

CITY OF HAZEL PARK, MICHIGAN

FINANCIAL REPORT WITH SUPPLEMENTAL INFORMATION

June 30, 2020

CITY OF HAZEL PARK, MICHIGAN

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Hazel Park, Michigan

Report on the Financial Statements

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 fund information of the City of Hazel Park, Michigan (the "City") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2020, 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.

Other Matters – Required Supplemental Information

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

Other Information

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

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

UHY LLP

Farmington Hills, Michigan
December 23, 2020

CITY OF HAZEL PARK, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

Our discussion and analysis of the City of Hazel Park, Michigan's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2020. 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, 2020:

- On a short-term perspective (the current financial resources/ modified accrual basis), the City is in an improved financial position. The General Fund's fund balance increased during fiscal year 2020 by \$104,267, and the total of all governmental funds' fund balance increased by \$3,166,938. At June 30, 2020 the General Fund's fund balance of \$3,192,905 represented 17% of revenues, although the unassigned portion \$1,938,073 represented only 10%. The total of all governmental funds' fund balance of \$8,840,363 represented 36% of revenues, and the unassigned portion \$1,938,073 represented 8%. The large increase in fund balance is primarily related to the issuance of road bonds in the Major Streets Fund, which is restricted for the use on the road improvement projects. These positive results are part of a multi-year string of consistent financial recovery.
- On a long-term perspective (the total economic resources/ full accrual basis), the City's financial position continues to decline. The government wide statements show that the City has not received the resources sufficient to cover the full costs of government services, when legacy costs (pension and retiree health care) are included.

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 HAZEL PARK, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

The City of Hazel Park as a Whole

The following table shows, in a condensed format, the net position (deficit) as of June 30, 2020 and 2019:

	<u>Government Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Assets						
Other assets	\$ 15,036,507	\$ 12,722,398	\$ 7,059,316	\$ 6,115,742	\$ 22,095,823	\$ 18,838,140
Capital assets	18,902,452	17,579,954	10,939,310	11,332,077	29,841,762	28,912,031
Total assets	<u>33,938,959</u>	<u>30,302,352</u>	<u>17,998,626</u>	<u>17,447,819</u>	<u>51,937,585</u>	<u>47,750,171</u>
Deferred Outflows	<u>3,383,472</u>	<u>7,593,034</u>	<u>305,071</u>	<u>714,548</u>	<u>3,688,543</u>	<u>8,307,582</u>
Liabilities						
Current liabilities	4,964,416	5,562,881	1,263,752	1,275,827	6,228,168	6,838,708
Long-term liabilities	89,778,618	114,899,155	9,819,032	13,390,322	99,597,650	128,289,477
Total liabilities	<u>94,743,034</u>	<u>120,462,036</u>	<u>11,082,784</u>	<u>14,666,149</u>	<u>105,825,818</u>	<u>135,128,185</u>
Deferred Inflows	<u>6,807,045</u>	<u>989,994</u>	<u>680,703</u>	<u>98,999</u>	<u>7,487,748</u>	<u>1,088,993</u>
Net Position						
Invested in capital assets -						
Net of related debt	13,609,767	15,576,221	7,751,083	7,446,363	21,360,850	23,022,584
Restricted	4,548,653	1,128,063	-	-	4,548,653	1,128,063
Unrestricted	(82,151,229)	(100,260,928)	(1,210,873)	(4,049,144)	(83,362,102)	(104,310,072)
Total net position (deficit)	<u>\$ (63,992,809)</u>	<u>\$ (83,556,644)</u>	<u>\$ 6,540,210</u>	<u>\$ 3,397,219</u>	<u>\$ (57,452,599)</u>	<u>\$ (80,159,425)</u>

The City's combined net position increased approximately 28 percent from a year ago, increasing from \$(80,159,425) to \$(57,452,599) due to a decrease in the actuarially determined post-retirement health care and pension benefit costs. Analyzing the governmental activities separately from the business-type activities, the net position related to governmental activities increased by \$19,563,835 and the business-type activities increased by \$3,142,991.

CITY OF HAZEL PARK, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

The following table shows the changes in net position during the years ended June 30, 2020 and 2019:

	Government Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenue						
Program revenue:						
Charges for services	\$ 12,293,537	\$ 11,794,172	\$ 7,160,314	\$ 7,226,069	\$ 19,453,851	\$ 19,020,241
Operating grants and contributions	4,190,328	2,421,730	-	-	4,190,328	2,421,730
General revenue:						
Property taxes	5,484,394	5,348,503	-	-	5,484,394	5,348,503
State-shared revenue	2,112,472	2,233,300	-	-	2,112,472	2,233,300
Race track breakage	-	-	-	-	-	-
Unrestricted investment earnings	111,675	102,602	-	-	111,675	102,602
Franchise fees	205,010	223,025	-	-	205,010	223,025
Miscellaneous	110,036	311,113	-	-	110,036	311,113
Transfers	(515,000)	(243,000)	515,000	243,000	-	-
Total revenue	<u>23,992,452</u>	<u>22,191,445</u>	<u>7,675,314</u>	<u>7,469,069</u>	<u>31,667,766</u>	<u>29,660,514</u>
Program Expenses						
General government	1,539,387	8,498,102	-	-	1,539,387	8,498,102
Public safety	(1,555,733)	17,772,241	-	-	(1,555,733)	17,772,241
Public works	4,481,968	5,773,230	-	-	4,481,968	5,773,230
Recreation and culture	168,721	526,683	-	-	168,721	526,683
Community and economic development	(331,678)	619,662	-	-	(331,678)	619,662
Interest on long-term debt	125,952	59,841	-	-	125,952	59,841
Water and sewer	-	-	3,567,453	5,848,644	3,567,453	5,848,644
Municipal ice arena	-	-	964,870	969,963	964,870	969,963
Total program expenses	<u>4,428,617</u>	<u>33,249,759</u>	<u>4,532,323</u>	<u>6,818,607</u>	<u>8,960,940</u>	<u>40,068,366</u>
Change in Net Position	<u>\$ 19,563,835</u>	<u>\$ (11,058,314)</u>	<u>\$ 3,142,991</u>	<u>\$ 650,462</u>	<u>\$ 22,706,826</u>	<u>\$ (10,407,852)</u>

Governmental Activities

The increase in net position can be attributed mainly to the City's legacy costs (pension and retiree health care) that are not currently funded at a level sufficient to cover the costs attributable to the current year employment services. In addition, the governmental activities provide an annual subsidy to the ice arena business type activity (\$515,000 in 2020 and \$243,000 in 2019). Total revenue of the governmental activities increased approximately \$1,801,000 when compared to the prior year. Significant contributors to the increase in revenue include an increase in property taxes and building permits and fees related to new development. Total expenses decreased \$28,821,142 when compared to last year and relate primarily to the decrease in legacy costs as previously stated.

CITY OF HAZEL PARK, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

Business-type Activities

The City's business-type activities consist of the Water and Sewer Fund and the Municipal Ice Arena Fund.

The City provides water to residents from the City of Detroit's water system and sewage treatment is provided through the Oakland County Water Resource Commission. Operating income of the systems increased compared to the prior year. The current year operating income was \$2,716,396, compared to the prior year income of \$239,268.

The municipal ice arena houses two ice rinks that cater to local amateur hockey teams, figure skaters, and public skating. In 2020, the ice arena experienced income from operations of approximately \$52,000 compared to the prior year operating income of approximately \$336,000 in 2019. The debt service requirements continue to impede the Ice Arena. Current year total debt service requirements totaled \$740,169, of which \$615,000 was principal and \$125,169 was interest. The ice arena received a \$515,000 subsidy from the City's General Fund, an increase from \$243,000 in 2019. Due to the COVID-19 pandemic in 2020, the Ice Arena was closed to the public for 4 months of the fiscal year, greatly reducing total revenues and operating income, and increased the subsidy requirement from the General Fund.

The City's Funds

Our analysis of the City's major funds begins on page 12, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City's major funds for 2020 include the General Fund, Major Streets Fund, the Water and Sewer Fund, and the Municipal Ice Arena Fund.

The General Fund ended the year with a total fund balance of \$3,192,905 and an unassigned fund balance of \$1,938,073. Revenue increased by approximately \$776,000 from 2019, and General Fund operating expenditures increased by approximately \$1,278,000. The primary reason for the increase is the City's continued effort to provide excellent service to the residents.

The General Fund contributed approximately \$963,000 to other funds this year. The most significant contribution included \$515,000 to the Municipal Ice Arena Fund. The contribution to the municipal ice arena is an annual event to subsidize debt service requirements.

**CITY OF HAZEL PARK, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020**

General Fund Budgetary Highlights

Over the course of the year, the City amended the budget to take into account events during the year. Due to the uncertainty of final revenues and expenditures related to the COVID-19 pandemic and closures, the City took a conservative approach when amending the budget. The final amended budget included approximately \$649,000 more revenue than the originally adopted budget. However, actual revenue came in over the amended budget by approximately \$686,000.

Total expenditures showed approximately \$98,000 favorable variance compared to the amended budget. Many departments came in under budget, and a few were over budget including Police at \$170,900 and Building inspections at \$71,664. The building department overage was due to a timing issue with the receipt of CDBG funds from the County.

The final budget provided that the City would have a balanced budget; actual operations resulted in an increase of \$104,267 to the fund balance. Again, the City maintained cost-containment methods during the year to offer excellent city services while increasing fund balance.

Capital Asset and Debt Administration

Notable capital asset additions for governmental activities of approximately \$2,428,000 included police and DPW vehicles, other recreational additions, and John R/Nine Mile road improvements.

Capital asset purchases in 2020 for business-type activities of approximately \$172,000 included machinery and vehicles in the Water and Sewer Fund.

Economic Factors and Next Year's Budgets and Rates

A significant concern to the City at this time is the continued rise in pension and healthcare costs for both current employees and retirees. The City has engaged in many cost saving efforts related to healthcare and OPEB costs and has set up a healthcare trust and began prefunding retiree health care costs in 2020. The property values and new development continue to increase throughout the City, which increases property tax revenue by a marginal amount. This positive trend, along with the City's other efforts, will help to ensure the City is able to continue providing the best possible services to its residents.

The City is faced with many infrastructure and equipment challenges that will need to be addressed in the upcoming years. This includes vehicle and equipment replacement for aging assets in many departments, as well as significant water and sewer projects. The City continues to explore options to make improvements to infrastructure and equipment in cost-savings ways. The COVID-19 pandemic and related restrictions, including temporary closure of the ice arena and uncertainty of state funding, continues to be a significant concern for the City and will be monitored throughout the upcoming fiscal year.

CITY OF HAZEL PARK, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

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 clerk's office.

