$ 2,393,811
Adjustments to reconcile operating gain to net cash provided by operating activities	
Depreciation and amortization	256,299
Changes in assets and liabilities:	
Receivables	(529,837)
Prepaid expenses	(6,026)
Due from other governmental units	(1,464,179)
Accounts payable	1,324,303
Accrued liabilities and other	2,850
Compensated absences	<u>9,405</u>
Net cash provided by operating activities	<u><u>\$ 1,986,626</u></u>
Noncash Capital and Financing Activities	
Loan proceeds approved but not yet received	<u><u>\$ 2,860,676</u></u>

CITY OF HAMTRAMCK, MICHIGAN
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2023

	Development Agreement Escrow Private Purpose Trust Fund	Custodial Funds
	<u> </u>	<u> </u>
Assets		
Cash and cash equivalents	\$ 11,092	\$ 765,985
	<u> </u>	<u> </u>
Liabilities		
Due to other governmental units	-	\$ 765,985
	<u> </u>	<u> </u>
Net position held in trust for development escrow account	<u>\$ 11,092</u>	

CITY OF HAMTRAMCK, MICHIGAN
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
June 30, 2023

	Development Agreement Escrow Private Purpose Trust Fund	Custodial Funds
	<u> </u>	<u> </u>
Additions		
Interest earned	\$ -	\$ -
Taxes and assessments	-	14,616,083
Fines and fees	-	435,936
	<u> </u>	<u> </u>
Total additions	<u> </u> -	<u> </u> 15,052,019
Deductions		
Payments disbursed to others	<u> </u> 6,064	<u> </u> 15,052,019
Net decrease in fiduciary net position	(6,064)	-
Net Position - Beginning of year	<u> </u> 17,156	<u> </u> -
Net Position - End of year	<u> </u> \$ 11,092	<u> </u> \$ -

CITY OF HAMTRAMCK, MICHIGAN
COMPONENT UNIT
STATEMENT OF NET POSITION
June 30, 2023

	<u>Downtown Development Authority</u>
Assets	
Cash and cash equivalents	\$ 154,309
Receivables	<u>1,930</u>
Total assets	156,239
Liabilities	
Accounts payable and other liabilities	<u>6,797</u>
Net position	<u><u>\$ 149,442</u></u>

CITY OF HAMTRAMCK, MICHIGAN
COMPONENT UNIT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2023

	<u>Downtown Development Authority</u>
General revenue	
Property tax capture	\$ 33,304
Total General Revenue	<u>33,304</u>
Expenses	<u>42,366</u>
Change in Net Position	(9,062)
Net position - Beginning of year	<u>158,504</u>
Net position - End of year	<u>\$ 149,442</u>

CITY OF HAMTRAMCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board (GASB). 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.

Housing Commission

The City has excluded the Housing Commission from this report as a component unit because the City does not exercise substantial oversight responsibility. The Housing Commission's financial statements have been issued under separate cover.

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, 2023

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.

Proprietary funds and fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred regardless of the timing of related cash flows.

CITY OF HAMTRAMCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 – NATURE OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(continued)

As a general rule, the effect of interfund activity has been eliminated from the government wide financial statements.

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.

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.

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:

Capital Project Fund - The Capital Project Fund is to account for funds used to acquire or construct major capital assets.

Special Revenue Funds – 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.

CITY OF HAMTRAMCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 – NATURE OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Funds – Fiduciary funds are used to report assets held in an agency capacity for others, and therefore – are not available to support city programs. The reporting focus is on net position and changes in net position and are reported using accounting principles similar to proprietary funds. The City reports the Development Agreement Escrow Private Purpose Trust Fund as a fiduciary fund (see below for more information on this fund). The City's fiduciary custodial funds include the Tax Collections Fund, the Highland Park Tax Collections Fund, and the 31st District Court Fund.

Development Agreement Escrow Private Purpose Trust Fund – The Development Agreement Escrow Private Purpose Trust Fund records money held in trust resulting from a 1981 court judgment. The judgment 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 judgment called for the creation of two corporations to supervise the development in this district.

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 2022 tax is levied and collectible on July 1 and December 1, 2022 and is recognized as revenue in the year ended June 30, 2023, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2022 taxable valuation of the City totaled \$256,072,088 on which taxes levied consisted of 18.2987 mills for operating purposes, 2.7446 mills for rubbish services, 0.5000 mills for police and fire pension, 1.6962 mills for library, and 1.7560 for DDA District.

Assets, Liabilities, and Net Assets or Net Position

Cash, Cash Equivalents, and Investments – Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investment is stated at fair value. 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.

CITY OF HAMTRAMCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 – NATURE OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Net Assets or Net Position (Continued)

Interfund Activity – During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Furthermore, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported as gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

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

CITY OF HAMTRAMCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 – NATURE OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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. Bond payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognized bond issuances as “other financing sources,” as well as bond premiums and discounts.

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.

CITY OF HAMTRAMCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 – NATURE OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 report deferred outflows of resources related to two items: (1) deferred pension costs, as detailed in Note 8; (2) deferred OPEB costs, as detailed in Note 9.

In addition to liabilities, the statement of net position and/or balance sheet 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 a future period and so will not be recognized as an inflow of resources (revenue) until that time. The government-wide statements report deferred inflows of resources related to four items: (1) deferred pension costs, as detailed in Note 8; (2) deferred OPEB costs, as detailed in Note 9; (3) deferred inflows related to leases for future lease receipts and (4) unavailable revenue qualifies for reporting in this category and is reported only under a modified accrual basis of accounting. The governmental funds report unavailable revenues from grants that were not received within 60 days of year end.

Proprietary Funds Operating Classification – 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 include 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.

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.

Leases – The City is a lessor for a lease of a cell phone tower. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and fund financial statements. The lease receivable is presented as part of the accounts receivable in the accompanying government-wide and fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

CITY OF HAMTRAMCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 – NATURE OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The City uses the US Treasury risk free rate of return for leases.

The lease term includes the noncancelable period of the lease and the additional periods that are unlikely to be terminated. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

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** – Amounts intended to be used by the government for specific purposes, but do not meet the criteria to be classified as restricted or committed. The City Council has the authority to assign funds.
- **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.

Adoption of New Accounting Pronouncement

During the year ended June 30, 2023, the City adopted the provisions of GASB Statement No, 96, *Subscription-Based Information Technology Arrangements*. As of June 30, 2023, the City did not have any arrangements that would meet the requirement of the Statement.

CITY OF HAMTRAMCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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, 2022	<u>\$ (734,574)</u>
Revenue - Building fee revenue	751,638
Expenditures	<u>(593,817)</u>
Current year income	<u>157,821</u>
Cumulative shortfall at June 30, 2023	<u><u>\$ (576,753)</u></u>

NOTE 3 – DEPOSITS AND INVESTMENTS

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.

The investment policy adopted by the Council in accordance with Public Act of 20 of 1943 has authorized investment in accordance with state statutory 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 \$27,197,004 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, 2023

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk – Investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by: limiting investments to the types of securities allowed by law, and pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the City will do business. The investments in Michigan CLASS are considered uncollateralized and uninsured.

Credit Risk – State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers’ acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The City’s investment policy does not have specific limits in excess of state law on investment credit risk. The rating is identified below for investments held at year end.

Concentration of Credit Risk – State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The City’s policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported below.

At June 30 2023, the maturity of investment and the credit quality rating of investment security held by the City is as follows:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Michigan CLASS	n/a	<u>17,321,514</u> *	AAAm	Standard & Poor

*Securities are valued at amortized cost which approximates fair value

Fair Value Measurements – The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

The City’s investment from Michigan CLASS that is classified as external investment pool and measured at fair value is not required to be categorized within the fair value hierarchy for purposes of paragraph 81a (2) of GASB Statement 72, *Fair Value Measurements*.

