

CITY OF HIGHLAND PARK, MICHIGAN
FINANCIAL REPORT
WITH SUPPLEMENTAL INFORMATION
JUNE 30, 2019



CITY OF HIGHLAND PARK, MICHIGAN
FINANCIAL STATEMENTS
JUNE 30, 2019

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INDEPENDENT AUDITORS' REPORT

To the Mayor and City Council
City of Highland Park, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Highland Park, Michigan (the "City"), as of and for the year ended June 30, 2019, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified and qualified audit opinions.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business-Type Activities	Qualified
Discretely Presented Component Unit	Unmodified
General Fund	Unmodified
Major Streets Fund	Unmodified

Summary of Opinions (Cont'd)

Pension Levy Judgment Fund	Unmodified
Water and Sewer Fund	Qualified
FIA Building Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Basis for Qualified Opinions on Business-Type Activities and Water and Sewer Fund

Management wrote-off approximately \$30,268,000 in disputed Water and Sewer Fund accounts payable to the Great Lakes Water Authority during the fiscal year ended June 30, 2018. The City is currently in litigation with the Great Lakes Water Authority over this and other matters. We were not able to obtain sufficient evidential support for the write-off of the disputed accounts payables as of June 30, 2019.

Qualified Opinions

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinions on Business-Type Activities and Water and Sewer Fund”, the financial statements referred to above present fairly, in all material respects, the financial position of the Business-Type Activities and Water and Sewer Fund of the City, as of June 30, 2019, 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.

Unmodified 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 discretely presented component unit, each major fund other than the Water and Sewer Fund, and the aggregate remaining fund information of the City as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Going Concern

The accompanying financial statements have been prepared assuming that the City will continue as a going concern. As described in Note 13 of the financial Statements, the City has a significant doubt about the City’s ability to continue as a going concern. Management’s plans regarding these matters are also described in Note 13. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2019 on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control over financial reporting and compliance

Other Matters


Required Supplementary Information

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

Other 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 introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements 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 and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in blue ink that reads "Randy K. Lane, P.C." enclosed in a thin black rectangular border.

RANDY K. LANE, P.C.
Certified Public Accountants
Detroit, Michigan

December 24, 2019

CITY OF HIGHLAND PARK, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2019

Our discussion and analysis of the City of Highland Park, Michigan's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the City's financial statements.

Financial Highlights

- The City has experienced several decades of fiscal distress, driven primarily by restricted or reduced property values; 48.3% of households live in poverty according to the Southeast Michigan Council on Governments ("SEMCOG") 2015 statistics.
- Over one-third of the property in the City is exempt from paying taxes due primarily to abandonment – the majority of those properties are owned by the City or Wayne County.
- During fiscal year 2019 the General Fund utilized \$929,000 of reserves to meet its obligations. Included in those obligations were the following expenses:
 - Reimbursement of \$118,000 to the Michigan State Housing Development Authority for disallowed grant expenses on two properties plus an additional \$417,420 recorded as a long-term liability on four other properties. The home renovations on five of the properties were never completed and the 6th was disallowed due to a conflict of interest since the recipient of the grant benefit was the City Treasurer.
 - Inception of an annual \$260,000 pension contribution expense. Treasury disallowed the City's request for an exemption to the pension funding requirements of Public Act 202 of 2017. The City requested the exemption because there is a dedicated millage that funds all annual pension payments. In order to meet Treasury's corrective action plan requirement, the City is now spending an additional \$260,000 from an already limited budget.
 - Addition of an Engineering Department at \$174,000.
 - \$859,000 in stormwater costs paid to the Water and Sewer system for abandoned properties held by the city.
 - \$943,000 in legal expenses, including \$414,000 in legal claims.
 - \$134,300 in new equipment purchases and building renovations.
- The City operates a water distribution system and a combined (both sanitary and storm water) sewer system. In 2012 the State of Michigan closed the Highland Park Water Treatment Plant forcing the City into using emergency water from the Detroit Water and Sewer Department ("DWSD"). The Great Lakes Water Authority ("GLWA") was founded in 2014 to take over all DWSD wholesale water and sewer activities and is now the City's vendor for both commodity services.