CITY OF HAZEL PARK, MICHIGAN
STATEMENT OF NET POSITION (DEFICIT)
June 30, 2020

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents (Note 3)	\$ 9,956,223	\$ 5,624,940	\$ 15,581,163	\$ 120,440
Restricted cash - Unspent bond proceeds	234,839	-	234,839	-
Receivables, net (Note 4)	3,689,916	1,324,153	5,014,069	-
Inventory	12,760	20,123	32,883	-
Prepaid expenses and other assets	1,377,608	90,100	1,467,708	-
Capital assets, net (Note 5)				
Assets not subject to depreciation	4,602,593	891,033	5,493,626	154,766
Assets subject to depreciation	14,299,859	10,048,277	24,348,136	-
Total assets	<u>34,173,798</u>	<u>17,998,626</u>	<u>52,172,424</u>	<u>275,206</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension (Note 9)	3,376,204	272,919	3,649,123	-
OPEB (Note 10)	7,268	727	7,995	-
Bond charges	-	31,425	31,425	-
Total deferred outflows of resources	<u>\$ 3,383,472</u>	<u>\$ 305,071</u>	<u>\$ 3,688,543</u>	<u>\$ -</u>
LIABILITIES				
Accounts payable	697,715	349,326	1,047,041	-
Refundable deposits	1,961	-	1,961	-
Accrued liabilities and other	981,342	100,829	1,082,171	23,304
Unearned revenue	339,776	-	339,776	-
Due to other governmental units	2,385,215	-	2,385,215	-
Noncurrent liabilities				
Due within one year (Note 7)	558,407	813,597	1,372,004	165,000
Noncurrent liabilities				
Due in more than one year				
Compensated absences - net of current portion (Note 7)	746,315	47,708	794,023	-
Provision for claims (Note 7)	757,000	-	757,000	-
Net OPEB liability (Note 10)	45,394,995	4,539,499	49,934,494	-
Net pension liability (Note 9)	37,956,490	2,808,788	40,765,278	-
Long-term debt (Note 7)	4,923,818	2,423,037	7,346,855	-
Total liabilities	<u>\$ 94,743,034</u>	<u>\$ 11,082,784</u>	<u>\$ 105,825,818</u>	<u>\$ 188,304</u>
DEFERRED INFLOWS OF RESOURCES				
OPEB (Note 10)	6,807,045	680,703	7,487,748	-
NET POSITION (DEFICIT)				
Net investment in capital assets	13,609,767	7,751,083	21,360,850	154,766
Restricted for				
Roads	4,005,110	-	4,005,110	-
Drug/law enforcement	440,034	-	440,034	-
Public improvement	103,509	-	103,509	-
Unrestricted	<u>(82,151,229)</u>	<u>(1,210,873)</u>	<u>(83,362,102)</u>	<u>(67,864)</u>
Total net position (deficit)	<u>\$ (63,992,809)</u>	<u>\$ 6,540,210</u>	<u>\$ (57,452,599)</u>	<u>\$ 86,902</u>

CITY OF HAZEL PARK, MICHIGAN
STATEMENT OF ACTIVITIES
Year Ended June 30, 2020

Functions/ Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government			Component Units
				Governmental Activities	Business-type Activities	Total	
Primary government							
Governmental activities							
General government	\$ 1,539,387	\$ 5,045,148	\$ 1,049,511	\$ 4,555,272	\$ -	\$ 4,555,272	\$ -
Public safety	(1,555,733)	4,452,127	74,310	6,082,170	-	6,082,170	-
Public works	4,481,968	2,734,025	2,877,761	1,129,818	-	1,129,818	-
Community and economic development	(331,678)	18,570	142,422	492,670	-	492,670	-
Recreation and culture	168,721	43,667	46,324	(78,730)	-	(78,730)	-
Interest on long-term debt	125,952	-	-	(125,952)	-	(125,952)	-
Total governmental activities	<u>4,428,617</u>	<u>12,293,537</u>	<u>4,190,328</u>	<u>12,055,248</u>	<u>-</u>	<u>12,055,248</u>	<u>-</u>
Business-type activities							
Water and sewer	3,567,453	6,262,945	-	-	2,695,492	2,695,492	-
Municipal ice arena	964,870	897,369	-	-	(67,501)	(67,501)	-
Total business-type activities	<u>4,532,323</u>	<u>7,160,314</u>	<u>-</u>	<u>-</u>	<u>2,627,991</u>	<u>2,627,991</u>	<u>-</u>
Total primary government	<u>\$ 8,960,940</u>	<u>\$ 19,453,851</u>	<u>\$ 4,190,328</u>	<u>\$ 12,055,248</u>	<u>\$ 2,627,991</u>	<u>\$ 14,683,239</u>	<u>\$ -</u>
Component units							
Downtown Development Authority	\$ 7,850	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (7,850)
Brownfield Redevelopment Authority	737,976	-	-	-	-	-	(737,976)
	<u>\$ 745,826</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(745,826)</u>
General revenue							
Property taxes				5,484,394	-	5,484,394	1,096,068
State-shared revenue				2,112,472	-	2,112,472	-
Investment income				111,675	-	111,675	-
Franchise fees				205,010	-	205,010	-
Other miscellaneous income				110,036	-	110,036	-
Total general revenue				<u>8,023,587</u>	<u>-</u>	<u>8,023,587</u>	<u>1,096,068</u>
Transfers				(515,000)	515,000	-	-
Change in Net Position				19,563,835	3,142,991	22,706,826	350,242
Net Position (Deficit) - Beginning of year				(83,556,644)	3,397,219	(80,159,425)	(263,340)
Net Position (Deficit) - End of year				<u>\$ (63,992,809)</u>	<u>\$ 6,540,210</u>	<u>\$ (57,452,599)</u>	<u>\$ 86,902</u>

The accompanying notes are an integral part of the financial statements.

CITY OF HAZEL PARK, MICHIGAN
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2020

	<u>General Fund</u>	<u>Major Streets Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Assets				
Cash and cash equivalents (Note 3)	\$ 2,527,389	\$ 3,123,201	\$ 2,585,431	\$ 8,236,021
Restricted cash - Unspent bond proceeds	-	234,839	-	234,839
Receivables (Note 4)	3,330,958	160,286	198,672	3,689,916
Due from other funds (Note 6)	13,013	-	-	13,013
Inventory	12,760	-	-	12,760
Prepaid expenses and other assets	1,242,072	-	11,438	1,253,510
	<u>\$ 7,126,192</u>	<u>\$ 3,518,326</u>	<u>\$ 2,795,541</u>	<u>\$ 13,440,059</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 542,819	\$ 40,005	\$ 114,891	\$ 697,715
Due to other funds (Note 6)	-	-	13,013	13,013
Due to other governmental units	2,385,215	-	-	2,385,215
Refundable deposits	1,961	-	-	1,961
Accrued liabilities and other	722,893	-	38,906	761,799
Unearned revenue	-	-	339,776	339,776
	<u>3,652,888</u>	<u>40,005</u>	<u>506,586</u>	<u>4,199,479</u>
Deferred inflows of resources - Unavailable revenue (Note 4)	280,399	-	119,818	400,217
Fund Balances				
Nonspendable				
Inventory/assets held for resale	12,760	-	-	12,760
Prepays	1,242,072	-	-	1,242,072
Restricted	-	3,478,321	1,070,332	4,548,653
Assigned - Capital improvements	-	-	1,098,805	1,098,805
Unassigned	1,938,073	-	-	1,938,073
	<u>3,192,905</u>	<u>3,478,321</u>	<u>2,169,137</u>	<u>8,840,363</u>
Total liabilities and fund balances	<u>\$ 7,126,192</u>	<u>\$ 3,518,326</u>	<u>\$ 2,795,541</u>	<u>\$ 13,440,059</u>

CITY OF HAZEL PARK, MICHIGAN
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION (DEFICIT)
June 30, 2020

Fund Balance Reported in Governmental Funds	\$ 8,840,363
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	18,902,452
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	400,217
Bonds payable and claims obligations are not due and payable in the current period and are not reported in the funds	(6,049,685)
Net pension liability is not reported in the governmental funds	(37,956,490)
Net other postemployment benefit (OPEB) liability is not reported in the governmental funds	(45,394,995)
Accrued interest is not due and payable in the current period and is not reported in the funds	(12,143)
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	(935,855)
Deferred outflows/inflows from the difference between projected and actual investment earnings of the pension plan, difference between expected and actual earnings, changes in assumptions, and city contributions made after the measurement date of the net pension liability are not reported in the funds	3,376,204
Deferred outflows/inflows from the difference between projected and actual investment earnings of the OPEB plan, difference between expected and actual earnings, and changes in assumptions of the net OPEB liability are not reported in the funds	(6,799,777)
Internal service funds are included as part of governmental activities	<u>1,636,900</u>
Net Position (Deficit) of Governmental Activities	<u><u>\$ (63,992,809)</u></u>

CITY OF HAZEL PARK, MICHIGAN
GOVERNMENTAL FUNDS
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
Year Ended June 30, 2020

	General Fund	Major Streets Fund	Nonmajor Funds	Total
Revenue				
Property taxes	\$ 5,034,649	\$ -	\$ 449,745	\$ 5,484,394
Licenses and permits	1,511,918	-	-	1,511,918
Federal grants	128,202	-	29,700	157,902
State-shared revenue and grants	2,209,605	2,373,131	1,412,180	5,994,916
Charges for services	2,221,664	-	1,407,165	3,628,829
SMORSA - Charges for service	2,385,215	-	-	2,385,215
Fines and forfeitures	3,957,642	-	101,688	4,059,330
Investment income	107,848	3,827	-	111,675
Rental income	458,025	-	-	458,025
Other revenue	508,745	-	181,466	690,211
	<u>18,523,513</u>	<u>2,376,958</u>	<u>3,581,944</u>	<u>24,482,415</u>
Expenditures				
Current				
General government	4,379,882	-	-	4,379,882
District Court	1,599,603	-	-	1,599,603
Public safety	9,232,605	-	1,040,083	10,272,688
Public works	1,635,595	2,500,600	2,379,500	6,515,695
Community and economic development	315,193	-	760	315,953
Recreation and culture	292,995	-	-	292,995
Debt service	-	263,331	282,975	546,306
Capital outlay	-	-	490,023	490,023
	<u>17,455,873</u>	<u>2,763,931</u>	<u>4,193,341</u>	<u>24,413,145</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>1,067,640</u>	<u>(386,973)</u>	<u>(611,397)</u>	<u>69,270</u>
Other Financing Sources (Uses)				
Transfers in	-	-	448,373	448,373
Transfers out	(963,373)	-	-	(963,373)
Bond issuance	-	3,220,000	-	3,220,000
Premium on bonds sold	-	392,668	-	392,668
	<u>(963,373)</u>	<u>3,612,668</u>	<u>448,373</u>	<u>3,097,668</u>
Total other financing sources (uses)	<u>(963,373)</u>	<u>3,612,668</u>	<u>448,373</u>	<u>3,097,668</u>
Net Change in Fund Balance	104,267	3,225,695	(163,024)	3,166,938
Fund Balances - Beginning of year	<u>3,088,638</u>	<u>252,626</u>	<u>2,332,161</u>	<u>5,673,425</u>
Fund Balances - End of year	<u>\$ 3,192,905</u>	<u>\$ 3,478,321</u>	<u>\$ 2,169,137</u>	<u>\$ 8,840,363</u>

**CITY OF HAZEL PARK, 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, 2020**

Net Change in Fund Balances - Total Governmental Funds \$ 3,166,938

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	2,428,066
Loss on sale of assets	(6,159)
Depreciation expense	(1,086,509)

Revenue is recorded in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end	212,798
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Repayment of bond principal, capital leases, and changes in claims liabilities are expenditures in the governmental funds, but not in the statement of activities (where they reduce long-term debt)	233,710
--	---------

Pension expense related to net pension liability is recorded in the statement of activities, but not in the governmental funds	(2,547,352)
--	-------------

Proceeds from bond and debt issuance is revenue in the governmental funds but not in the statement of activities	(3,220,000)
--	-------------

Premium on bond issuance is revenue in the governmental funds but not in the statement of activities, net of amortization	(359,946)
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Proceeds from capital lease issuance is revenue in the governmental funds but not in the statement of activities	(94,716)
--	----------

Change in accrued interest payable and other	1,922
--	-------

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	(186,533)
--	-----------

Other postemployment benefit expense related to net OPEB liability is recorded in the statement of activities, but not in the governmental funds	21,108,502
--	------------

Internal service funds are included as part of governmental activities	<u>(86,886)</u>
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Change in Net Position of Governmental Activities	<u><u>\$ 19,563,835</u></u>
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CITY OF HAZEL PARK, MICHIGAN
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
June 30, 2020