CITY OF HAMTRAMCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 4 – LAND HELD FOR SALE

The City owns 47 land parcels in the City that are classified as land held for sale. The properties are reported at one-half of the listing sale price.

NOTE 5 – CAPITAL ASSETS

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

	Balance July 1, 2022	Additions	Disposals	Transfers	Balance June 30, 2023
Governmental Activities					
Capital assets not being depreciated					
Land	\$ 808,656	\$ 280,356	\$ -	\$ -	\$ 1,089,012
Construction in progress	954,302	1,644,327		(1,104,020)	1,494,609
Subtotal	<u>1,762,958</u>	<u>1,924,683</u>	<u>-</u>	<u>(1,104,020)</u>	<u>2,583,621</u>
Capital assets being depreciated					
Land improvements	15,699,222	43,225	-	1,090,938	16,833,385
Street lights	683,201	-	-	-	683,201
Building and improvements	7,477,810	14,154	-	-	7,491,964
Machinery and equipment	1,418,731	160,241	-	13,082	1,592,054
Vehicles	3,389,098	917,672	-	-	4,306,770
Library collection	1,181,470	7,310		-	1,188,780
Subtotal	<u>29,849,532</u>	<u>1,142,602</u>	<u>-</u>	<u>1,104,020</u>	<u>32,096,154</u>
Accumulated depreciation					
Land improvements	6,156,093	480,966	-	-	6,637,059
Street lights	344,731	34,160	-	-	378,891
Building and improvements	2,333,598	160,430	-	-	2,494,028
Machinery and equipment	856,198	148,820		-	1,005,018
Vehicles	2,426,786	264,423	-		2,691,209
Library collection	1,127,981	11,277		-	1,139,258
Subtotal	<u>13,245,387</u>	<u>1,100,076</u>	<u>-</u>	<u>-</u>	<u>14,345,463</u>
Net capital assets being depreciated	<u>16,604,145</u>	<u>42,526</u>	<u>-</u>	<u>1,104,020</u>	<u>17,750,691</u>
Net capital assets	<u>\$ 18,367,103</u>	<u>\$ 1,967,209</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,334,312</u>

CITY OF HAMTRAMCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 5 – CAPITAL ASSETS (Continued)

	Balance July 1, 2022	Additions	Disposals	Transfers	Balance June 30, 2023
Business-type Activities					
Capital assets not being depreciated					
Land	\$ 96,790	\$ -	\$ -	\$ -	\$ 96,790
Construction in progress	445,033	4,492,002	-	(1,186,848)	\$ 3,750,187
Subtotal	541,823	4,492,002	-	(1,186,848)	\$ 3,846,977
Capital assets being depreciated					
Water and sewer lines	10,878,196	-	-	1,186,848	12,065,044
Machinery and equipment	1,582,903	64,680	-	-	1,647,583
Subtotal	12,461,099	64,680	-	1,186,848	13,712,627
Accumulated depreciation					
Water and sewer lines	2,684,915	211,996	-	-	2,896,911
Machinery and equipment	1,456,100	44,303	-	-	1,500,403
Subtotal	4,141,015	256,299	-	-	4,397,314
Net capital assets being depreciated	8,320,084	(191,619)	-	-	9,315,313
Net capital assets	\$ 8,861,907	\$ 4,300,383	\$ -	\$ -	\$ 13,162,290

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

Governmental Activities

General government	\$ 95,554
Public safety	305,484
Public works	607,692
Recreation and culture	91,346
Total governmental activities	<u>\$ 1,100,076</u>

Business-type Activities

Water and sewer	<u>\$ 256,299</u>
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CITY OF HAMTRAMCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

Receivable	Payable	Amount
General Fund	Building and Improvements Fund	\$ 140,441
General Fund	Library Fund	1,703
General Fund	Property Revitalization Fund	<u>246,559</u>
		<u>\$ 388,703</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.

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

Transfer From	Transfer To			Total
	General Fund	Local Streets Fund	Nonmajor Governmental Funds	
General Fund	\$ -	\$ -	\$ 486,747	\$ 486,747
Local Streets Fund	-	200,000	-	200,000
Nonmajor Governmental Fund	21,843	-	-	21,843
Water & Sewer Fund	-	66,000	-	66,000
	<u>\$ 21,843</u>	<u>\$ 266,000</u>	<u>\$ 486,747</u>	<u>\$ 774,590</u>

NOTE 7 – 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.

CITY OF HAMTRAMCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 7 – LONG-TERM DEBT (Continued)

On August 30, 2019, the City issued Water Supply System Junior Lien Revenue Bonds to cover certain improvements to the City's Water Supply and Sewage Disposal System. The principal amount of the bonds issued was \$755,000 with annual payments due ranging from \$30,000 to \$45,000 until maturity on April 1, 2040. Interest on the bond will accrue at a rate of 2.0% per annum, payable April 1, 2020, and semi-annually thereafter. The City received \$151,000 in principal forgiveness in fiscal year 2020. As of June 30, 2023, the City has not drawn the entire amount of the revenue bond.

On May 6, 2022, the City issued Water Supply System Junior Lien Revenue Bonds, Series 2022A to pay the eligible costs of the improvements. The principal amount of the bonds issued was \$3,510,000 with annual payments due ranging from \$60,000 to \$125,000 until maturity on April 1, 2043. Interest on the bond will accrue at a rate of 1.875% per annum, payable October 1, 2022, and semi-annually thereafter. The City expects a forgiveness of the loan amounting to \$3,000,000. As of June 30, 2023, the City has drawn \$82,562 of the available balance.

On September 20, 2022, the City issued Water Supply System Junior Lien Revenue Bonds, Series 2022B to pay the eligible costs of the improvements. The principal amount of the bonds issued was \$2,730,000 with annual payments due ranging from \$50,000 to \$100,000 until maturity on October 1, 2061. Interest on the bond will accrue at a rate of 1.875% per annum, payable April 1, 2023, and semi-annually thereafter. The City expects a forgiveness of the loan amounting to \$791,700. As of June 30, 2023, the City has accrued \$2,673,296 of the available balance.

On October 31, 2021, the City of Hamtramck amended two specific components of its Emergency Loan Note 2013-14 Series I (the Note). The agreement amended the interest rate that beginning on the next scheduled payment date as established in the Note, the Note shall bear interest at a rate of 1.20% per annum. In addition, the City shall have the right to pay at any time or times prior to maturity, without penalty or premium, all or any portion of this Note. Prepayments shall be credited to principal payments in any order, in whole or in part, as mutually agreed to by the City and the State of Michigan.