CITY OF HIGHLAND PARK, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2019
(Continued)

- The City continues its legal battles with GLWA over the discriminatory rate setting and commodity sales estimation practices. The City continues to pay 65% of all Water and Sewer commodity service collections to GLWA according to a 1996 consent judgement. In June 2019, City determined it had been overpaying GLWA - the accounting practices have been adjusted to prevent this overpayment beginning July 1, 2019 which should add approximately \$200,000 to the City's Water and Sewer operating net income for fiscal year 2020.
- Using the 1950 Emergency Water Contract the City has calculated and recorded a liability of \$5.5 million to GLWA for water purchases. The calculations include water usage equal to the City's Water Department water sales, plus an estimated 25% water loss rate, at the DWSD/GLWA usage price, for each year since 2012 for the emergency water supplied. It should be noted this methodology is employed by GLWA, for other cities who receive water from GLWA, without benefit of a master meter to measure the actual water delivered.
- As part of its risk management objectives the City advanced the following initiatives:
 - Audited pension recipients for compliance with the three plan's beneficiary requirements.
 - To eliminate self-funding insurance fluctuations, the City purchased liability insurance in 2014 at an annual cost of \$450,000. This price tag is expected to drop significantly in fiscal year 2020 after a five-year track record of insurability.
 - The City also purchased worker's compensation insurance in fiscal year 2019, again leaving the self-funding arena. The City saw a reduction of \$110,000 in its related liability reserve for fiscal year 2019.
- The City is also completing an overhaul of its technology and communication infrastructure resulting in an average annual savings \$85,000 beginning in fiscal year 2020.
- The City is in the process of reviewing and valuing its asset holdings. In fiscal year 2019 \$3,150,000 of tax foreclosed abandoned properties was added to the asset list.
- The City is in good standing with all its debt service payments and is working on both operating cost containment and capital improvements.

The General Fund pays for most of the City's governmental services. At \$2.9 million, the property taxes are the largest revenue source. This figure is 41% of tax revenue collected 11 years ago. Although the City has one of the highest millage rates in the state, taxable value continues to fall, requiring a larger number of mills to generate increasingly less revenue. The City's income tax collections saw a 17.5% or \$667,000 decrease in fiscal year 2019 from the prior fiscal year.

CITY OF HIGHLAND PARK, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2019
(Continued)

Governmental Activities

The following table shows, in a condensed format, the current year's net position compared to the prior two years (in thousands of dollars):

<u>June 30,</u>	<u>Governmental Activities</u>				
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>Annual Change</u>	<u>Percent Change</u>
ASSETS					
Cash and investments	\$ 10,651	\$ 11,586	\$ 11,293	\$ (293)	-2.6%
Other assets	3,774	3,926	6,317	2,391	37.9%
Restricted assets	387	686	988	302	30.6%
Capital assets	<u>25,202</u>	<u>24,714</u>	<u>23,504</u>	<u>(1,210)</u>	-5.1%
Total Assets	<u>40,014</u>	<u>40,912</u>	<u>42,102</u>	<u>1,190</u>	2.8%
DEFERRED OUTFLOWS					
Deferred amounts	<u>12,827</u>	<u>11,065</u>	<u>6,837</u>	<u>(4,228)</u>	-61.8%
LIABILITIES					
Accounts payable	392	414	508	94	18.5%
Accrued and other liabilities	50,238	47,704	42,268	(5,436)	-12.9%
Long-term liabilities					
Due within one year	1,200	1,145	1,170	25	2.1%
Due in more than one year	<u>12,800</u>	<u>11,555</u>	<u>9,385</u>	<u>(2,170)</u>	-23.1%
Total Liabilities	<u>64,630</u>	<u>60,818</u>	<u>53,331</u>	<u>(7,487)</u>	-14.0%
DEFERRED INFLOWS					
Deferred amounts	<u>4</u>	<u>77</u>	<u>81</u>	<u>4</u>	4.9%
NET POSITION (DEFICIT)					
Invested in capital assets					
- Net of related debt	25,202	24,714	23,504	(1,210)	-5.1%
Restricted	3,576	6,621	6,899	278	4.0%
Unrestricted (Deficit)	<u>(40,571)</u>	<u>(40,253)</u>	<u>(34,876)</u>	<u>5,377</u>	-15.4%
Total Net Position (Deficit)	<u>\$ (11,793)</u>	<u>\$ (8,918)</u>	<u>\$ (4,473)</u>	<u>\$ 4,445</u>	-99.4%

The recorded pension and other postemployment benefits liabilities have caused the total net position to decline overall.