	<u>Enterprise Funds</u>			<u>Governmental</u>
	<u>Water and Sewer</u>	<u>Municipal Ice Arena</u>	<u>Total</u>	<u>Activities Proprietary Internal Service Fund</u>
ASSETS				
Current assets				
Cash and cash equivalents (Note 3)	\$ 5,598,831	\$ 26,109	\$ 5,624,940	\$ 1,720,202
Receivables, net (Note 4)	1,323,653	500	1,324,153	-
Inventory	20,123	-	20,123	-
Prepaid assets and deposits	60,066	30,034	90,100	124,098
Total current assets	<u>7,002,673</u>	<u>56,643</u>	<u>7,059,316</u>	<u>1,844,300</u>
Noncurrent assets				
Capital assets (Note 5)				
Assets not subject to depreciation	21,967	869,066	891,033	-
Assets subject to depreciation	5,443,304	4,604,973	10,048,277	-
Total noncurrent assets	<u>5,465,271</u>	<u>5,474,039</u>	<u>10,939,310</u>	<u>-</u>
Total assets	<u>12,467,944</u>	<u>5,530,682</u>	<u>17,998,626</u>	<u>1,844,300</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension (Note 9)	272,919	-	272,919	-
OPEB (Note 10)	727	-	727	-
Bond charges	1,796	29,629	31,425	-
Total deferred outflows of resources	<u>275,442</u>	<u>29,629</u>	<u>305,071</u>	<u>-</u>
LIABILITIES				
Current liabilities				
Accounts payable	320,632	28,694	349,326	-
Accrued liabilities and other	73,514	27,315	100,829	207,400
Current portion of long-term debt (Note 7)	203,597	610,000	813,597	-
Total current liabilities	<u>597,743</u>	<u>666,009</u>	<u>1,263,752</u>	<u>207,400</u>
Noncurrent liabilities				
Compensated absences, net of current portion	47,708	-	47,708	-
Net pension liability (Note 9)	2,808,788	-	2,808,788	-
Net OPEB liability (Note 10)	4,539,499	-	4,539,499	-
Long-term debt (Note 7)	618,712	1,804,325	2,423,037	-
Total noncurrent liabilities	<u>8,014,707</u>	<u>1,804,325</u>	<u>9,819,032</u>	<u>-</u>
Total liabilities	<u>8,612,450</u>	<u>2,470,334</u>	<u>11,082,784</u>	<u>207,400</u>
DEFERRED INFLOWS OF RESOURCES -				
OPEB (Note 10)	680,703	-	680,703	-
NET POSITION				
Net investment in capital assets	4,661,740	3,089,343	7,751,083	-
Unrestricted	(1,211,507)	634	(1,210,873)	1,636,900
Total net position	<u>\$ 3,450,233</u>	<u>\$ 3,089,977</u>	<u>\$ 6,540,210</u>	<u>\$ 1,636,900</u>

CITY OF HAZEL PARK, MICHIGAN
PROPRIETARY FUNDS
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
Year Ended June 30, 2020

	Enterprise Funds			Governmental
	Water and Sewer	Municipal Ice Arena	Total	Activities Proprietary Internal Service Fund
Operating Revenue				
Sale of water	\$ 2,754,777	\$ -	\$ 2,754,777	\$ -
Sewage disposal charges	3,118,081	-	3,118,081	-
Other sales to customers	115,891	-	115,891	-
Interest and penalty charges	170,394	-	170,394	-
City contributions	-	-	-	1,771,380
Rental income	-	815,074	815,074	-
Concessions	-	49,547	49,547	-
Pro shop	-	1,000	1,000	-
Insurance claims	69,461	28,831	98,292	-
Other operating income	34,341	2,917	37,258	-
Total operating revenue	6,262,945	897,369	7,160,314	1,771,380
Operating Expenses				
Cost of water	741,314	-	741,314	-
Cost of sewage treatment	1,749,940	-	1,749,940	-
Operation and maintenance	(107,672)	586,144	478,472	-
General and administrative costs	765,720	83,110	848,830	-
Benefits payments and claims administration	-	-	-	1,858,266
Depreciation and amortization	397,247	176,597	573,844	-
Total operating expenses	3,546,549	845,851	4,392,400	1,858,266
Operating Income (Loss)	2,716,396	51,518	2,767,914	(86,886)
Nonoperating Expense				
Interest expense	(20,904)	(119,019)	(139,923)	-
Income (Loss) - Before transfer	2,695,492	(67,501)	2,627,991	(86,886)
Transfer from other funds	-	515,000	515,000	-
Change in Net Position	2,695,492	447,499	3,142,991	(86,886)
Net Position - Beginning of year	754,741	2,642,478	3,397,219	1,723,786
Net Position - End of year	\$ 3,450,233	\$ 3,089,977	\$ 6,540,210	\$ 1,636,900

CITY OF HAZEL PARK, MICHIGAN
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
Year Ended June 30, 2020

	Enterprise Funds			Governmental
	Water and Sewer	Municipal Ice Arena	Total	Proprietary Internal Service Fund
Cash Flows from Operating Activities				
Receipts from customers	\$ 6,052,371	\$ 923,503	\$ 6,975,874	\$ -
Contributions received	-	-	-	1,771,380
Payments to suppliers	(4,037,298)	(416,860)	(4,454,158)	-
Payments to employees	(1,011,266)	(252,047)	(1,263,313)	-
Claims paid	-	-	-	(2,008,639)
Net cash provided by (used in) operating activities	<u>1,003,807</u>	<u>254,596</u>	<u>1,258,403</u>	<u>(237,259)</u>
Cash Flows from Noncapital Financing Activities				
Transfers from other funds	-	515,000	515,000	-
Cash Flows from Capital and Related Financing Activities				
Purchase of capital assets	(163,002)	(8,800)	(171,802)	-
Proceeds from new debt	127,695	-	127,695	-
Principal and interest paid on capital debt	(241,096)	(740,169)	(981,265)	-
Net cash used in capital and related financing activities	<u>(276,403)</u>	<u>(748,969)</u>	<u>(1,025,372)</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>727,404</u>	<u>20,627</u>	<u>748,031</u>	<u>(237,259)</u>
Cash and Cash Equivalents - Beginning of year	<u>4,871,427</u>	<u>5,482</u>	<u>4,876,909</u>	<u>1,957,461</u>
Cash and Cash Equivalents - End of year	<u>\$ 5,598,831</u>	<u>\$ 26,109</u>	<u>\$ 5,624,940</u>	<u>\$ 1,720,202</u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities				
Operating income (loss)	\$ 2,716,396	\$ 51,518	\$ 2,767,914	\$ (86,886)
Adjustments to reconcile operating income (loss) to net cash from operating activities				
Depreciation and amortization	397,247	176,597	573,844	-
Changes in assets and liabilities:				
Receivables	(210,574)	26,134	(184,440)	-
Inventories	(10,223)	-	(10,223)	-
Prepaid assets and deposits	(586)	(294)	(880)	(124,098)
Deferred outflows	402,070	-	402,070	-
Accounts payable	(26,122)	10,429	(15,693)	-
Estimated claims liability	-	-	-	(26,275)
Accrued and other liabilities	(2,846,105)	(9,788)	(2,855,893)	-
Deferred inflows	581,704	-	581,704	-
Net cash provided by (used in) operating activities	<u>\$ 1,003,807</u>	<u>\$ 254,596</u>	<u>\$ 1,258,403</u>	<u>\$ (237,259)</u>

CITY OF HAZEL PARK, MICHIGAN
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
June 30, 2020

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 124,669
Receivables	<u>9,894</u>
Total assets	<u><u>\$ 134,563</u></u>
Liabilities	
Accounts payable and other liabilities	\$ 113,522
Refundable deposits	<u>21,041</u>
Total liabilities	<u><u>\$ 134,563</u></u>

CITY OF HAZEL PARK, MICHIGAN
COMPONENT UNITS
COMBINING STATEMENT OF NET POSITION
June 30, 2020

	Component Units		
	Downtown Development Authority	Brownfield Redevelopment Authority	Total
ASSETS			
Cash and cash equivalents	\$ 97,961	\$ 22,479	\$ 120,440
Capital assets -			
Assets not subject to depreciation	154,766	-	154,766
Total assets	<u>252,727</u>	<u>22,479</u>	<u>275,206</u>
LIABILITIES			
Accrued liabilities and other	825	22,479	23,304
Long-term debt	165,000	-	165,000
Total liabilities	<u>165,825</u>	<u>22,479</u>	<u>188,304</u>
NET POSITION			
Net investment in capital assets	154,766	-	154,766
Unrestricted	(67,864)	-	(67,864)
Total net position	<u>\$ 86,902</u>	<u>\$ -</u>	<u>\$ 86,902</u>

CITY OF HAZEL PARK, MICHIGAN
COMPONENT UNITS
COMBINING STATEMENT OF ACTIVITIES
Year Ended June 30, 2020

Functions/ Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Downtown Development Authority	Brownfield Redevelopment Authority	Total
Downtown Development Authority	\$ 7,850	\$ -	\$ -	\$ (7,850)	\$ -	\$ (7,850)
Brownfield Redevelopment Authority	737,976	-	-	-	(737,976)	(737,976)
Total Component Units	<u>\$ 745,826</u>	<u>\$ -</u>	<u>\$ -</u>	(7,850)	(737,976)	(745,826)
General revenue - property taxes				<u>358,092</u>	<u>737,976</u>	<u>1,096,068</u>
Change in Net Position				350,242	-	350,242
Net Position (Deficit) - Beginning of year				<u>(263,340)</u>	<u>-</u>	<u>(263,340)</u>
Net Position - End of year				<u>\$ 86,902</u>	<u>\$ -</u>	<u>\$ 86,902</u>

CITY OF HAZEL PARK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 - NATURE OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The City of Hazel Park, Michigan is governed by an elected five-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the City's operations. The discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City (see discussion below for description).

Blended Component Units

The Hazel Park Building Authority is governed by a five-member board that is appointed by the City Council. Although it is legally separate from the City, it is reported as if it were part of the primary government because its primary purpose is to finance and construct the City's public buildings. The activities of the Hazel Park Building Authority is reported within the General Fund and Municipal Ice Arena Fund.

Discretely Presented Component Units

The Downtown Development Authority (the "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 is approved by the City Council. In addition, the DDA's annual budget is subject to approval by the City. The DDA does not issue a separate financial statement.

The Brownfield Redevelopment Authority was created, pursuant to Public Act 381 of 1996, to promote revitalization of environmentally distressed areas within the City's boundaries. The Brownfield Redevelopment Authority is funded primarily by property tax revenue captures. The Brownfield Redevelopment Authority is governed by a five-member board that is appointed by the City Council. The Brownfield Redevelopment Authority does not issue a separate financial statement.

Jointly Governed Organization - Jointly governed organizations are discussed in Note 11.

CITY OF HAZEL PARK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 - NATURE OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 units. 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.

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 funds, fiduciary funds, 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.

CITY OF HAZEL PARK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 - NATURE OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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. General Fund activities are financed by revenue from general property taxes, state-shared revenue, and other sources.

Major Street Fund - The Major Streets Fund's purpose is to account for expenditures associated with the construction and maintenance needs of the major streets portion of the City's street network. Financing is provided by the City's share of state gas and weight taxes and state grant funds.

The City reports the following major proprietary funds:

Water and Sewer Fund - The Water and Sewer Fund is used to account for the activities of the water distribution system and sewage collection system. The fund is financed primarily by a user charge for the provided service.

Municipal Ice Arena Fund - The Municipal Ice Arena Fund accounts for the operations of the Viking Ice Arena. The fund is financed primarily by rental fees.

Additionally, the City reports the following fund types:

Internal Service Fund - The Internal Service Fund accounts for risk management services provided to other departments of the City on a cost-reimbursement basis.

Agency Funds - Agency funds account for assets held by the City for individuals, organizations, other governments, or other funds. They are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Capital Projects Fund - The capital project fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

CITY OF HAZEL PARK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 - NATURE OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Debt Service Fund – The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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 proprietary funds relates to charges to customers for sales and services. The Water and Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds 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 non-operating revenue and expenses.

Property Tax Revenue

Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on August 31 of the following year, at which time penalties and interest are assessed.

The City's 2019 tax is levied and collectible on July 1, 2019 and is recognized as revenue in the year ended June 30, 2020, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2019 taxable valuation of the City totaled \$206 million (a portion of which is abated and a portion of which is subject to capture by the DDA), on which taxes levied consisted of 18.8021 mills for operating purposes, 2.3414 mills for garbage and rubbish, .2432 mills for publicity, and 2.8 mills for public safety. This resulted in approximately \$3.7 million for operating, approximately \$440,000 for garbage and rubbish, and \$519,000 for police and fire, net of captured taxes. These amounts are recognized in the respective General Fund and special revenue fund financial statements as property tax revenue.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits 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. Investments are stated at fair value. To the extent that cash from various funds has been pooled, pooled investment income is generally allocated to each fund using a weighted average of balance for the principal.