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, 2023

NOTE 7 – 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						
Bonds and contracts payable						
Direct borrowings and direct placements:						
Emergency Loan Note 2013-2014 Series I:						
Amount of issue - \$2,070,027						
Maturing through 2024	2.30%	\$ 449,311	\$ -	\$ 222,105	\$ 227,206	\$ 227,206
Other long term obligations:						
Accumulated compensated absences		1,766,960	-	(164,566)	1,931,526	-
Workers' compensation		89,395	145,887	142,574	92,708	-
Total governmental activities		<u>\$ 2,305,666</u>	<u>\$ 145,887</u>	<u>\$ 200,113</u>	<u>\$ 2,251,440</u>	<u>\$ 227,206</u>
Business-type Activities						
Bonds and contracts payable						
Direct borrowings and direct placements:						
2015 Michigan Finance Authority -						
Clean Water Program:						
Amount of issue - \$6,425,000						
Maturing through 2036	2.500%	\$ 4,756,760	\$ -	\$ 285,000	\$ 4,471,760	\$ 295,000
2019 Water Supply System -						
Junior Lien Revenue Bonds						
Amount of issue - \$604,000						
Mature through 2040	2.000%	367,620	187,380	25,000	530,000	25,000
2022 Water Supply System -						
Junior Lien Revenue Bonds						
Amount of issue - \$3,510,000						
Mature through 2043	1.875%	-	82,562	-	82,562	10,000
2022 Water Supply System -						
Junior Lien Revenue Bonds						
Amount of issue - \$2,730,000						
Mature through 2061	1.875%	-	2,673,296	-	2,673,296	-
Total direct borrowings and direct placements principal outstanding		<u>5,124,380</u>	<u>2,943,238</u>	<u>310,000</u>	<u>7,757,618</u>	<u>330,000</u>
Other long term obligations:						
Accumulated compensated absences		<u>20,578</u>	<u>-</u>	<u>(9,405)</u>	<u>29,983</u>	<u>-</u>
Total business-type activities		<u>\$ 5,144,958</u>	<u>\$ 2,943,238</u>	<u>\$ 300,595</u>	<u>\$ 7,787,601</u>	<u>\$ 330,000</u>

CITY OF HAMTRAMCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 7 – LONG-TERM DEBT (Continued)

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

Years Ending June 30	Governmental Activities		
	Borrowings and Direct		
	Principal	Interest	Total
2024	\$ 227,206	\$ 2,734	\$ 229,940
Total	<u>\$ 227,206</u>	<u>\$ 2,734</u>	<u>\$ 229,940</u>
	Business-Type Activities		
	Borrowings and Direct		
Years Ending June 30	Principal	Interest	Total
2024	\$ 330,000	\$ 120,195	\$ 450,195
2025	385,000	112,132	497,132
2026	395,000	103,944	498,944
2027	405,000	95,507	500,507
2028	420,000	86,844	506,844
2029-2033	2,217,562	296,424	2,513,986
2034-2038	1,726,760	60,487	1,787,247
Subsequent to 2038	1,878,296	-	1,878,296
Total	<u>\$ 7,757,618</u>	<u>\$ 875,533</u>	<u>\$ 8,633,151</u>

NOTE 8 – 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:

CITY OF HAMTRAMCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 8 - RISK MANAGEMENT (Continued)

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.

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:

	Workers' Compensation <u>2023</u>
Unpaid claims - Beginning of year	\$ 89,395
Incurred claims, including claims incurred but not reported	145,887
Claim payments	<u>(142,574)</u>
Unpaid claims - End of year	<u>\$ 92,708</u>

NOTE 9 – PENSION PLANS

Defined Benefit 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, fire, 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.mersofmich.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.

CITY OF HAMTRAMCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 9 - PENSION PLANS (Continued)

The MERS plan covers general employees, police employees, fire employees and department heads. Retirement benefits for general employees, library employees, AFSCME employees hired before July 1, 2011, and salaried employees are calculated as 2.0% of the employee's final five-year average salary times the employee's years of service, AFSCME employees hired after July 1, 2011 are calculated as 1.5% and 2.0% for Police and Fire with a maximum of 80%. Normal retirement age for general and nonunion employees is 60 with early retirement at 50 with 25 years of service or 55 with 15 years of service. For police and fire employee 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.

The plan is closed to police and fire employees hired after December 1, 2013. Police and fire employees hired after December 1, 2013, are included in the Hybrid plan defined benefit as detailed below.

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.

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, 2022 measurement date, the following employees were covered by the benefit terms:

Employees Covered by Benefit Terms

Inactive plan members or beneficiaries currently receiving benefits	208
Inactive plan members entitled to but not yet receiving benefits	94
Active plan members	<u>84</u>
Total employees covered by MERS	<u><u>386</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.

CITY OF HAMTRAMCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 9 - PENSION PLANS (Continued)

For the year ended June 30, 2023, the average active employee contribution rate ranges from 0% to 15% of annual pay and the City's average contribution rate ranges from 0% to 92.12% of annual payroll.

Net Pension Liability – The net pension liability reported at June 30, 2023 was determined using a measure of the total pension liability and the pension net position as of December 31, 2022. The December 31, 2022 total pension liability was determined by an actuarial valuation performed as of that date.

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

<u>Changes in Net Pension Liability</u>	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Net Position</u>	<u>Net Pension Liability</u>
Balance at December 31, 2021	\$ 103,858,820	\$ 47,894,862	\$ 55,963,958
Service cost	579,948	-	579,948
Interest	7,255,231	-	7,255,231
Experience differences	886,565	-	886,565
Contributions - Employer	-	5,776,672	(5,776,672)
Contributions - Employee	-	424,908	(424,908)
Changes in actuarial assumptions	-	-	-
Net investment income	-	(4,926,499)	4,926,499
Benefit payments, including refunds	(8,153,295)	(8,153,295)	-
Administrative expenses	-	(86,361)	86,361
Miscellaneous other	-	(250)	250
Net changes	<u>568,449</u>	<u>(6,964,825)</u>	<u>7,533,274</u>
Balance at December 31, 2022	<u>\$ 104,427,269</u>	<u>\$ 40,930,037</u>	<u>\$ 63,497,232</u>

Assumption Changes – There were assumption changes which affect the measurement of the total pension liability from the time of the last measurement date at December 31, 2021 to December 31, 2022. Effective February 17, 2022, the MERS Retirement Board adopted a dedicated gains policy that automatically adjusts the assumed rate of investment return by using excess asset gains to mitigate large increases in required contributions to the Plan. Some goals of the dedicated gains policy are to:

- Provide a systematic approach to lower the assumed rate of investment return between experience studies, and
- Use excess gains to cover both the increase in normal cost and any increase in UAL payment the first year after implementation in employer contributions.

CITY OF HAMTRAMCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 9 - PENSION PLANS (Continued)

The dedicated gains policy has been implemented with the December 31, 2021, annual actuarial valuation. After initial application of the smoothing method, remaining market gains were used to lower the assumed rate of investment return from 7.35% to 7.00%. The December 31, 2022, valuation liabilities were developed using this new, lower assumption. Additionally, as a result of recognizing excess market gains, the valuation assets used to fund these liabilities are 7.2% higher than if there were no dedicated gain policy. The combined impact of these changes will minimize the first year-impact on employer contributions and may result in an increase or a decrease in employer contributions.

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

For the year ended June 30, 2023, the City recognized pension expense of \$6,984,721. At June 30, 2023, the City reported deferred outflows of resources and deferred (inflows) of resources related to pensions from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 443,283	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	3,666,115	-
Employer contributions to the plan subsequent to the measurement date	3,084,536	-
Total	\$ 7,193,934	\$ -

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 \$3,084,534, which will impact the net pension liability in fiscal year 2023, rather than pension expense. Other amounts as deferred outflows of resources and deferred (inflows) of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30,	Amount
2024	\$ 664,149
2025	692,913
2026	1,087,339
2027	1,664,997

CITY OF HAMTRAMCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 9 – PENSION PLANS (Continued)

Actuarial Assumptions – The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%	
Salary increases	3.00%	Including inflation
		Net of investment and administrative expenses, including inflation
Investment rate of return	7.00%	

The base mortality tables used are constructed as described below and based on weighted sex distinct rates:

Pre-Retirement Mortality

1. 100 percent of Pub-2010 Juvenile Mortality Tables for Ages 0-17
2. 100 percent of PubG-2010 Employee Mortality Tables for Ages 18-80
3. 100 percent of PubG-2010 Healthy Retiree Tables for Ages 81-120

Non-Disabled Retired Plan Members and Beneficiaries

1. 106 percent of Pub-2010 Juvenile Mortality Tables for Ages 0-17
2. 106 percent of PubG-2010 Employee Mortality Tables for Ages 18-49
3. 106 percent of PubG-2010 Healthy Retirees Tables for Ages 50-120

Disabled Retired Plan Members

1. 100 percent of Pub-2010 Juvenile Mortality Tables for Ages 0-17
2. 100 percent of PubNS-2010 Disabled Retiree Tables for Ages 18-120

The actuarial assumptions used in the December 31, 2022 valuation was first used for the December 31, 2020 actuarial valuations, and future mortality improvements are assumed each year using scale MP-2019 applied fully generationally from the Pub-2010 base year of 2010.