CITY OF HIGHLAND PARK, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2019
(Continued)

The following table shows, in a condensed format, the changes in net position, compared to the prior two years (in thousands of dollars):

<u>June 30,</u>	<u>Governmental Activities</u>				
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>Annual Change</u>	<u>Percent Change</u>
REVENUES					
Program Revenue:					
Charges for Services	\$ 328	\$ 244	\$ 108	\$ (136)	-125.9%
Operating Grants	1,834	470	649	179	27.6%
Capital Grants	151	—	—	—	—
General Revenue:					
Property Taxes	6,623	7,268	7,550	282	3.7%
Income Taxes	3,579	3,796	2,769	(1,027)	-37.1%
State-Shared Revenue	4,219	5,130	3,985	(1,145)	-28.7%
Investment Earnings	3	25	23	(2)	-8.7%
Other Revenue	288	1,536	5,179	3,643	70.3%
Transfers In (Out)	(100)	—	—	—	—
Total Revenues	<u>16,925</u>	<u>18,469</u>	<u>20,263</u>	<u>1,794</u>	8.9%
EXPENDITURES					
General Government	4,532	4,635	5,965	1,330	22.3%
Public Safety	832	7,010	4,514	(2,496)	-55.3%
Public Works	2,253	3,399	4,250	851	20.0%
Community and Economic Development	663	162	566	404	71.4%
Interest on Long-Term Debt	660	389	523	134	25.6%
Total Expenditures	<u>8,940</u>	<u>15,595</u>	<u>15,818</u>	<u>223</u>	1.4%
CHANGE IN NET POSITION (DEFICIT)	<u>\$ 7,985</u>	<u>\$ 2,874</u>	<u>\$ 4,445</u>	<u>\$ 1,571</u>	35.3%

The City continues to operate at reduced staffing levels, combined with leveraging grants and one-time revenues for needed capital improvements.

As indicated above, the cost of providing governmental services has been kept below the resources available, and shows continued positive growth in the City's Net Position over the past three (3) years. The City plans to continue this practice, in order to eliminate the Net Position - Deficit.

CITY OF HIGHLAND PARK, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2019
(Continued)

Business-type Activities

The City's Business-type Activities consist of the Water and Sewer Fund and the FIA Building Fund. The Water and Sewer Fund includes services provided to residents in form of fresh water and sewerage disposal. The FIA Building Fund consists of the operations of a facility and rental space provided to an unrelated lessee, the State of Michigan's Family Independence Agency. The following table shows, in a condensed format, the current year's net position compared to the prior two years (in thousands of dollars):

<u>June 30,</u>	<u>Business-type Activities</u>				
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>Annual Change</u>	<u>Percent Change</u>
ASSETS					
Cash and investments	\$ 2,150	\$ 2,025	\$ 1,251	\$ (774)	-61.9%
Receivables and Prepays	2,345	3,446	4,486	1,040	23.2%
Capital assets	12,050	11,822	16,391	4,569	27.9%
Total Assets	<u>16,545</u>	<u>17,293</u>	<u>22,128</u>	<u>4,835</u>	21.9%
DEFERRED OUTFLOWS					
Deferred amounts	<u>272</u>	<u>272</u>	<u>109</u>	<u>(163)</u>	-149.5%
LIABILITIES					
Accounts payable and other liabilities	35,217	6,890	8,155	1,265	15.5%
Long-term liabilities					
Due within one year	765	805	835	30	3.6%
Due in more than one year	<u>5,594</u>	<u>4,025</u>	<u>6,728</u>	<u>2,703</u>	40.2%
Total Liabilities	<u>41,576</u>	<u>11,720</u>	<u>15,718</u>	<u>3,998</u>	25.4%
NET POSITION (DEFICIT)					
Invested in capital assets					
- Net of related debt	6,455	6,992	8,794	1,802	20.5%
Unrestricted (Deficit)	<u>(31,214)</u>	<u>(1,147)</u>	<u>(2,275)</u>	<u>(1,128)</u>	49.6%
Total Net Position (Deficit)	<u>\$ (24,759)</u>	<u>\$ 5,845</u>	<u>\$ 6,519</u>	<u>\$ 674</u>	10.3%

CITY OF HIGHLAND PARK, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2019
(Continued)

The City's water and sewerage infrastructure is older than the average of other metropolitan Detroit communities, and management is aggressively soliciting grants and low interest loans to repair and replace the most significant system needs. Beginning in 2016, the City adopted a stormwater runoff ordinance and is now invoicing all property owners for their share of the stormwater runoff that flows in the combined sewer lines.