CITY OF HAZEL PARK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 - NATURE OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Interfund Activity - Certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at 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 the 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.

All trade and property tax receivables are shown net of an allowance for uncollectible amounts.

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. 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 \$5,000 and a useful life greater than 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.

CITY OF HAZEL PARK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 - NATURE OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Land improvements	20 years
Water and sewer distribution systems	30 to 50 years
Buildings and improvements	10 to 50 years
Vehicles	6 to 15 years
Machinery and equipment	5 to 20 years
Infrastructure	20 to 50 years

Compensated Absences (Vacation and Sick Leave) - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Vacation pay is accrued when earned and sick pay is accrued when vested (or likely to vest). A liability is accrued when incurred in the government-wide and proprietary fund financial 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 bond using the effective interest method. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Bond issuance costs are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of net position and/or balance sheet 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 a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has incurred bond charges that are deferred and will be expensed over a period of time in the Statement of Net Position. The government-wide statements and proprietary funds report deferred outflows from the difference between projected and actual experience of the pension plan, the difference between projected and actual investment earnings, changes in assumptions and city contributions made after the measurement date of the net pension liability. The government-wide statements and proprietary funds also report deferred outflows for the difference between projected and actual investment earnings of the net OPEB liability.

CITY OF HAZEL PARK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 - NATURE OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources (Continued)

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 and proprietary funds report deferred inflows from the difference between projected and actual experience and changes in assumptions of the OPEB plan. 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 special assessments, delinquent property taxes and grants that were not received within 60 days of year end. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Pension - The City offers pension benefits to its retirees. 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. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the OPEB plan, and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF HAZEL PARK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 - NATURE OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

When both restricted and unrestricted resources are available for use, the City follows the practice to use restricted resources first, then unrestricted resources as needed.

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.

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. Beginning January 1, 2000, 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 activity is as follows:

CITY OF HAZEL PARK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Cumulative shortfall at July 1, 2019		\$ (204,752)
Current year building permit revenue		567,666
Related expenses		
Direct costs	\$ 415,607	
Estimated indirect costs	104,301	519,908
		<u>519,908</u>
Current year surplus		<u>47,758</u>
Cumulative shortfall at June 30, 2020		<u><u>\$ (156,994)</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 City has designated four banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above.

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$7,163,347 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and 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 HAZEL PARK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk of Investments - Custodial credit risk 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 does not have a policy for custodial credit risk. At year end, the City had no investment securities that were uninsured and unregistered held by the counterparty or by its trust department or agent but not in the City's name.

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the City had no investment securities susceptible to interest rate risk.

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of year-end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Bank investment pool	\$ 185,487	AAAm	Standard & Poor's
Bank investment pool	8,271,776	Not rated	N/A
Bank investment pool	<u>27,884</u>	Not rated	N/A
	<u>\$ 8,485,147</u>		

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 other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances whereby input used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

CITY OF HAZEL PARK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

	Balance at June 30, 2020	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
General Investments				
Investments Measured at the Net Asset Value - Pooled Cash Funds	\$ 27,884	\$ 27,884	\$ -	\$ -

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented in the following table.

Investments in Entities that Calculate Net Asset Value per Share – The City holds shares or interests in investment pools where the fair value of the investments are measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

At the year ended June 30, 2020, the fair value, unfunded commitments, and redemption rules of those investments is as follows:

General Investments	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Michigan CLASS Investment Pool	\$ 27,884	None	N/A	N/A

The Michigan CLASS investment pool invests in U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated “A-1” or better), collateralized bank deposits, repurchase agreements (collateralized at 102 percent by Treasuries and agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

CITY OF HAZEL PARK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 4 - RECEIVABLES AND UNAVAILABLE REVENUE

Receivables, including the applicable allowances for uncollectible accounts, if any, are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Special assessments receivable	\$ 195,093	\$ -
Receivables from operations	366,322	1,370,582
Other	43,995	-
Due from other governmental units	3,084,506	-
Less allowance for uncollectibles	<u>-</u>	<u>(46,429)</u>
	<u><u>\$ 3,689,916</u></u>	<u><u>\$ 1,324,153</u></u>

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of unavailable revenue are as follows:

	<u>Governmental Funds Unavailable</u>
School liaison	\$ 99,000
County CARES Act	112,722
Special assessments	<u>188,495</u>
Total	<u><u>\$ 400,217</u></u>

CITY OF HAZEL PARK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 5 - CAPITAL ASSETS

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

	Balance July 1, 2019	Additions	Transfers	Disposals	Balance June 30, 2020
Governmental Activities					
Capital assets not being depreciated					
Land	\$ 1,256,108	\$ -	\$ -	\$ -	\$ 1,256,108
Construction in progress	1,676,982	1,979,091	(309,588)	-	3,346,485
Subtotal	<u>2,933,090</u>	<u>1,979,091</u>	<u>(309,588)</u>	<u>-</u>	<u>4,602,593</u>
Capital assets being depreciated					
Buildings and improvements	4,405,346	49,842	-	-	4,455,188
Machinery and equipment	6,049,570	399,133	309,588	228,912	6,529,379
Land improvements	1,030,480	-	-	-	1,030,480
Roadways	38,577,535	-	-	-	38,577,535
Sidewalks	8,559,555	-	-	-	8,559,555
Street lights	413,112	-	-	-	413,112
Subtotal	<u>59,035,598</u>	<u>448,975</u>	<u>309,588</u>	<u>228,912</u>	<u>59,565,249</u>
Accumulated depreciation					
Buildings and improvements	2,050,565	73,437	-	-	2,124,002
Machinery and equipment	5,222,640	266,376	-	209,853	5,279,163
Land improvements	907,933	8,864	-	-	916,797
Roadways	30,152,973	563,625	-	-	30,716,598
Sidewalks	5,675,635	171,191	-	-	5,846,826
Street lights	378,988	3,016	-	-	382,004
Subtotal	<u>44,388,734</u>	<u>1,086,509</u>	<u>-</u>	<u>209,853</u>	<u>45,265,390</u>
Net capital assets being depreciated	<u>14,646,864</u>	<u>(637,534)</u>	<u>309,588</u>	<u>19,059</u>	<u>14,299,859</u>
Net capital assets	<u>\$ 17,579,954</u>	<u>\$ 1,341,557</u>	<u>\$ -</u>	<u>\$ 19,059</u>	<u>\$ 18,902,452</u>

CITY OF HAZEL PARK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 5 - CAPITAL ASSETS (Continued)

	Balance July 1, 2019	Additions	Disposals	Balance June 30, 2020
Business-type Activities				
Capital assets not being depreciated				
Land	\$ 891,033	\$ -	\$ -	\$ 891,033
Capital assets being depreciated				
Water and sewer distribution systems	15,380,889	-	-	15,380,889
Buildings and improvements	8,100,318	-	-	8,100,318
Machinery and equipment	2,187,114	44,107	-	2,231,221
Vehicles	758,617	127,695	76,095	810,217
Land improvements	416,994	-	-	416,994
Subtotal	<u>26,843,932</u>	<u>171,802</u>	<u>76,095</u>	<u>26,939,639</u>
Accumulated depreciation				
Water and sewer distribution systems	10,081,974	264,779	-	10,346,753
Buildings and improvements	3,448,665	157,819	-	3,606,484
Machinery and equipment	1,874,779	58,769	-	1,933,548
Vehicles	638,117	67,497	76,095	629,519
Land improvements	359,353	15,705	-	375,058
Subtotal	<u>16,402,888</u>	<u>564,569</u>	<u>76,095</u>	<u>16,891,362</u>
Net capital assets being depreciated	<u>10,441,044</u>	<u>(392,767)</u>	<u>-</u>	<u>10,048,277</u>
Net capital assets	<u>\$ 11,332,077</u>	<u>\$ (392,767)</u>	<u>\$ -</u>	<u>\$ 10,939,310</u>
	Balance July 1, 2019	Additions	Disposals	Balance June 30, 2020
Component Units				
Capital assets not being depreciated				
Land	\$ 154,766	\$ -	\$ -	\$ 154,766
Capital assets being depreciated				
Land improvements	230,200	-	-	230,200
Accumulated depreciation				
Land improvements	230,200	-	-	230,200
Net capital assets being depreciated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net capital assets	<u>\$ 154,766</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 154,766</u>

CITY OF HAZEL PARK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 5 - CAPITAL ASSETS (Continued)

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

Governmental Activities:	
General government	\$ 79,305
Public safety	194,088
Public works	773,629
Recreation and culture	<u>39,487</u>
Total governmental activities	<u>\$ 1,086,509</u>
Business-type Activities:	
Water and sewer	\$ 396,798
Municipal ice arena	<u>167,771</u>
Total business-type activities	<u>\$ 564,569</u>

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due to/from Other Funds		
General Fund	Nonmajor governmental funds - Auto Theft Prevention Fund	<u>\$ 13,013</u>

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

CITY OF HAZEL PARK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

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

<u>Fund Transferred From</u>			
	Nonmajor governmental funds -		
General Fund	Court Capital Improvement Fund	(1) \$	190,388
	Capital Improvement Fund	(1)	100,000
	Police Training Fund	(1)	1,911
	Garbage and Rubbish Fund	(1)	108,260
	Auto Theft Prevention Fund	(2)	29,554
	Michigan Indigent Defense Commission Fund	(2)	18,260
	Major Proprietary Fund - Municipal Ice Arena Fund	(1)	<u>515,000</u>
	Total general fund		<u>\$ 963,373</u>

- (1) Transfer for operating subsidy
- (2) Transfer for City match of grants

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. County contractual agreements and installment purchase agreements are also general obligations of the government. Revenue bonds involve a pledge of specific income derived from acquired or constructed assets to pay debt service.

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

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

CITY OF HAZEL PARK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 7 - LONG-TERM DEBT (Continued)

Long-term debt activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities							
Bonds and contracts payable:							
Direct borrowings and direct placements:							
LED lighting program - 2015 loan							
Original amount - \$243,501		\$22,901 -					
Maturing through October 2020	2.70%	\$25,906	\$ 76,555	\$ -	\$ 50,649	\$ 25,906	\$ 25,906
Ambulance - 2015 loan							
Original amount - \$185,266		\$35,043 -					
Maturing through January 2021	2.79%	\$39,120	77,178	-	38,058	39,120	39,120
Capital leases							
Original amounts \$94,716							
Maturing through December 2024	3.00%	\$1,356	-	94,716	7,003	87,713	13,841
Total direct borrowings and direct placements principal outstanding			153,733	94,716	95,710	152,739	78,867
Other debt:							
Limited Tax Development Bonds							
2016:							
Amount of issue - \$2,250,000	2.00% -	\$130,000 -					
Maturing through January 2031	4.00%	\$170,000	1,850,000	-	140,000	1,710,000	140,000
Capital Improvement Bonds, 2019 Series							
Original Amount: \$3,220,000		\$150,000					
Maturing April 2031	4.00%	\$935,000	-	3,220,000	150,000	3,070,000	150,000
Total other debt principal outstanding			1,850,000	3,220,000	290,000	4,780,000	290,000
Plus amortization of bond premium			-	392,668	32,722	359,946	-
Total bonds and contracts payable			2,003,733	3,707,384	418,432	5,292,685	368,867
Other long-term obligations:							
Compensated absences	N/A	N/A	749,322	186,533	-	935,855	189,540
General liability self-insurance claims	N/A	N/A	605,000	152,000	-	757,000	-
Total governmental activities long-term debt			\$ 3,358,055	\$ 4,045,917	\$ 418,432	\$ 6,985,540	\$ 558,407

CITY OF HAZEL PARK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 7 - LONG-TERM DEBT (Continued)