Discount Rate – The discount rate used to measure the total pension liability was 7.25%. The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because, for GASB 68 purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers.

CITY OF HAMTRAMCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 9 – PENSION PLANS (Continued)

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.

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 and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as December 31, 2022, the measurement date, for each major class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	60.0%	2.70%
Global fixed income	20.0%	0.40%
Private investments	20.0%	1.40%

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 7.25%, 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 (6.25%) or one percentage point higher (8.25%) than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Net pension liability of the City	<u>\$ 74,641,007</u>	<u>\$ 63,497,232</u>	<u>\$ 54,174,322</u>

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.mersofmich.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, 2023

NOTE 9 – PENSION PLANS (Continued)

Hybrid Plan

All full-time Police Officer Association employees hired after December 1, 2013, assessors hired after July 1, 2014 (HA Division) and International Association of Firefighters employees hired, rehired after December 1, 2013 (HB Division) are required to participate in a hybrid pension plan administered by MERS. The hybrid pension plan is made up of two components: a defined benefit plan and defined contribution plan.

Under the defined benefit contribution plan, for HA and HB divisions, the employees may make a one-time irrevocable election to contribute up to 5 percent of all earnings in increments to the defined contribution component of the hybrid plan. The City contributes up to 5 percent of employees' pensionable wages. Employees will vest the City's contribution according to the years of service while employee contribution is immediately vested. For fiscal year ended June 30, 2023, the City and employee's total contribution to the defined contribution plan within the hybrid amounted to \$99,763 and \$107,858, respectively.

Defined Contribution Plan

Employees that are part of the administration group of the City participates in a defined contribution plan administered by MERS. In addition, under the defined contribution plan the City contributes 15 percent of the City Manager's pensionable wages with no contribution from the employee while other employees in the administration group contributes 0 percent to 15 percent of employee's pensionable wages with no contribution from the City. For fiscal year ended June 30, 2023, the City's total contribution to the defined contribution plan amounted to \$4,863 and employee contribution amounted to \$-0-.

NOTE 10 – 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 191 members (including employees in active service, terminated employees not yet receiving benefits, and retired employees and beneficiaries currently receiving benefits).

CITY OF HAMTRAMCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

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.

Benefits Provided – Benefits paid by the OPEB plan consists of healthcare, prescription drug, dental and life coverage. Benefit provisions are established through negotiations between the City and the employee's unions.

Benefit Changes – The June 30, 2021, valuation date report with a June 30, 2023 measurement date reflects the following changes to the plan:

At the beginning of fiscal year 2021, the City eliminated all payments toward the retiree OPEB plan, with the exception of certain employees with recognized duty disability retirements. It is anticipated that this change will dramatically reduce the City's annual OPEB costs.

The City cited the ruling of *Serafino, et. Al. v. City of Hamtramck* USDC EDMI 4:2014-cv-14112 (2016) as the well as the subsequent decision by the United States Court of Appeals for the Sixth Circuit (16-2370) and Cathy Square as support for its decision to terminate OPEB benefits.

On July 1, 2020, all current retirees have access to retiree health care at 100% of their own cost, with the exception of 2 duty disability retirees.

Current police and fire employees do not have access to any future retiree health care, unless they become disabled in the line of duty in which case, they would receive 100% City paid retiree health care.

All other employees do not have access to any future retiree health care.

CITY OF HAMTRAMCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Employees Covered by Benefit Terms

The following members were covered by the contractual benefit terms:

Date of member count	<u>June 30, 2023</u>
Retirees and beneficiaries currently receiving benefits	136
Active plan members	<u>55</u>
Total plan members	<u><u>191</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, 2023, the City made payments for postemployment healthcare benefits of \$101,783.

Total OPEB Liability

The City's total OPEB liability of \$1,011,791 was measured as of June 30, 2023 and was determined by an actuarial valuation as of June 30, 2021.

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

<u>Changes in Net OPEB Liability</u>	<u>Total OPEB Liability</u>	<u>Plan Net Position</u>	<u>Net OPEB Liability</u>
Balance at July 1, 2022	\$ 1,052,117	\$ -	\$ 1,052,117
Changes for the year:			
Service cost	9,271	-	9,271
Interest	37,116	-	37,116
Changes in benefit terms	-	-	-
Differences between expected and actual experience	32,766	-	32,766
Changes in assumptions	(17,696)	-	(17,696)
Contributions - Employer	-	101,783	(101,783)
Benefit payments, including refunds	<u>(101,783)</u>	<u>(101,783)</u>	<u>-</u>
Net Changes	<u>(40,326)</u>	<u>-</u>	<u>(40,326)</u>
Balance at June 30, 2023	<u><u>\$ 1,011,791</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,011,791</u></u>

CITY OF HAMTRAMCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

For the year ended June 30, 2023, the City recognized OPEB expense of \$(836,426).

At June 30, 2023, the City reported deferred outflows of resources and deferred (inflows) of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ (18,590)
Changes in assumptions	<u>152,496</u>	<u>-</u>
Total	<u>\$ 152,496</u>	<u>\$ (18,590)</u>

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>
2024	\$ 128,397
2025	5,509

Actuarial Assumptions

Actuarial assumptions used in the June 30, 2021, valuation were based on the results of the MERS 5-year experience study for the period January 1, 2014 to December 31, 2018, issued February 14, 2020 performed by the prior MERS pension actuary.

The total OPEB liability as of June 30, 2023 was determined using an inflation assumption of 2.5%; assumed salary increases (including inflation) of 3.0% to 9.7%, investment rate of return of 3.5%, net of OPEB plan investment expenses, a healthcare cost trend rate of 8.25% for 2023, reduced by decrements to an ultimate rate of 4.5% percent in year 16 and later years; and a version of Pub-2010 mortality tables with future mortality improvement projected generationally using scale MP-2019. These assumptions were applied to all periods included in the measurement.

CITY OF HAMTRAMCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Discount Rate

For plans that do not have formal assets, the single discount rate should equal the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit ratings as of the measurement date. For the purpose of the June 30, 2022, valuation, the municipal bond rate is 3.86% (based on the daily rate closest to but not later than the measurement date of the Fidelity “20-year Municipal GO AA Index”). As a result, the single discount rate of 3.86% was used to measure the Total OPEB Liability as of June 30, 2032. This represents a change in assumptions. The single discount rate used to measure the total OPEB liability as of June 30, 2021, was 3.69%. This single discount rate changed due to changes in the municipal bond rate.

Assumption Changes

The single discount rate used to measure the total OPEB liability as of June 30, 2022, was 3.69%. The single discount rate of 3.86% was used to measure the total OPEB liability as of June 30, 2023. This single discount rate changed due to changes in the municipal bond rate.