The following table shows, in a condensed format, the current year's changes in Net Position, compared to the prior two years (in thousands of dollars):

<u>June 30,</u>	<u>Business-type Activities</u>				
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>Annual Change</u>	<u>Percent Change</u>
REVENUES					
Water and Sewer:					
Charges for services	\$ 6,429	\$ 5,290	\$ 7,952	\$ 2,662	33.5%
Operating expenses	<u>(10,097)</u>	<u>(7,099)</u>	<u>(10,893)</u>	<u>(3,794)</u>	34.8%
Surplus (Shortfall)	<u>(3,668)</u>	<u>(1,809)</u>	<u>(2,941)</u>	<u>(1,132)</u>	1,809
FIA Building:					
Charges for services	693	695	692	(3)	-0.4%
Operating expenses	<u>(356)</u>	<u>(529)</u>	<u>(317)</u>	<u>212</u>	-66.9%
Surplus (Shortfall)	<u>337</u>	<u>166</u>	<u>375</u>	<u>209</u>	55.7%
NON-OPERATING ITEMS					
Investment earnings	2	2	(75)	(77)	102.7%
Grants	454	2,152	3,638	1,486	40.8%
Interest expenses	—	(173)	(323)	(150)	46.4%
Extraordinary item	<u>—</u>	<u>30,267</u>	<u>—</u>	<u>(30,267)</u>	-100.0%
Total Other Revenues	<u>456</u>	<u>32,248</u>	<u>3,240</u>	<u>(29,008)</u>	-895.3%
CHANGE IN NET POSITION (DEFICIT)	\$ <u>(2,875)</u>	\$ <u>30,605</u>	\$ <u>674</u>	\$ <u>(29,931)</u>	-4440.8%

CITY OF HIGHLAND PARK, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2019
(Continued)

Fund Basis Reporting

The preceding analysis provides an overview of the City's financial position and activities on a Government-wide Basis. The fund financial statements provide additional detailed information about the funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millage.

The following table illustrates the General Fund's activity, presented on a modified accrual basis of accounting, consistent with generally accepted accounting principles (in thousands):

<u>June 30,</u>	<u>General Fund</u>				
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>Annual Change</u>	<u>Percent Change</u>
REVENUES					
Property Taxes	\$ 5,806	\$ 2,832	\$ 2,898	\$ 66	2.3%
Income Taxes	3,579	3,796	3,129	(667)	-21.3%
Licenses and Permits	164	68	168	100	(68)
Grants	42	49	—		
State-shared Revenue	3,061	3,168	2,990	(178)	-6.0%
Charges for Services	164	176	108	(68)	-63.0%
Fines and Forfeitures	1,140	920	1,041	121	11.6%
Rental and Other Revenue	289	1,534	313	(1,221)	-390.1%
Transfers In (Out)	(163)	—	532	532	100.0%
Total Revenues	14,082	12,543	11,179	(1,315)	-11.8%
EXPENDITURES					
General Government	7,928	4,002	3,946	(56)	-1.4%
Public Safety	3,314	3,558	3,708	150	4.0%
Public Works	1,415	1,924	2,856	932	32.6%
Community and Economic Development	271	139	492	353	71.7%
Debt Service	781	999	1,040	41	3.9%
Capital Outlay	—	—	66	66	100.0%
Total Expenditures	13,709	10,622	12,108	1,486	12.3%
NET CHANGE					
IN FUND BALANCE (DEFICIT)	\$ 373	\$ 1,921	\$ (929)	\$ (2,801)	301.5%

CITY OF HIGHLAND PARK, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2019
(Continued)

General Fund Budgetary Highlights

The General Fund revenue was \$1,315 million less than fiscal year 2018. Income tax revenue decline of \$667 thousand, was the primary operating cause for the decrease. A number of one-time revenues account for the additional fluctuation as the City received several legal settlements in fiscal year 2018 as compared to fiscal year 2019.

General Fund expenditures were \$1,480 million less than budgeted, due to unspent capital improvements and efficiencies obtained in the finance related cost areas.

Capital Asset and Debt Administration

At the end of 2019 the City had \$39.9 million invested in a broad range of assets. \$3.15 million of this is abandoned property the City is selling. Funding for the City's replacement and major maintenance of capital assets relies heavily on grant proceeds. Additional information on capital assets can be found in the notes to the financial statements.