Business-type Activities	<u>Interest Rate Ranges</u>	<u>Principal Maturity Ranges</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds and contracts payable:							
Direct borrowings and direct placements:							
Installment purchase agreement:							
Vactor truck - 2015 loan							
Original amount - \$225,000							
Matured September 2019	2.70%	\$46,197	\$ 46,197	\$ -	\$ 46,197	\$ -	\$ -
Capital leases							
Original amounts \$127,695							
Maturing through March 2025	3.00%	\$1,828	-	127,695	9,776	117,919	18,654
County contractual agreements:							
Drain Bonds Series 2000A:							
Amount of issue: \$391,341		\$22,763 -					
Maturing through 2022	2.50%	\$24,514	71,682	-	23,310	48,372	23,857
Drain Bonds Series 2001C:							
Amount of issue: \$1,799,117		\$99,477 -					
Maturing through 2024	2.50%	\$112,609	536,124	-	101,994	434,130	104,511
Drain Bonds Series 2001D:							
Amount of issue: \$49,852		\$2,626 -					
Maturing through 2024	2.50%	\$2,955	14,176	-	2,736	11,440	2,736
Drain Bonds Series 2005:							
Amount of issue: \$33,777		\$1,668 -					
Maturing through 2026	1.625%	\$1,982	12,987	-	1,681	11,306	1,779
Drain Bonds Series 2007G:							
Amount of issue: \$39,243		\$2,001 -					
Maturing through 2028	1.625%	\$2,223	19,191	-	2,001	17,190	2,001
Drain Bonds Series 2008H:							
Amount of issue: \$170,869		\$8,338 -					
Maturing through 2029	2.50%	\$10,672	95,940	-	8,560	87,380	8,782
Drain Bonds Series 2016:							
Amount of issue: \$169,078		12,585 -					
Maturing through 2024	2.00%	\$24,404	100,790	-	23,200	77,590	24,295
Ice Arena - Building Authority							
Bonds:							
Ice Arena Refunding Series							
2010:							
Amount of issue - \$7,420,000	2.00% -	\$525,000 -					
Maturing through 2024	4.25%	\$615,000	3,035,000	-	615,000	2,420,000	610,000
Total direct borrowings and direct placements principal outstanding			3,932,087	127,695	834,455	3,225,327	796,615
Less amortization of bond discount			(7,093)	-	(1,418)	(5,675)	-
Total bonds and contracts payable			3,924,994	127,695	833,037	3,219,652	796,615
Other long-term obligations -							
Compensated absences	N/A	N/A	44,244	20,446	-	64,690	16,982
Total business-type activities long-term debt			<u>\$ 3,969,238</u>	<u>\$ 148,141</u>	<u>\$ 833,037</u>	<u>\$ 3,284,342</u>	<u>\$ 813,597</u>

CITY OF HAZEL PARK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 7 - LONG-TERM DEBT (CONTINUED)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Component Unit Activities							
General obligation bonds:							
Limited Tax Development Bonds							
2012:							
Amount of issue - \$2,020,000		\$165,000 -					
Maturing through 2020	3.00%	\$280,000	\$ 430,000	\$ -	\$ 265,000	\$ 165,000	\$ 165,000

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

Years Ending June 30,	Governmental Activities				
	Direct Borrowings and Direct Placements		Other Debt		Total
	Principal	Interest	Principal	Interest	
2021	\$ 78,867	\$ 3,884	\$ 290,000	189,188	\$ 561,939
2022	14,262	2,021	1,075,000	177,487	1,268,770
2023	14,696	1,587	330,000	126,538	472,821
2024	15,143	1,140	345,000	114,387	475,670
2025	29,771	398	355,000	101,638	486,807
2026-2030	-	-	1,965,000	288,237	2,253,237
2031	-	-	420,000	12,600	432,600
Total	\$ 152,739	\$ 9,030	\$ 4,780,000	\$ 1,010,075	\$ 5,951,844

Years Ending June 30,	Business-type Activities		
	Direct Borrowings and Direct Placements		Total
	Principal	Interest	
2021	\$ 796,615	\$ 120,531	\$ 917,146
2022	796,130	91,519	887,649
2023	764,325	61,774	826,099
2024	764,803	32,009	796,812
2025	53,612	2,005	55,617
2026-2029	49,842	2,847	52,689
Total	\$ 3,225,327	\$ 310,685	\$ 3,536,012

CITY OF HAZEL PARK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 7 - LONG-TERM DEBT (Continued)

Years Ending June 30,	Component Unit Activities		
	Other Debt		Total
	Principal	Interest	
2021	\$ 165,000	\$ 2,475	\$ 167,475

Assets Pledged as Collateral

Direct Borrowings and Direct Placements - The City's outstanding installment purchase obligations related to the LED lighting program, ambulance, capital leases and Vactor truck are secured with collateral of the respective equipment.

General Obligation Bonds - All general obligation bonded debt is supported by the City's full faith and credit.

The City has pledged substantially all revenue of the Water and Sewer Fund, net of operating expenses, to repay the above water and sewer revenue bonds and County contractual obligations. Proceeds from the revenue bonds provided financing for the cost of acquiring and constructing additions, extensions, and improvements to the City's water supply and sewage disposal system. Proceeds from the County bonds provided financing for improvements to the Twelve Towns Retention Treatment Facility. The bonds and County contractual obligations are payable solely from the net revenue of the water and sewer system. The remaining principal and interest to be paid on the revenue bonds and County contractual obligations total \$734,472. During the current year, net revenue of the system was \$3,113,643 compared to the annual debt service requirements of \$183,289.

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. The City participates in the Michigan Municipal Risk Management Authority risk pool for claims relating to property loss, torts, and errors and omissions, participates in the Michigan Municipal League risk pool for employee injuries (workers' compensation), is uninsured for medical benefit claims, and has purchased commercial insurance for dental, optical, and life insurance claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

CITY OF HAZEL PARK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 8 - RISK MANAGEMENT (Continued)

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The Michigan Municipal Risk Management Authority (the "Authority") risk pool program operates as a claims servicing pool for amounts up to member retention limits and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the City.

The City estimates the liability for general liability and medical benefit claims that have been incurred through the end of the fiscal year, including claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported. Changes in the estimated liability for the past two fiscal years were as follows:

	General Liability		Medical Claims	
	2020	2019	2020	2019
Unpaid claims - Beginning of year	\$ 605,000	\$ 373,000	\$ 196,900	\$ 252,800
Incurred claims, including claims incurred but not reported	382,866	372,749	1,669,881	1,519,683
Claim payments	<u>(230,866)</u>	<u>(140,749)</u>	<u>(1,659,381)</u>	<u>(1,575,583)</u>
Unpaid claims - End of year	<u>\$ 757,000</u>	<u>\$ 605,000</u>	<u>\$ 207,400</u>	<u>\$ 196,900</u>

The liability for medical claims is recorded in the City's Internal Service Fund. The liability for general liability claims is not expected to be liquidated with expendable available financial resources and is recorded as a noncurrent liability in the statement of net position (deficit).

NOTE 9 - DEFINED BENEFIT PENSION PLAN

Plan Description - The City participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees Retirement System of Michigan (MERS) that covers all employees of the City hired prior to certain dates. MERS was established as a statewide public employee pension plan by the Michigan Legislature under PA 135 of 1945 and is administered by a nine-member Retirement board. Public Act 427 of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. MERS issues a publicly available financial report that includes financial statements and required supplemental information of the defined benefit plan. That report can be obtained by accessing the MERS website at www.mersofmichigan.com.

CITY OF HAZEL PARK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 9 - DEFINED BENEFIT PENSION PLAN (Continued)

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

The MERS plan covers all full-time employees of the City that are eligible for a defined benefit pension.

Teamsters - Retirement benefits for employees hired after July 1, 2011 are calculated at 1.5 percent of the employee's final three-year average salary times the employee's years of service with no retirement maximum. Members contribute 6 percent of their salaries to fund benefits. Normal retirement age is 60 years with a 10-year vesting period, early retirement with unreduced benefits at age 55 with 25 years of service, or reduced benefits at age 50 with 25 years of service or age 55 with 15 years of service. Retirement benefits for employees hired after July 1, 2005 and before July 1, 2011 up to Social Security Age are calculated at 2.0 percent of the employee's final three-year average salary times the employee's years of service with no retirement maximum. For employees who retire after reaching Social Security Age benefits are calculated at 1.7 percent of the employee's final three-year average salary times the employee's years of service with no retirement maximum. Retirement age and vesting periods are the same. Retirement benefits for employees hired prior to July 1, 2005 are calculated at 2.2 percent of the employee's final three-year average salary times the employee's years of service with no retirement maximum. Members contribute 5 percent of their salaries to fund benefits. Retirement age and vesting periods are the same.

Patrol - Retirement benefits for employees hired after July 1, 2011 are calculated at 2.0 percent of the employee's final three-year average salary times the employee's years of service with a retirement maximum of 75 percent of final average compensation. Members contribute 7.57 percent of their salaries to fund benefits. Normal retirement age is 60 years with a 10-year vesting period, early retirement with unreduced benefits after 25 years of service, or reduced benefits at age 55 with 15 years of service. Retirement benefits for employees hired after July 1, 2005 and before July 1, 2011 are calculated at 2.5 percent of the employee's final three-year average salary times the employee's years of service with a retirement maximum of 75 percent of final average compensation. Retirement age, vesting periods and employee contribution are the same. Retirement benefits for employees hired prior to July 1, 2005 are calculated at 3.0 percent of the employee's final three-year average salary times the employee's years of service with a retirement maximum of 75 percent of final average compensation. Early retirement with unreduced benefits after 22 years of service. Members contribute 10.35 percent of their salaries to fund benefits. Normal retirement age, vesting periods and early retirement with reduced benefits are the same.

CITY OF HAZEL PARK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 9 - DEFINED BENEFIT PENSION PLAN (Continued)

Fire - Retirement benefits for employees hired after June 1, 2011 are calculated at 2.0 percent of the employee's final three-year average salary times the employee's years of service with a retirement maximum of 75 percent of final average compensation. Members contribute 7.57 percent of their salaries to fund benefits. Normal retirement age is 60 years with a 10-year vesting period, early retirement with unreduced benefits after 25 years of service, or reduced benefits at age 55 with 15 years of service. Retirement benefits for employees hired after July 1, 2006 and before June 1, 2011 are calculated at 2.5 percent of the employee's final three-year average salary times the employee's years of service with a retirement maximum of 75 percent of final average compensation. Retirement age, vesting periods and employee contribution are the same. Retirement benefits for employees hired prior to July 1, 2006 are calculated at 2.8 percent of the employee's final two-year average salary times the employee's years of service with a retirement maximum of 75 percent of final average compensation. Retirement age, vesting periods and employee contribution are the same.

Retirement benefits for employees are calculated at 2.2 percent of the employee's final two-year average salary times the employee's years of service with no retirement maximum. Members contribute 5 percent of their salaries to fund benefits. Normal retirement age is 60 years with a 10-year vesting period. Early retirement with unreduced benefits after 25 years of service, at age 55 with 15 years of service or at age 50 with 20 years of service.

Court - Retirement benefits for employees hired after July 1, 2012 are calculated under a hybrid plan at 1.5 percent of the employee's final three-year average salary times the employee's years of service. Members do not contribute to the plan. Normal retirement age is 60 years with a 6-year vesting period or early retirement with unreduced benefits at age 55 with 25 years of service. Retirement benefits for employees hired after July 1, 2007 and before July 1, 2012 up to Social Security Age are calculated at 2.0 percent of the employee's final three-year average salary times the employee's years of service with no retirement maximum. For employees that retire after reaching Social Security Age benefits are calculated at 1.7 percent of the employee's final three-year average salary times the employee's years of service with no retirement maximum. Employees contribute 6 percent of their salaries to fund benefits. Normal retirement age is 60 years with a 10-year vesting period. Early retirement with reduced benefits at age 50 with 25 years of service or age 55 with 15 years of service. Retirement benefits for employees hired prior to July 1, 2007 are calculated at 2.2 percent of the employee's final two-year average salary times the employee's years of service with no retirement maximum. Employees contribute 5 percent of their salaries to fund benefits. Normal retirement age is 60 with a 10-year vesting period. Early retirement with unreduced benefits after age 55 and 15 years of service, age 50 and 20 years of service, or after 25 years of service.