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 3.69%, 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:

	1 Percent Decrease (2.86%)	Current Discount Rate (3.86%)	1 Percent Increase (4.86%)
Total OPEB liability of the Plan	<u>\$ 1,125,077</u>	<u>\$ 1,011,791</u>	<u>\$ 918,279</u>

CITY OF HAMTRAMCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 10 – 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 8.25%, 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:

	<u>1 Percent Decrease</u>	<u>Current Healthcare Cost Trend Rate Assumption</u>	<u>1 Percent Increase</u>
Total OPEB liability of the Plan	<u>\$ 920,802</u>	<u>\$ 1,011,791</u>	<u>\$ 1,121,918</u>

NOTE 11 – HEALTH CARE SAVINGS PLAN

The City provides a Health Care Savings Plan (the "Plan") for fire employees hired on or after November 1, 2013 and police employees hired on or after June 26, 2012. The fire and police employees hired on or after the specified dates on the Plan are not eligible for retiree health care benefits. The Plan is administered by MERS. The City does not contribute to the Plan. The fire employees have a mandatory contribution of 3 percent of the employees' gross wages while the police employees have a mandatory \$10 per pay. The employee contribution is immediately vested. The total employee contributions amounted to \$26,916 for fiscal year ended June 30, 2023.

CITY OF HAMTRAMCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 12 – CONTINGENT LIABILITIES

The City was the defendant in several lawsuits and outstanding settlements during the year ended June 30, 2023.

The City was the defendant in a class action lawsuit in which the plaintiffs had alleged damages due to a sewage discharge event in 2021. This lawsuit resulted in a \$1 million settlement owed to the plaintiffs and their counsel. As part of the court order, the City was allowed to levy a millage on the Summer 2023 property taxes to cover the settlement proceeds.

The City was the defendant in a class action lawsuit in which the plaintiff was involved in an incident involving officers of the Hamtramck Police Department. In April 2023, this resulted in a \$60,000 settlement owed to the plaintiff and their counsel. As part of the court order, the City was allowed to levy a millage on the Summer 2023 property taxes to cover the settlement proceeds.

The City entered a consent judgment to construct 200 units of remedial housing. In 2005, the City began to construct the homes. In 2013, 197 homes were complete. The State of Michigan declared a fiscal emergency and, as part of its initial restructuring fired the then existing staff and people who knew how to administer the consent judgment. Instead of completing the homes, the staff hired by the emergency manager re-assessed most of the 197 units of housing in violation of the orders of the court on the issue of affordability. This resulted in a dispute over the proper amount of property taxes, which was resolved. The lots for development have been identified and construction of the 3 remaining properties must be completed by December 31, 2023. The construction will be funded from Wayne County and Wayne County Neighborhood Stabilization Program. In December 2022, an amendment was made to the court order to include allowing the City to levy a millage on the Summer 2023 property taxes to offset unreimbursed costs incurred.

NOTE 13 – LEASES

The City leases certain assets to a third party. The assets leased include a cell phone tower leased to New Cingular Wireless with a fixed annual payment. The lease was renewed November 1, 2022 and is set to expire on November 1, 2027.

During the year ended June 30, 2023, the City recognized the following related to its lessor agreements:

Lease revenue	\$	22,381
Interest income related to its leases	\$	1,369

CITY OF HAMTRAMCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 14 – TAX ABATEMENTS

The City receives reduced property tax revenue as a result of industrial facilities tax exemption (PA 198 of 1974). Industrial facility exemptions are intended to rehabilitate industrial facility and create jobs. Under the program the City grants frozen taxable value of the rehabilitated facility for a period of 12 years. For the fiscal year ended June 30, 2023, the City abated \$19,123 of taxes under this program. There are no provisions to recapture taxes, however, the abatement may be eliminated if the City deems it necessary.

The City receives reduced property tax revenue as a result of personal property tax exemption (PA 328). For fiscal year ended June 30, 2023, the City abated \$31,684 of taxes under this program.

NOTE 15 – RESTRICTED NET ASSETS

The amount of the City’s restricted net assets that is restricted by enabling legislation is the following:

<u>Fund Balance</u>	<u>Amount</u>
Highways and streets	\$ 7,988,220
Public safety	2,452,146
Community development	349,109
Recreation and culture	602,225
Building and improvement fund	604,483
Opioid settlement	272,680

NOTE 16 – PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2023, the City restated its net position of the Governmental Activities and the fund balance of the General Fund as of June 30, 2022, to correct an understatement of land held for sale and an understatement of accrued liabilities. This adjustment resulted in a decrease of both net position and fund balance in the amount of \$234,941.

NOTE 17 – SUBSEQUENT EVENTS

City’s management has performed a review of events subsequent to the balance sheet date through December 12, 2023, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HAMTRAMCK, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenue				
Property taxes	\$ 6,606,519	\$ 7,439,407	\$ 7,604,382	\$ 164,975
Income taxes	2,398,300	4,002,013	3,676,177	(325,836)
Licenses and permits	1,533,800	1,457,242	1,599,222	141,980
Federal grants	-	2,269,811	2,269,811	-
State-shared revenue	4,709,435	5,109,435	5,033,330	(76,105)
State sources	105,000	405,000	438,559	33,559
Fines and forfeitures	1,821,000	1,600,000	1,913,354	313,354
Charges for services	407,000	107,000	124,780	17,780
Other revenue	367,700	807,500	1,433,086	625,586
Total revenue	17,948,754	23,197,408	24,092,701	895,293
Expenditures - Current				
General government				
Legislature	81,725	92,825	73,062	19,763
City Manager	236,663	411,463	323,286	88,177
Controller	334,680	536,940	493,992	42,948
Treasurer	225,675	225,675	189,343	36,332
City Assessor	230,951	180,951	171,662	9,289
City Clerk	205,307	245,307	247,951	(2,644)
Elections	109,910	159,410	134,249	25,161
Legal	685,400	825,000	736,998	88,002
Personnel	112,337	117,337	123,361	(6,024)
Income tax	355,000	374,500	421,194	(46,694)
Buildings and grounds	1,475,945	2,131,945	1,254,691	877,254
General administration	1,037,068	1,156,068	1,042,297	113,771
Total general government	5,090,661	6,457,421	5,212,086	1,245,335
District Court	921,244	944,998	877,843	67,155
Public Safety				
Police	4,238,729	3,727,239	3,509,877	217,362
Fire	3,049,415	3,404,415	3,073,998	330,417
Retiree benefits	5,733,000	6,073,000	5,969,071	103,929
Parking enforcement	36,000	456,000	440,053	15,947
Building services	551,250	551,250	593,817	(42,567)
Total public safety	13,608,394	14,211,904	13,586,816	625,088
Public Works				
Sanitation	810,000	760,000	754,416	5,584
Total public works	810,000	760,000	754,416	5,584
Community and economic development	172,566	148,966	116,378	32,588
Code enforcement	225,633	210,633	190,302	20,331
Total expenditures	20,828,498	22,733,922	20,737,841	1,996,081
Excess of Revenue Over (Under) Expenditures	(2,879,744)	463,486	3,354,860	2,891,374
Other Financing Sources (Uses)				
Transfers in	-	-	21,843	21,843
Transfers out	(223,700)	(332,421)	(486,747)	(154,326)
Net Change in Fund Balance	(3,103,444)	131,065	2,889,956	2,758,891
Fund Balance - Beginning of year as restated (Note 1)	6,229,146	6,229,146	6,229,146	-
Fund Balance - End of year	\$ 3,125,702	\$ 6,360,211	\$ 9,119,102	\$ 2,758,891