CITY OF HAZEL PARK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 9 - DEFINED BENEFIT PENSION PLAN (Continued)

AFSCME - Retirement benefits for employees hired after July 1, 2011 are calculated at 1.5 percent of the employee's final three-year average salary times the employee's years of service with no retirement maximum. Members contribute 6 percent of their salaries to fund benefits. Normal retirement age is 60 years with a 10-year vesting period, early retirement with unreduced benefits at age 55 with 25 years of service, or reduced benefits at age 50 with 25 years of service or age 55 with 15 years of service. Retirement benefits for employees hired after July 1, 2005 and before July 1, 2011 up to Social Security Age are calculated at 2.0 percent of the employee's final three-year average salary times the employee's years of service with no retirement maximum. For employees that retire after reaching Social Security Age benefits are calculated at 1.7 percent of the employee's final three-year average salary times the employee's years of service with no retirement maximum. Retirement age, vesting periods, and employee contributions are the same. Retirement benefits for employees hired prior to July 1, 2005 are calculated at 2.2 percent of the employee's final three-year average salary times the employee's years of service with no retirement maximum. Members contribute 5 percent of their salaries to fund benefits. Retirement age and vesting periods are the same.

Non-Union Administrative and Supervisors - Retirement benefits for employees are calculated at 2.2 percent of the employee's final two-year average salary times the employee's years of service with no retirement maximum. Members contribute 5 percent of their salaries to fund benefits. Normal retirement age is 60 years with a 6-year vesting period. Early retirement with unreduced benefits after 6 years of service.

Command - Retirement benefits for employees hired after June 1, 2011 are calculated at 3.0 percent of the employee's final three-year average salary times the employee's years of service with a retirement maximum of 75 percent of final average compensation. Members contribute 10.35 percent of their salaries to fund benefits. Normal retirement age is 60 years with a 10-year vesting period, early retirement with unreduced benefits after 22 years of service, or reduced benefits at age 55 with 15 years of service. Retirement benefits for employees hired before June 1, 2011 are calculated at 3.0 percent of the employee's final two-year average salary times the employee's years of service with a retirement maximum of 75 percent of final average compensation. Retirement age, vesting periods and employee contribution are the same.

POLC Dispatchers - Retirement benefits for employees are calculated at 2.2 percent of the employee's final three-year average salary times the employee's years of service with a retirement maximum of 75 percent of final average compensation. Members contribute 5 percent of their salaries to fund benefits. Normal retirement age is 60 years with a 10-year vesting period. Early retirement with unreduced benefits at age 55 with 25 years of service, or reduced benefits at age 55 with 15 years of service or at age 50 with 25 years of service.

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.

CITY OF HAZEL PARK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 9 - DEFINED BENEFIT PENSION PLAN (Continued)

Employees Covered by Benefit Terms - At the December 31, 2019 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	173
Inactive plan members entitled to but not yet receiving benefits	15
Active plan members	<u>101</u>
 Total employees covered by MERS	 <u><u>289</u></u>

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

For the year ended June 30, 2020, the average active employee contribution rate ranges from 0 to 10.35 percent of annual pay and the City's average contribution rate ranges from 1.24 to 58.25 percent of annual payroll.

Net Pension Liability - The net pension liability reported at June 30, 2020 was determined using a measure of the total pension liability and the pension net position as December 31, 2019. The December 31, 2019 total pension liability was determined by an actuarial valuation performed as of that date.

CITY OF HAZEL PARK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 9 - DEFINED BENEFIT PENSION PLAN (Continued)

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, 2018	\$ 68,280,775	\$ 29,356,564	\$ 38,924,211
Service cost	730,036	-	730,036
Interest	5,289,450	-	5,289,450
Contributions - Employer	-	2,659,099	(2,659,099)
Contributions - Employee	-	510,612	(510,612)
Experience differences	457,237	-	457,237
Changes in actuarial assumptions	2,316,955	-	2,316,955
Net investment income	-	3,849,033	(3,849,033)
Benefit payments, including refunds	(5,699,209)	(5,699,209)	-
Administrative expenses	-	(66,133)	66,133
Net changes	<u>3,094,469</u>	<u>1,253,402</u>	<u>1,841,067</u>
Balance at December 31, 2019	<u>\$ 71,375,244</u>	<u>\$ 30,609,966</u>	<u>\$ 40,765,278</u>

Assumption Changes - The long-term investment return was reduced from 7.75% to 7.35%, net of administrative and investment expenses. There were no other significant assumption changes which affect the measurement of the total pension liability from the time of the last measurement date at December 31, 2018 to December 31, 2019.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended June 30, 2020, the City recognized pension expense of \$5,501,618. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Source</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 617,913	\$ -
Change in assumptions	1,530,075	-
Net difference between projected and actual earnings on pension plan investments	121,336	-
Employer contributions to the plan subsequent to the measurement date	<u>1,379,799</u>	<u>-</u>
Total	<u>\$ 3,649,123</u>	<u>\$ -</u>

CITY OF HAZEL PARK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 9 - DEFINED BENEFIT PENSION PLAN (Continued)

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

Amounts reported as deferred outflows/deferred inflows 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 (\$1,379,799), which will impact the net pension liability in fiscal year 2020, rather than pension expense.

Years Ending June 30,	Amount
2021	\$ 1,136,480
2022	\$ 1,024,432
2023	\$ 434,163
2024	\$ (325,751)

Actuarial Assumptions – The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%	
Salary increases	2.5 - 8.84%	Including inflation
Investment rate of return	7.60%	Gross of pension plan investment expense, including inflation

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

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

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

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of the most recent actuarial experience study in 2009 - 2013.

Discount Rate - The discount rate used to measure the total pension liability was 7.6 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

CITY OF HAZEL PARK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 9 - DEFINED BENEFIT PENSION PLAN (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 expense and inflation) are developed for each major asset class. The ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as December 31, 2019, the measurement date, for each major class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Total Market Portfolio		
Global equity	60.0%	3.70%
Global fixed income	20.0%	0.30%
Private investments	20.0%	1.30%

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 7.6 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.6 percent) or one percentage point higher (8.6 percent) than the current rate:

	1% Decrease (6.60%)	Discount Rate (7.60%)	1% Increase (8.60%)
Net pension liability of the City	\$ 48,347,903	\$ 40,765,278	\$ 34,399,855

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

CITY OF HAZEL PARK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS

Plan Description - The City provides healthcare benefits to all full-time employees upon retirement, in accordance with labor contracts. The plan is closed to new members.

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. The City participates in the Municipal Employees Retirement System (MERS) of Michigan, Retiree Health Funding Vehicle (RHFV).

Benefits Provided - The OPEB plan provides healthcare benefits for retirees and their spouses. Benefits are provided through a third-party insurer and the full cost of the benefits is covered by the plan for employees who are hired before specified dates and have reached normal retirement, as defined. Administrative costs are paid by the City.

Employees Covered by Benefit Terms

The following members were covered by the contractual benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	161
Active plan members	<u>36</u>
Total plan members	<u><u>197</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. In the current year, the City paid postemployment benefits of \$1,722,210 and made a \$147,052 advanced funding contribution into the Plan.

CITY OF HAZEL PARK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Net OPEB Liability - The City's net OPEB liability was measured as of June 30, 2020. The June 30, 2020 total OPEB liability was determined by an actuarial valuation performed as of December 31, 2018.

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

Changes in Net OPEB Liability	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
Balance at July 1, 2019	\$ 83,261,552	\$ -	\$ 83,261,552
Changes for the year:			
Service cost	772,906	-	772,906
Interest	2,591,230	-	2,591,230
Differences between expected and actual experience	(760,821)	-	(760,821)
Changes in assumptions	(34,065,911)	-	(34,065,911)
Contributions - Employer	-	1,869,262	(1,869,262)
Net investment income	-	(4,800)	4,800
Benefit payments, including refunds	(1,722,210)	(1,722,210)	-
Net Changes	(33,184,806)	142,252	(33,327,058)
Balance at June 30, 2020	\$ 50,076,746	\$ 142,252	\$ 49,934,494

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - For the year ended June 30, 2020, the City recognized OPEB recovery of \$(21,348,644).

At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual investment earnings	\$ 7,995	\$ -
Difference between expected and actual experience	-	(163,584)
Changes in assumptions	-	(7,324,164)
Total	\$ 7,995	\$ (7,487,748)

CITY OF HAZEL PARK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

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

Year Ending June 30,	Amount
2021	\$ (7,485,750)
2022	1,999
2023	1,999
2024	1,999
	<u>\$ (7,479,753)</u>

Actuarial Assumptions - Actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actual experience study covering the five-year period ending December 31, 2013. The total OPEB liability as of June 30, 2020 was determined using an inflation assumption of 2.5 percent; assumed salary increases (including inflation) of 3.0 to 14.0 percent, a healthcare cost trend rate of 8.5 percent reduced by decrements to an ultimate rate of 4.5 percent in year 17 and later, and the RP-2000 Mortality Combined Healthy Tables projected 20 years with U.S. Projection Scale BB. In addition, 100 percent of active employees currently receiving healthcare through the City were assumed to elect retiree coverage. These assumptions were applied to all periods included in the measurement, except for the discount rate, which was 3.13 percent in the calculation of the beginning of year total OPEB liability.

Discount Rate – The discount rate used to measure the net OPEB liability at June 30, 2020 was 7.0 percent; however, the discount rate used to measure the total OPEB liability at the beginning of the year was 3.13 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made at rates equal to the expected benefit payments. Based on those assumptions, the OPEB plan’s net fiduciary position was projected to cover all future OPEB payments. Therefore, the discount rate was set equal to the long-term expected rate of return.

CITY OF HAZEL PARK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Investment Rate of Return - The long term expected rate of return on the OPEB plan investments was determined using a forward-looking estimate of capital market returns model for each investment major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and investment expenses. The target allocation and best estimate of arithmetic real rate of return is as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Total Market Portfolio		
Global equity	60.0%	3.70%
Global fixed income	20.0%	0.30%
Private investments	20.0%	1.30%

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

	<u>1 Percent Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1 Percent Increase (8.00%)</u>
Net OPEB liability of the Plan	\$ 56,267,144	\$ 49,934,494	\$ 44,704,148

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

The following presents the net OPEB liability of the City, calculated using the healthcare cost trend rate of 8.5 percent, as well as what the City's net 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 (7.5% Decreasing to 3.0%)</u>	<u>Current Healthcare Cost Trend Rate (8.5% Decreasing to 4.0%)</u>	<u>1 Percent Increase (9.5% Decreasing to 5.0%)</u>
Net OPEB liability of the Plan	\$ 44,014,359	\$ 49,934,494	\$ 57,083,809

CITY OF HAZEL PARK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Investment Policy - The City has by resolution set aside advanced funding of this obligation in the Municipal Employees' Retirement System Retiree Health Funding Vehicle (MERS RHFV), which is held in a separate reserve, but invested on a pooled basis by MERS with other governmental units. The Michigan Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the system. That report may be obtained by writing to the system at 1134 Municipal Way, Lansing, MI 48917 or www.mersofmichigan.com.

Concentrations - At June 30, 2020, the plan held 100 percent of its investment portfolio in MERS RHFV.

Rate of Return - For the year ended June 30, 2020, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was (9.2) % percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE 11 - JOINT VENTURE

The City is a member of the Southeastern Oakland County Resource Recovery Authority (the "Resource Recovery Authority"), which provides solid waste disposal services to residents and businesses of Hazel Park and other participating communities. The participating communities provide annual funding for its operations. During the year ended June 30, 2020, the Resource Recovery Authority reported a decrease in net position in the amount of \$349,866, resulting in ending net position of \$3,082,001. During the current year, the City contributed approximately \$1,297,512 for its operations. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the Southeastern Oakland County Resource Recovery Authority can be obtained from the administrative offices at 3910 Webster Road, Royal Oak, MI 48073.

The City is a department member of the South Macomb Oakland Regional Services Authority (SMORSA), which is a joint collaborative public financing organization founded under Public Act 57 of 1988, to provide emergency services. The other department member is the City of Eastpointe. The primary role of the authority is to contract back to the respective department cities fire and rescue services that are provided by existing city management and adopted by City Council budgets and policies. The funding for the authority is based upon a 14-mill tax levy that will be assessed for 20 years expiring in 2034. The City has no explicit and measurable equity interest in the joint venture.

CITY OF HAZEL PARK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 12 - CONTINGENT LIABILITIES

The City has been named as a defendant in multiple claims and lawsuits requesting damages of various amounts. The various proceedings have not yet progressed to the point where legal opinions can be reached as to the ultimate liabilities, if any, after consideration of available insurance, where applicable, that may result from the resolution of these matters. The City has not recorded an estimate of this liability as of June 30, 2020.

NOTE 13 - TAX ABATEMENTS

The City uses Brownfield Redevelopment Agreements that were entered into based upon the Brownfield Redevelopment Act, PA 381 of 1996 to reimburse taxpayers that remediate environmental contamination on their properties.

For the fiscal year ended June 30, 2020, the City abated \$259,870 of Brownfield tax revenue under these agreements. There are no provisions to recapture taxes; however, the abatement may be eliminated if taxes are not paid timely.

There are no significant abatements made by other governments that reduce the City's tax revenue.

NOTE 14 - UPCOMING ACCOUNTING PRONOUNCEMENTS

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of governments and improves guidance for accounting and financial reporting related to how these activities should be reported. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement were originally effective for the City's financial statements for the year ended June 30, 2020 but were extended to June 30, 2021 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

In June 2017, GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement were originally effective for the City's financial statements for the year ended June 30, 2020 but were extended to June 30, 2022 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

CITY OF HAZEL PARK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 15 – COVID 19 PANDEMIC

In March 2020, U.S. and global economies reacted negatively in response to worldwide concern due to the economic impacts of COVID-19. These trends, including a potential economic downturn, and any potential resulting direct and indirect negative impact to the City cannot be determined but may have a material prospective impact to the City's operations and cash flows. The impact on the City's future operating costs, revenue, and state funding cannot be estimated. The City does expect that there will be reductions in state-shared revenue from the State of Michigan, but the amount cannot be estimated.

NOTE 16 - SUBSEQUENT EVENTS

City's management has performed a review of events subsequent to the balance sheet date through December 23, 2020, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF HAZEL PARK, MICHIGAN
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
Year Ended June 30, 2020

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 4,801,820	\$ 4,962,475	\$ 5,034,649	\$ 72,174
Licenses and permits	980,850	1,328,294	1,511,918	183,624
Federal grants	-	-	128,202	128,202
State-shared revenue and grants	2,367,325	2,289,443	2,209,605	(79,838)
Charges for services	2,247,750	2,315,110	2,221,664	(93,446)
SMORSA - Charges for service	2,372,481	2,385,560	2,385,215	(345)
Fines and forfeitures	3,277,005	3,697,544	3,957,642	260,098
Investment income	68,000	102,377	107,848	5,471
Rental income	455,000	447,000	458,025	11,025
Other revenue	618,800	309,849	508,745	198,896
Total revenue	17,189,031	17,837,652	18,523,513	685,861
Expenditures - Current				
General government				
City Council	46,200	42,400	38,363	4,037
City Manager	373,416	353,810	336,868	16,942
Accounting and finance	442,637	366,422	344,099	22,323
Treasurer	67,426	120,240	92,869	27,371
Assessor	120,000	120,000	117,917	2,083
Boards and commissions	72,950	72,781	66,473	6,308
Clerk	262,931	249,599	257,930	(8,331)
Elections	22,500	17,015	20,487	(3,472)
Buildings and grounds	124,150	129,045	131,893	(2,848)
Attorney	220,097	249,705	306,407	(56,702)
Insurance and other functions	2,623,250	2,918,604	2,666,576	252,028
Total general government	4,375,557	4,639,621	4,379,882	259,739
District Court	1,703,398	1,597,219	1,599,603	(2,384)
Public Safety				
Police	5,448,213	5,517,843	5,688,743	(170,900)
Fire	2,727,999	3,040,022	3,045,567	(5,545)
Building inspections and related	377,905	343,943	415,607	(71,664)
Animal control	91,187	79,172	82,688	(3,516)
Total public safety	8,645,304	8,980,980	9,232,605	(251,625)
Public works				
Motor pool	455,266	549,230	573,121	(23,891)
Street lighting	459,000	420,000	412,372	7,628
Department of Public Service	544,900	706,411	650,102	56,309
Total public works	1,459,166	1,675,641	1,635,595	40,046
Community and economic development	313,469	360,714	315,193	45,521
Recreation and culture	320,634	299,905	292,995	6,910
Total expenditures	16,817,528	17,554,080	17,455,873	98,207
Excess of Revenue Over Expenditures	371,503	283,572	1,067,640	784,068
Other Financing Sources (Uses)				
Transfers out	(371,503)	(859,953)	(963,373)	(103,420)
Net Change in Fund Balance	-	(576,381)	104,267	680,648
Fund Balance - Beginning of year	3,088,638	3,088,638	3,088,638	-
Fund Balance - End of year	\$ 3,088,638	\$ 2,512,257	\$ 3,192,905	\$ 680,648

CITY OF HAZEL PARK, MICHIGAN
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - MAJOR STREETS FUND
Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
Revenue				
State shared revenue and grants	\$ 1,342,679	\$ 1,142,164	\$ 2,373,131	\$ 1,230,967
Other revenue	3,500,000	-	-	-
Investment income	-	-	3,827	3,827
Total revenue	<u>4,842,679</u>	<u>1,142,164</u>	<u>2,376,958</u>	<u>1,234,794</u>
Expenditures				
Public works	4,612,679	3,142,944	2,500,600	642,344
Debt service	230,000	263,331	263,331	-
	<u>4,842,679</u>	<u>3,406,275</u>	<u>2,763,931</u>	<u>642,344</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>-</u>	<u>(2,264,111)</u>	<u>(386,973)</u>	<u>1,877,138</u>
Other Financing Sources (Uses)				
Bond issuance	-	3,220,000	3,220,000	-
Premium on bonds sold	-	392,668	392,668	-
	<u>-</u>	<u>3,612,668</u>	<u>3,612,668</u>	<u>-</u>
Net Change in Fund Balance	<u>-</u>	<u>1,348,557</u>	<u>3,225,695</u>	<u>1,877,138</u>
Fund Balance - Beginning of year	<u>252,626</u>	<u>252,626</u>	<u>252,626</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 252,626</u>	<u>\$ 1,601,183</u>	<u>\$ 3,478,321</u>	<u>\$ 1,877,138</u>

CITY OF HAZEL PARK, MICHIGAN
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2020

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 HAZEL PARK, MICHIGAN
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2020

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

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
General government - Clerk	\$ 249,599	\$ 257,930	\$ (8,331)
General government - Elections	\$ 17,015	\$ 20,487	\$ (3,472)
General government - Buildings and grounds	\$ 129,045	\$ 131,893	\$ (2,848)
General government - Attorney	\$ 249,705	\$ 306,407	\$ (56,702)
District Court	\$ 1,597,219	\$ 1,599,603	\$ (2,384)
Public safety - Police	\$ 5,517,843	\$ 5,688,743	\$ (170,900)
Public safety - Fire	\$ 3,040,022	\$ 3,045,567	\$ (5,545)
Public safety - Building inspections and related	\$ 343,943	\$ 415,607	\$ (71,664)
Public safety - Animal control	\$ 79,172	\$ 82,688	\$ (3,516)
Public works - Motor pool	\$ 549,230	\$ 573,121	\$ (23,891)
Transfers out	\$ 859,953	\$ 963,373	\$ (103,420)

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

OTHER SUPPLEMENTAL INFORMATION

CITY OF HAZEL PARK, MICHIGAN
REQUIRED SUPPLEMENTAL INFORMATION
Schedule of Changes in the Net OPEB Liability and Related Ratios
Last Three Fiscal Years
(Schedule is built prospectively upon implementation of GASB 75)

Changes in Net OPEB Liability	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 772,906	\$ 530,912	\$ 807,591
Interest	2,591,230	2,499,458	2,451,228
Differences between expected and actual experience	(760,821)	(5,132,791)	(427,370)
Changes in assumptions	(34,065,911)	17,523,352	(608,180)
Contributions - Employer	-	-	-
Benefit payments, including refunds	(1,722,210)	(1,875,274)	(1,916,627)
Net Change in Total OPEB Liability	(33,184,806)	13,545,657	306,642
Total OPEB Liability - Beginning of year	<u>83,261,552</u>	<u>69,715,895</u>	<u>69,409,253</u>
Total OPEB Liability - End of year	<u>\$ 50,076,746</u>	<u>\$ 83,261,552</u>	<u>\$ 69,715,895</u>
Plan Fiduciary Net Position			
Employer contributions	\$ 1,869,262	\$ -	\$ -
Net investment loss	(4,800)	-	-
Benefit payments and refunds	(1,722,210)	-	-
Net Change in Plan Fiduciary Net Position	142,252	-	-
Plan Fiduciary Net Position - Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Plan Fiduciary Net Position - End of year	<u>\$ 142,252</u>	<u>\$ -</u>	<u>\$ -</u>
City's Net OPEB Liability - Ending	<u>\$ 49,934,494</u>	<u>\$ 83,261,552</u>	<u>\$ 69,715,895</u>
Covered Payroll	\$ 2,510,032	\$ 2,597,580	\$ 3,736,726
Net OPEB Liability as a Percentage of Covered Payroll	1995.06%	3205.35%	1865.69%

CITY OF HAZEL PARK, MICHIGAN
REQUIRED SUPPLEMENTAL INFORMATION
Schedule of Investment Returns - OPEB Trust
Last Three Fiscal Years
(Schedule is built prospectively upon implementation of GASB 75)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Annual money-weighted rate of return, net of investment expense	-9.20%	0%	0%

**CITY OF HAZEL PARK, MICHIGAN
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF CITY CONTRIBUTIONS- OPEB
LAST TEN FISCAL YEARS**

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contribution	\$ 6,738,702	\$ 5,151,928	\$ 5,199,989	\$ 5,155,021	\$ 4,548,921	\$ 4,575,867	\$ 4,845,806	\$ 4,897,941	\$ 5,414,284	\$ 5,475,052
Contributions in relation to the actuarially determined contribution	<u>1,869,262</u>	<u>1,875,274</u>	<u>1,916,627</u>	<u>1,955,976</u>	<u>2,044,080</u>	<u>2,051,849</u>	<u>1,913,541</u>	<u>1,850,097</u>	<u>1,924,749</u>	<u>1,740,606</u>
Contribution excess (deficiency)	<u>\$ (4,869,440)</u>	<u>\$ (3,276,654)</u>	<u>\$ (3,283,362)</u>	<u>\$ (3,199,045)</u>	<u>\$ (2,504,841)</u>	<u>\$ (2,524,018)</u>	<u>\$ (2,932,265)</u>	<u>\$ (3,047,844)</u>	<u>\$ (3,489,535)</u>	<u>\$ (3,734,446)</u>
Covered employee payroll	\$ 2,510,032	\$ 2,597,580	\$ 3,736,726	\$ 6,471,993	\$ 5,928,636	\$ 5,928,636	\$ 5,928,636	\$ 6,061,989	\$ 6,061,989	\$ 6,703,632
Contributions as a percentage of covered employee payroll	74.47%	72.19%	51.29%	30.22%	34.48%	34.61%	32.28%	30.52%	31.75%	25.97%

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of December 31 each year, which is 18 months prior to the beginning of the fiscal year in which the contributions are required

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	Market Value of Assets
Price inflation	2.5%
Wage inflation	3.0%
Salary increases	3.0% to 14.0% including inflation
Investment rate of return	3.0%, net of OPEB plan investment expense
Retirement age	Experience-based tables of rates that are specific to the type of eligibility condition
Mortality	The mortality tables used to project the mortality experience of non-disabled plan members is a 50% Male - 50% Female Blend of the following tables: 1. The RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105% 2. The RP-2014 Employee Mortality Tables 3. The RP-2014 Juvenile Mortality Tables
Health care trend rates	Non-Medicare: Initial trend of 8.5% gradually decreasing to an ultimate trend rate of 4.5% Medicare: Initial trend of 7.0% gradually decreasing to an ultimate trend rate of 4.5%
Excise tax	No load was applied in connection with the "Cadillac" tax.
Aging factors	Based on the 2013 SOA Study "Health Care Costs - From Birth to Death"
Other information	There were no benefit changes during the year