CITY OF HAMTRAMCK, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - MAJOR STREETS
Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
Revenue				
State sources	\$ 1,719,000	\$ 1,719,000	\$ 2,232,642	\$ 513,642
Expenditures				
Highways and streets	945,645	1,245,645	1,085,077	160,568
Excess of Revenue Over Expenditures	773,355	473,355	1,147,565	674,210
Other Financing Sources (Uses)				
Transfers out	(200,000)	(200,000)	(200,000)	-
Net Change in Fund Balance	573,355	273,355	947,565	674,210
Fund Balance - Beginning of year	3,627,598	3,627,598	3,627,598	-
Fund Balance - End of year	<u>\$ 4,200,953</u>	<u>\$ 3,900,953</u>	<u>\$ 4,575,163</u>	<u>\$ 674,210</u>

CITY OF HAMTRAMCK, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - LOCAL STREETS
Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenue				
State sources	\$ 527,000	\$ 527,000	\$ 703,759	\$ 176,759
Expenditures				
Highways and streets	1,139,910	1,139,910	770,774	369,136
Excess of Revenue Over(Under) Expenditures	(612,910)	(612,910)	(67,015)	545,895
Other Financing Sources (Uses)				
Transfers in	200,000	200,000	266,000	66,000
Net Change in Fund Balance	(412,910)	(412,910)	198,985	611,895
Fund Balance - Beginning of year	3,214,072	3,214,072	3,214,072	-
Fund Balance - End of year	<u>\$ 2,801,162</u>	<u>\$ 2,801,162</u>	<u>\$ 3,413,057</u>	<u>\$ 611,895</u>

CITY OF HAMTRAMCK, MICHIGAN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2023

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 SUPPLEMENTARY INFORMATION
June 30, 2023

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

	<u>Amended Budget</u>	<u>Actual</u>	<u>Amount over final budget</u>
General Fund			
General Government			
City Clerk	\$ 245,307	\$ 247,951	\$ (2,644)
Personnel	117,337	123,361	(6,024)
Income Tax	374,500	421,194	(46,694)
Public Safety			
Building Services	551,250	593,817	(42,567)
Transfers out	332,421	486,747	(154,326)

Pension Information

Changes in Assumptions - Effective February 17, 2022, the MERS Retirement Board adopted a dedicated gains policy that automatically adjusts the assumed rate of investment return by using excess asset gains to mitigate large increases in required contributions to the Plan.

OPEB Information

Changes in Assumptions - The single discount rate used to measure the total OPEB liability as of June 30, 2022, was 3.69%. The single discount rate of 3.86% was used to measure the total OPEB liability as of June 30, 2023. This single discount rate changed due to changes in the municipal bond rate.

Changes in Benefit - No current police and fire employees are eligible for retiree health care benefits (medical, prescription drug, dental or life insurance) unless they become disabled in the line of duty. The life insurance death benefit is \$5,000.

All other group employees are not eligible for retiree health care (medical, prescription drug, and dental). Future retirees of the All-other group are not eligible for life insurance coverage upon retirement.

CITY OF HAMTRAMCK, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST SIX FISCAL YEARS
(Schedule is built prospectively upon implementation of GASB 75)

	2023	2022	2021	2020	2019	2018
Total OPEB Liability						
Service cost	\$ 9,271	\$ 69,499	\$ 95,805	\$ 193,120	\$ 265,775	\$ 276,210
Interest	37,116	129,529	148,695	861,858	918,263	897,777
Changes in benefit terms	-	(2,805,487)	28,951	(11,404,917)	-	-
Differences between expected and actual experience	32,766	(2,668,865)	(72,071)	(12,527,306)	82,929	452,125
Changes in actuarial assumptions	(17,696)	(333,040)	591,168	1,843,432	1,820,260	(215,720)
Benefit payments, including refunds	<u>(101,783)</u>	<u>(102,126)</u>	<u>(102,420)</u>	<u>(665,110)</u>	<u>(1,098,615)</u>	<u>(1,415,898)</u>
Net Change in Total OPEB Liability	(40,326)	(5,710,490)	690,128	(21,698,923)	1,988,612	(5,506)
Total OPEB Liability - Beginning of year	<u>1,052,117</u>	<u>6,762,607</u>	<u>6,072,479</u>	<u>27,771,402</u>	<u>25,782,790</u>	<u>25,788,296</u>
Total OPEB Liability - End of year	<u>\$ 1,011,791</u>	<u>\$ 1,052,117</u>	<u>\$ 6,762,607</u>	<u>\$ 6,072,479</u>	<u>\$ 27,771,402</u>	<u>\$ 25,782,790</u>
Plan Fiduciary Net Position						
Contributions - Employer	\$ 101,783	\$ 102,126	\$ 102,420	\$ 665,110	\$ 1,098,615	\$ 1,415,898
Benefit payments, including refunds	<u>(101,783)</u>	<u>(102,126)</u>	<u>(102,420)</u>	<u>(665,110)</u>	<u>(1,098,615)</u>	<u>(1,415,898)</u>
Net Change in Plan Fiduciary Net Position	-	-	-	-	-	-
Plan Fiduciary Net Position - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Plan Fiduciary Net Position - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
NET OPEB Liability - Ending	<u>\$ 1,011,791</u>	<u>\$ 1,052,117</u>	<u>\$ 6,762,607</u>	<u>\$ 6,072,479</u>	<u>\$ 27,771,402</u>	<u>\$ 25,782,790</u>
Plan Fiduciary Net Position as a percentage of Total OPEB Liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered Payroll	\$ 4,979,574	\$ 3,405,673	\$ 3,789,332	\$ 2,920,695	\$ 3,723,263	\$ 3,594,807
Total OPEB Liability as a Percentage of Covered Payroll	20.32%	30.89%	178.46%	207.91%	745.89%	717.22%

See notes to required supplemental information

CITY OF HAMTRAMCK, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY CONTRIBUTIONS - OPEB
LAST SIX FISCAL YEARS
(Schedule is built prospectively upon implementation of GASB 75)

	<u>2022</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 92,274	\$ 456,975	\$ 459,193	\$ 1,850,377	\$ 1,858,270	\$ 1,864,156
Contributions in relation to the actuarially determined contribution	<u>101,783</u>	<u>102,126</u>	<u>102,420</u>	<u>665,110</u>	<u>1,098,615</u>	<u>1,415,898</u>
Contribution excess (deficiency)	<u>\$ 9,509</u>	<u>\$ (354,849)</u>	<u>\$ (356,773)</u>	<u>\$ (1,185,267)</u>	<u>\$ (759,655)</u>	<u>\$ (448,258)</u>
Covered employee payroll	N/A*	N/A*	\$ 3,789,332	\$ 2,920,695	\$ 3,723,263	\$ 3,594,807
Contributions as a percentage of covered employee payroll	N/A*	N/A*	2.70%	22.77%	29.51%	39.39%

*Contributions to the OPEB Plan are not based on a measure of pay.