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

	2020	2019	2018	2017	2016	2015
Total Pension Liability						
Service cost	\$ 730,036	\$ 691,583	\$ 713,764	\$ 735,969	\$ 708,614	\$ 672,741
Interest	5,289,450	5,176,622	4,987,269	4,927,489	4,771,649	4,731,088
Experience differences	457,237	1,309,955	1,226,535	127,770	522,840	-
Change in actuarial assumptions	2,316,955	-	-	-	2,494,964	-
Benefit payments, including refunds	<u>(5,699,209)</u>	<u>(5,152,636)</u>	<u>(5,312,559)</u>	<u>(4,753,238)</u>	<u>(4,759,365)</u>	<u>(5,100,904)</u>
Net change in total pension liability	3,094,469	2,025,524	1,615,009	1,037,990	3,738,702	302,925
Total Pension Liability - Beginning of year	<u>68,280,775</u>	<u>66,255,251</u>	<u>64,640,242</u>	<u>63,602,252</u>	<u>59,863,550</u>	<u>59,560,625</u>
Total Pension Liability - End of year	<u>\$ 71,375,244</u>	<u>\$ 68,280,775</u>	<u>\$ 66,255,251</u>	<u>\$ 64,640,242</u>	<u>\$ 63,602,252</u>	<u>\$ 59,863,550</u>
Plan Fiduciary Net Position						
Contributions - Employer	\$ 2,659,099	\$ 2,456,590	\$ 2,213,671	\$ 2,080,689	\$ 1,980,317	\$ 1,698,837
Contributions - Employee	510,612	412,181	609,448	508,873	507,283	535,388
Net investment income	3,849,033	(1,221,776)	3,989,611	3,389,000	(433,667)	2,085,011
Administrative expenses	(66,133)	(62,457)	(63,938)	(66,838)	(69,693)	(76,007)
Benefit payments, including refunds	<u>(5,699,209)</u>	<u>(5,152,636)</u>	<u>(5,312,559)</u>	<u>(4,753,238)</u>	<u>(4,759,365)</u>	<u>(5,100,904)</u>
Net change in plan fiduciary net position	1,253,402	(3,568,098)	1,436,233	1,158,486	(2,775,125)	(857,675)
Plan Fiduciary Net Position - Beginning of year	<u>29,356,564</u>	<u>32,924,662</u>	<u>31,488,429</u>	<u>30,329,943</u>	<u>33,105,068</u>	<u>33,962,743</u>
Plan Fiduciary Net Position - End of year	<u>\$ 30,609,966</u>	<u>\$ 29,356,564</u>	<u>\$ 32,924,662</u>	<u>\$ 31,488,429</u>	<u>\$ 30,329,943</u>	<u>\$ 33,105,068</u>
City's Net Pension Liability - Ending	<u>\$ 40,765,278</u>	<u>\$ 38,924,211</u>	<u>\$ 33,330,589</u>	<u>\$ 33,151,813</u>	<u>\$ 33,272,309</u>	<u>\$ 26,758,482</u>
Plan Fiduciary Net Position as a Percent of Total Pension Liability	42.89%	42.99%	49.69%	48.71%	47.69%	55.30%
Covered Employee Payroll	\$ 6,020,699	\$ 5,613,288	\$ 5,703,337	\$ 5,652,385	\$ 5,385,408	\$ 4,936,051
City's Net Pension Liability as a Percent of Covered Employee Payroll	677.09%	693.43%	584.41%	586.51%	617.82%	542.10%

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contribution **	\$ 2,703,087	\$ 2,612,885	\$ 2,564,357	\$ 2,085,405	\$ 2,101,449	\$ 1,874,958	\$ 1,597,343	\$ 1,329,435	\$ 1,334,003	\$ 1,310,141
Contributions in relation to the actuarially determined contribution **	<u>2,703,087</u>	<u>2,612,885</u>	<u>2,564,357</u>	<u>2,085,405</u>	<u>2,101,449</u>	<u>1,874,958</u>	<u>1,597,343</u>	<u>1,329,435</u>	<u>1,334,003</u>	<u>1,310,142</u>
Contribution excess (deficiency)	<u>\$ -</u>	<u>\$ 1</u>								
Covered employee payroll	\$ 6,020,699	\$ 5,613,288	\$ 5,703,337	\$ 5,652,385	\$ 5,385,408	\$ 4,936,051	\$ 5,120,319	\$ 5,259,894	\$ 5,502,243	\$ 5,943,232
Contributions as a percentage of covered employee payroll	44.90%	46.55%	44.96%	36.89%	39.02%	37.98%	31.20%	25.27%	24.24%	22.04%

** Includes City and Library

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of December 31 each year, which is 18 months prior to the beginning of the fiscal year in which the contributions are required

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal
Amortization method	Level percentage of pay, closed
Remaining amortization period	19 years
Asset valuation method	5-year smoothed market
Inflation	2.5%
Salary increases	2.5 to 8.84% including inflation
Investment rate of return	7.35%
Retirement age	Experience-based tables of rates that are specific to the type of eligibility condition
Mortality	50% Male - 50% Female blend of the RP-2014 Group Annuity Mortality Tables
Other information	None

CITY OF HAZEL PARK, MICHIGAN
OTHER SUPPLEMENTAL INFORMATION
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2020

	Special Revenue Funds										Total Nonmajor Governmental Funds	
	Local Streets	Police Training	Garbage and Rubbish	Michigan Indigent Defense Commission	Drug Law Enforcement	Auto Theft Prevention	Community Development Block Grant	9-1-1 Police Training Fund	PEG Public Improvement Fund	Capital Improvement and Replacement		Court Debt Service Fund
Assets												
Cash and investments	\$ 465,552	\$ -	\$ 93,842	\$ 401,856	\$ 397,863	\$ -	\$ -	\$ 19,965	\$ 98,078	\$ 1,108,275	\$ -	\$ 2,585,431
Receivables	62,551	-	-	-	-	13,013	-	-	-	123,108	-	198,672
Prepaid expenses and other assets	-	-	6,007	-	-	-	-	-	5,431	-	-	11,438
Total assets	<u>\$ 528,103</u>	<u>\$ -</u>	<u>\$ 99,849</u>	<u>\$ 401,856</u>	<u>\$ 397,863</u>	<u>\$ 13,013</u>	<u>\$ -</u>	<u>\$ 19,965</u>	<u>\$ 103,509</u>	<u>\$ 1,231,383</u>	<u>\$ -</u>	<u>\$ 2,795,541</u>
Liabilities and Fund Balances												
Liabilities												
Accounts payable	\$ 1,314	\$ -	\$ 60,943	\$ 30,320	\$ 9,554	\$ -	\$ -	\$ -	\$ 12,760	\$ -	\$ -	\$ 114,891
Due to other funds	-	-	-	-	-	13,013	-	-	-	-	-	13,013
Accrued liabilities and other	-	-	38,906	-	-	-	-	-	-	-	-	38,906
Unearned revenue	-	-	-	339,776	-	-	-	-	-	-	-	339,776
Total liabilities	<u>1,314</u>	<u>-</u>	<u>99,849</u>	<u>370,096</u>	<u>9,554</u>	<u>13,013</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,760</u>	<u>-</u>	<u>506,586</u>
Deferred inflows of resources - Unavailable revenue	-	-	-	-	-	-	-	-	-	119,818	-	119,818
Fund Balances												
Restricted	526,789	-	-	31,760	388,309	-	-	19,965	103,509	-	-	1,070,332
Assigned	-	-	-	-	-	-	-	-	-	1,098,805	-	1,098,805
Total fund balances	<u>526,789</u>	<u>-</u>	<u>-</u>	<u>31,760</u>	<u>388,309</u>	<u>-</u>	<u>-</u>	<u>19,965</u>	<u>103,509</u>	<u>1,098,805</u>	<u>-</u>	<u>2,169,137</u>
Total liabilities and fund balances	<u>\$ 528,103</u>	<u>\$ -</u>	<u>\$ 99,849</u>	<u>\$ 401,856</u>	<u>\$ 397,863</u>	<u>\$ 13,013</u>	<u>\$ -</u>	<u>\$ 19,965</u>	<u>\$ 103,509</u>	<u>\$ 1,231,383</u>	<u>\$ -</u>	<u>\$ 2,795,541</u>

CITY OF HAZEL PARK, MICHIGAN
OTHER SUPPLEMENTAL INFORMATION
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN
FUND BALANCES
Nonmajor Governmental Funds
Year Ended June 30, 2020

	Special Revenue Funds										Total Nonmajor Governmental Funds	
	Local Streets	Police Training	Garbage and Rubbish	Michigan Indigent Defense Commission	Drug Law Enforcement	Auto Theft Prevention	Community Development Block Grant	9-1-1 Police Training Fund	PEG Public Improvement Fund	Capital Improvement and Replacement		Court Debt Service Fund
Revenue												
Property taxes	\$ -	\$ -	\$ 449,745	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 449,745
Federal grants	-	-	-	-	-	-	29,700	-	-	-	-	29,700
State-shared revenue and grants	504,630	5,555	-	834,770	-	67,225	-	-	-	-	-	1,412,180
Charges for services	-	-	1,407,165	-	-	-	-	-	-	-	-	1,407,165
Fines and forfeitures	-	-	-	-	101,688	-	-	-	-	-	-	101,688
Other revenue	-	-	12,220	-	21,544	-	-	-	23,011	124,691	-	181,466
Total revenue	504,630	5,555	1,869,130	834,770	123,232	67,225	29,700	-	23,011	124,691	-	3,581,944
Expenditures - Current												
Public safety	-	7,466	-	834,770	71,368	96,779	29,700	-	-	-	-	1,040,083
Public works	402,110	-	1,977,390	-	-	-	-	-	-	-	-	2,379,500
Debt service	-	-	-	-	-	-	-	-	92,587	190,388	-	282,975
Community development	-	-	-	-	-	-	-	-	760	-	-	760
Capital outlay	-	-	-	-	-	-	-	-	490,023	-	-	490,023
Total expenditures	402,110	7,466	1,977,390	834,770	71,368	96,779	29,700	-	760	582,610	190,388	4,193,341
Excess of Revenue Over Expenditures	102,520	(1,911)	(108,260)	-	51,864	(29,554)	-	-	22,251	(457,919)	(190,388)	(611,397)
Other Financing Sources (Uses)												
Transfers in	-	1,911	108,260	18,260	-	29,554	-	-	-	100,000	190,388	448,373
Net Change in Fund Balances	102,520	-	-	18,260	51,864	-	-	-	22,251	(357,919)	-	(163,024)
Fund Balances - Beginning of year	424,269	-	-	13,500	336,445	-	-	19,965	81,258	1,456,724	-	2,332,161
Fund Balances - End of year	\$ 526,789	\$ -	\$ -	\$ 31,760	\$ 388,309	\$ -	\$ -	\$ 19,965	\$ 103,509	\$ 1,098,805	\$ -	\$ 2,169,137

CITY OF HAZEL PARK, MICHIGAN
OTHER SUPPLEMENTAL INFORMATION
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS
June 30, 2020

	<u>Current Tax Collection Fund</u>	<u>Agency Fund</u>	<u>PA 495 Fire Insurance Fund</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$ 1,695	\$ 91,836	\$ 31,138	\$ 124,669
Receivables	494	9,400	-	9,894
	<u>\$ 2,189</u>	<u>\$ 101,236</u>	<u>\$ 31,138</u>	<u>\$ 134,563</u>
Liabilities				
Accounts payable and other liabilities	\$ 2,189	\$ 101,236	\$ 10,097	\$ 113,522
Refundable deposits	-	-	21,041	21,041
	<u>\$ 2,189</u>	<u>\$ 101,236</u>	<u>\$ 31,138</u>	<u>\$ 134,563</u>