Actuarial valuation information relative to the determination of contributions:

Valuation date	June 30, 2021
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry-age normal
Amortization method	Level Dollar
Remaining amortization period	19 years, closed
Asset valuation method	There are no assets
Price inflation	2.5%
Wage inflation	3.0%
Salary increases	3.0 to 9.7%, including inflation
Investment rate of return	3.50%, net of OPEB plan investment expense
Retirement age	Experience-based tables of rates that are specific to the type of eligibility condition.
Mortality	A version of Pub-2010 mortality tables with future mortality improvement projected generationally using s
Health care trend rates	For Non-Medicare: Initial rate of 7.5% decreasing to 3.5% long-term rate For Medicare: Initial rate of 6.25% decreasing to 3.5% long-term rate
Aging factors	Based on the 2013 SOA Study "Health Care Costs - From Birth to Death"
Other information	N/A
See notes to required supplemental information	

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

	2023 (12/31/2022 Measurement Date)	2022 (12/31/2021 Measurement Date)	2021 (12/31/2020 Measurement Date)	2020 (12/31/2019 Measurement Date)	2019 (12/31/2018 Measurement Date)	2018 (12/31/2017 Measurement Date)	2017 (12/31/2016 Measurement Date)	2016 (12/31/2015 Measurement Date)	2015 (12/31/2014 Measurement Date)
Total Pension Liability									
Service cost	\$ 579,948	\$ 501,885	\$ 495,738	\$ 521,887	\$ 522,168	\$ 541,633	\$ 538,706	\$ 564,484	\$ 587,651
Interest	7,255,231	7,423,509	7,377,119	7,477,083	7,322,542	7,236,039	7,345,944	7,228,630	7,471,368
Change to benefit terms	-	-	-	-	-	(12,979)	-	-	-
Experience differences	886,565	(944,828)	(2,286,700)	441,774	781,130	601,360	(1,338,316)	(1,298,294)	-
Change in actuarial assumptions	-	3,449,264	3,130,433	3,386,512	-	-	-	4,678,844	-
Other changes	-	-	-	-	-	-	-	225,895	-
Benefit payments, including refunds	(8,153,295)	(7,995,647)	(8,222,897)	(8,197,785)	(7,904,832)	(7,924,923)	(7,820,686)	(8,123,012)	(8,380,187)
Net change in total pension liability	568,449	2,434,183	493,693	3,629,471	721,008	441,130	(1,274,352)	3,276,547	(321,168)
Total Pension Liability - Beginning of year	103,858,820	101,424,637	100,930,944	97,301,473	96,580,465	96,139,335	97,413,687	94,137,140	94,458,308
Total Pension Liability - End of year	\$ 104,427,269	\$ 103,858,820	\$ 101,424,637	\$ 100,930,944	\$ 97,301,473	\$ 96,580,465	\$ 96,139,335	\$ 97,413,687	\$ 94,137,140
Plan Fiduciary Net Position									
Contributions - Employer	\$ 5,776,672	\$ 5,347,753	\$ 5,923,329	\$ 4,588,008	\$ 4,213,221	\$ 3,924,934	\$ 3,540,664	\$ 3,351,106	\$ 4,967,641
Contributions - Employee	424,908	446,998	464,757	481,031	482,430	515,150	529,811	558,856	603,663
Net investment income (loss)	(4,926,499)	6,047,508	4,923,289	5,123,410	(1,621,066)	5,147,710	4,382,753	(5,198,513)	2,672,725
Administrative expenses	(86,361)	(69,413)	(80,091)	(88,113)	(80,959)	(81,883)	(86,626)	-	-
Transfers and fees	-	-	-	-	1,615,535	-	-	-	-
Benefit payments, including refunds	(8,153,295)	(7,995,647)	(8,222,897)	(8,197,785)	(7,904,832)	(7,924,923)	(7,820,686)	(8,123,012)	(8,380,187)
Miscellaneous other	(250)	-	-	-	-	-	-	-	-
Net change in plan fiduciary net position	(6,964,825)	3,777,199	3,008,387	1,906,551	(3,295,671)	1,580,988	545,916	(9,411,563)	(136,158)
Plan Fiduciary Net Position - Beginning of year	47,894,862	44,117,663	41,109,276	39,202,725	42,498,396	40,917,408	40,371,492	49,783,055	49,919,213
Plan Fiduciary Net Position - End of year	\$ 40,930,037	\$ 47,894,862	\$ 44,117,663	\$ 41,109,276	\$ 39,202,725	\$ 42,498,396	\$ 40,917,408	\$ 40,371,492	\$ 49,783,055
City's Net Pension Liability - Ending	\$ 63,497,232	\$ 55,963,958	\$ 57,306,974	\$ 59,821,668	\$ 58,098,748	\$ 54,082,069	\$ 55,221,927	\$ 57,042,195	\$ 44,354,085
Plan Fiduciary Net Position as a Percent of Total Pension Liability	39.19%	46.12%	43.50%	40.73%	40.29%	44.00%	42.56%	41.44%	52.88%
Covered Employee Payroll	\$ 5,026,464	\$ 4,634,123	\$ 4,684,453	\$ 4,753,306	\$ 4,644,127	\$ 4,718,262	\$ 4,462,514	\$ 4,638,309	\$ 4,595,866
City's Net Pension Liability as a Percent of Covered Employee Payroll	1263.26%	1207.65%	1223.34%	1258.53%	1251.02%	1146.23%	1237.46%	1229.81%	965.09%

See notes to required supplemental information

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 5,927,990	\$ 5,633,627	\$ 6,015,091	\$ 4,759,157	\$ 4,244,592	\$ 4,658,312	\$ 4,666,848	\$ 4,474,296	\$ 3,169,757	\$ 3,239,661
Contributions in relation to the actuarially determined contribution	<u>5,926,175</u>	<u>5,671,491</u>	<u>5,633,627</u>	<u>6,015,091</u>	<u>4,759,157</u>	<u>4,244,592</u>	<u>5,082,339</u>	<u>3,497,280</u>	<u>3,423,084</u>	<u>1,127,814</u>
Contribution excess (deficiency)	<u>\$ (1,815)</u>	<u>\$ 37,864</u>	<u>\$ (381,464)</u>	<u>\$ 1,255,934</u>	<u>\$ 514,565</u>	<u>\$ (413,720)</u>	<u>\$ 415,491</u>	<u>\$ (977,016)</u>	<u>\$ 253,327</u>	<u>\$ (2,111,847)</u>
Covered employee payroll	\$ 5,564,272	\$ 4,873,926	\$ 4,966,374	\$ 4,924,669	\$ 4,751,888	\$ 4,718,262	\$ 4,462,514	\$ 4,638,309	\$ 4,595,866	\$ 5,115,809
Contributions as a percentage of covered employee payroll	106.50%	116.36%	113.44%	122.14%	100.15%	89.96%	113.89%	75.40%	74.48%	22.05%

Actuarial valuation information relative to the determination of contributions:

Valuation date December 31, 2022

Methods and assumptions used to determine contribution rates:

Actuarial cost method Entry-age normal

Amortization method Level percentage of pay, closed

Remaining amortization period 20 based on the longest amortization period remaining in the amortization schedule, across all divisions in the plan.

Asset valuation method 5-year smoothed market

Inflation 2.5%

Salary increases 3.0%

Investment rate of return 6.85% net of investment expenses, including inflation

Retirement age 60 years

Mortality The mortality table used to project the mortality experience of non-disabled plan members is a 50% male, 50% female blend of the following tables:

- The RP 2014 Health Annuitant Mortality Tables, with rates multiplied by 106%.
- The RP 2014 Employee Mortality Tables
- The RP 2014 Juvenile Mortality Tables

Other information None

See notes to required supplemental information

OTHER SUPPLEMENTARY INFORMATION

CITY OF HAMTRAMCK, MICHIGAN
OTHER SUPPLEMENTARY INFORMATION
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2023

	Special Revenue Funds												Total Nonmajor Governmental Funds	
	Building and Improvements	Special Events	Michigan Indigent Defense Commission	911 Emergency	Miscellaneous Grants	Drug Law Enforcement State	Drug Law Enforcement Federal	Library	Community Development Block Grant	NSP 2 Grant	Police Training	Property Revitalization		Capital Projects
Assets														
Cash and cash equivalents	\$ 750,641	\$ -	\$ 32,723	\$ 41,701	\$ 318,407	\$ 26,561	\$ 2,222,915	\$ 617,300	\$ (43,020)	\$ 82,454	\$ -	\$ 26,601	\$ 24,249	\$ 4,100,532
Accounts receivable	-	-	-	-	32,740	-	-	3,866	-	-	-	432,005	-	468,611
Due from other governmental units	-	-	-	103,203	306,100	-	-	-	43,020	-	-	806,239	-	1,258,562
Total assets	\$ 750,641	\$ -	\$ 32,723	\$ 144,904	\$ 657,247	\$ 26,561	\$ 2,222,915	\$ 621,166	\$ -	\$ 82,454	\$ -	\$ 1,264,845	\$ 24,249	\$ 5,827,705
Liabilities and Fund Balance (Deficit)														
Liabilities														
Accounts payable	\$ 5,717	\$ -	\$ 8,572	\$ -	\$ 80,360	\$ 3,452	\$ 150,368	\$ 704	\$ -	\$ -	\$ -	\$ 297,478	485	\$ 547,136
Due to general fund	140,441	-	-	-	-	-	-	1,703	-	-	-	246,559	-	388,703
Unearned revenue	-	-	24,151	-	-	-	-	-	-	-	-	-	23,764	47,915
Accrued liabilities and other	-	-	-	12,241	-	-	-	12,668	-	-	-	-	-	24,909
Total liabilities	146,158	-	32,723	12,241	80,360	3,452	150,368	15,075	-	-	-	544,037	24,249	1,008,663
Deferred inflows of resources - Unavailable revenue	-	-	-	103,203	249,857	-	-	3,866	43,020	-	-	411,133	-	811,079
Fund Balances (Deficit)														
Nonspendable - prepaid expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restricted														
Public safety	-	-	-	29,460	327,030	23,109	2,072,547	-	-	-	-	-	-	2,452,146
Community development	-	-	-	-	-	-	-	-	(43,020)	82,454	-	309,675	-	349,109
Recreation and culture	-	-	-	-	-	-	-	602,225	-	-	-	-	-	602,225
Building and improvement fund	604,483	-	-	-	-	-	-	-	-	-	-	-	-	604,483
Committed	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total fund balances (deficit)	604,483	-	-	29,460	327,030	23,109	2,072,547	602,225	(43,020)	82,454	-	309,675	-	4,007,963
Total liabilities and fund balances (deficit)	\$ 750,641	\$ -	\$ 32,723	\$ 144,904	\$ 657,247	\$ 26,561	\$ 2,222,915	\$ 621,166	\$ -	\$ 82,454	\$ -	\$ 1,264,845	\$ 24,249	\$ 5,827,705

CITY OF HAMTRAMCK, MICHIGAN
OTHER SUPPLEMENTARY INFORMATION
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN
FUND BALANCES
Nonmajor Governmental Funds
Year Ended June 30, 2023

	Special Revenue Funds												Total Nonmajor Governmental Funds	
	Building and Improvements	Special Events	Michigan Indigent Defense Commission	911 Emergency	Miscellaneous Grants	Drug Law Enforcement State	Drug Law Enforcement Federal	Library	Community Development Block Grant	NSP 2 Grant	Police Training	Property Revitalization		Capital Projects
Revenue														
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 429,579	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 429,579
Grants	-	-	-	-	1,694,416	-	2,114,437	58,819	154,777	-	-	508,760	-	4,531,209
State sources	-	-	83,001	-	-	34,504	-	119,902	-	-	-	-	-	237,407
Fines and forfeitures	45,659	-	-	9,549	-	-	-	-	-	-	-	-	-	55,208
Other revenue	-	-	-	-	-	-	-	24,906	-	-	-	332,643	2,351	359,900
Total revenue	45,659	-	83,001	9,549	1,694,416	34,504	2,114,437	633,206	154,777	-	-	841,403	2,351	5,613,303
Expenditures - Current														
General government	5,716	-	97,346	-	-	-	-	-	-	-	-	952,797	-	1,055,859
Public safety	-	-	-	301,309	-	23,784	413,244	-	-	-	-	-	-	738,337
Public works	-	-	-	-	1,389,825	-	-	-	-	-	-	-	2,351	1,392,176
Recreation and culture	-	-	-	-	-	-	-	473,161	-	-	-	-	-	473,161
Total expenditures	5,716	-	97,346	301,309	1,389,825	23,784	413,244	473,161	-	-	-	952,797	2,351	3,659,533
Excess of Revenue Over (Under) Expenditures	39,943	-	(14,345)	(291,760)	304,591	10,720	1,701,193	160,045	154,777	-	-	(111,394)	-	1,953,770
Other Financing Sources (Uses)														
Transfers in	-	-	14,345	320,000	152,402	-	-	-	-	-	-	-	-	486,747
Transfers out	-	(9,811)	-	-	-	-	-	-	-	-	(12,032)	-	-	(21,843)
Total other financing sources (uses)	-	(9,811)	14,345	320,000	152,402	-	-	-	-	-	(12,032)	-	-	464,904
Net Change in Fund Balances	39,943	(9,811)	-	28,240	456,993	10,720	1,701,193	160,045	154,777	-	(12,032)	(111,394)	-	2,418,674
Fund Balances - Beginning of year	564,540	9,811	-	1,220	(129,963)	12,389	371,354	442,180	(197,797)	82,454	12,032	421,069	-	1,589,289
Fund Balances - End of year	\$ 604,483	\$ -	\$ -	\$ 29,460	\$ 327,030	\$ 23,109	\$ 2,072,547	\$ 602,225	\$ (43,020)	\$ 82,454	\$ -	\$ 309,675	\$ -	\$ 4,007,963

CITY OF HAMTRAMCK, MICHIGAN
OTHER SUPPLEMENTARY INFORMATION
COMBINING STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUNDS
June 30, 2023

	Custodial Funds			
	Tax Collections	Highland Park Tax Collections	31st District Court	Total Custodial Funds
Assets				
Cash and cash equivalents	<u>\$ 45,166</u>	<u>\$ 658,469</u>	<u>\$ 62,350</u>	<u>\$ 765,985</u>
Liabilities				
Due to other governmental units	<u>\$ 45,166</u>	<u>\$ 658,469</u>	<u>\$ 62,350</u>	<u>\$ 765,985</u>

CITY OF HAMTRAMCK, MICHIGAN
OTHER SUPPLEMENTARY INFORMATION
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS
June 30, 2023

	<u>Tax Collections</u>	<u>Highland Park Tax Collections</u>	<u>31st District Court</u>	<u>Total Custodial Funds</u>
Additions				
Revenues:				
Taxes and assessments	\$ 9,332,606	\$ 5,283,477	\$ -	\$ 14,616,083
Fines and fees	-	-	435,936	435,936
Total additions	<u>9,332,606</u>	<u>5,283,477</u>	<u>435,936</u>	<u>15,052,019</u>
Deductions				
Distributions:				
Payments disbursed to others	<u>9,332,606</u>	<u>5,283,477</u>	<u>435,936</u>	<u>15,052,019</u>
Net Increase (Decrease) in Fiduciary Net Position	-	-	-	-
Net Position - Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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 City Council
City of Hamtramck, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Hamtramck, Michigan (the "City"), as of and for the year ended June 30, 2023, 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 12, 2023.

Report on Internal Control over Financial Reporting

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

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

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

To the City Council
City of Hamtramck, Michigan
Page Two

Report on 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 with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

The image shows a handwritten signature in dark ink that reads "UHY LLP". The letters are written in a cursive, slightly slanted style.

Farmington Hills, Michigan
December 12, 2023