The City continues to focus on replacing and upgrading its Water and Sewer Fund's assets, including the lead-based water lines and has received several low interest loans from the State of Michigan for this purpose.

Economic Factors and Next Year's Budgets and Rates

The future remains extremely challenging for the City of Highland park as 48.3% of its households operate at or below poverty levels. As a result of the City's fiscal distress, the State of Michigan monitors the City's finances and the City employs an Administrator to work with the Mayor and Council and State to focus on stabilizing the finances.

Contacting the City's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the City of Highland Park's finance department at 12050 Woodward Avenue, Highland Park, MI 48203

**CITY OF HIGHLAND PARK, MICHIGAN
JUNE 30, 2019**

BASIC FINANCIAL STATEMENTS

CITY OF HIGHLAND PARK, MICHIGAN
STATEMENT OF NET POSITION
JUNE 30, 2019

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Totals	
ASSETS				
Cash and Cash Equivalents.....	\$ 11,293,307	\$ 28,989	\$ 11,322,296	\$ 689,030
Investments.....	—	285,203	285,203	—
Receivables, Net:.....				
Property Taxes.....	100,568	—	100,568	—
Income Taxes.....	203,499	—	203,499	—
Other.....	315,346	3,832,258	4,147,604	3,808,729
Due from Other Funds.....	943,070	2,557	945,627	—
Due from Other Governmental Agencies.....	872,080	618,799	1,490,879	—
Inventory.....	—	32,400	32,400	—
Prepaid Expenses.....	119,020	—	119,020	—
Long-Term Receivable.....	—	—	—	—
Loans and Notes Receivable.....	—	—	—	—
Advance to Other Funds.....	612,952	—	612,952	—
Other Assets.....	3,150,000	—	3,150,000	—
Net Pension Asset.....	—	—	—	—
Restricted Assets.....	988,349	936,638	1,924,987	—
Capital Assets:				
Non-Depreciable.....	575,170	5,960,682	6,535,852	17,100
Depreciable, Net.....	22,928,517	10,430,711	33,359,228	159,559
Total Capital Assets, Net.....	23,503,687	16,391,393	39,895,080	176,659
Total Assets.....	42,101,878	22,128,237	64,230,115	4,674,418
DEFERRED OUTFLOWS OF RESOURCES	6,837,154	108,676	6,945,830	—
LIABILITIES				
Accounts and Contracts Payable.....	508,492	7,045,361	7,553,853	—
Accrued Interest Payable.....	72,479	—	72,479	—
Due to Other Funds.....	106,227	839,400	945,627	—
Advance from Other Funds.....	612,952	—	612,952	—
Accrued Workers' Compensation.....	140,000	—	140,000	—
Compensated Absences.....	122,837	—	122,837	—
Net Pension Liability.....	36,186,687	—	36,186,687	—
Net OPEB Liability.....	4,571,101	181,522	4,752,623	—
Other Liabilities.....	455,485	89,397	544,882	—
Long-Term Obligations :				
Due within one year.....	1,170,000	835,000	2,005,000	—
Due in more than one year.....	9,385,000	6,727,602	16,112,602	—
Total Liabilities.....	53,331,260	15,718,282	69,049,542	—
DEFERRED INFLOWS OF RESOURCES	81,293	—	81,293	—
NET POSITION				
Invested in Capital Assets, Net of Related Debt.....	23,503,687	8,794,517	32,298,204	176,659
Restricted for:				
Roads.....	4,290,731	—	4,290,731	—
Ordinance Enforcement.....	(24,788)	—	(24,788)	—
Debt Service.....	2,632,987	936,638	3,569,625	—
Other.....	—	—	—	—
Unrestricted (Deficit).....	(34,876,138)	(3,212,524)	(38,088,662)	4,497,759
Total Net Position.....	\$ (4,473,521)	\$ 6,518,631	\$ 2,045,110	\$ 4,674,418

See accompanying notes to basic financial statements.

**CITY OF HIGHLAND PARK, MICHIGAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental Activities:				
General Government.....	\$ 5,965,235	\$ —	\$ 224,706	\$ —
Public Safety.....	4,514,108	4,156	424,228	—
Public Works.....	4,250,247	104,054	—	—
Community and Economic Development.....	566,286	—	—	—
Interest on Long-Term Debt.....	522,671	—	—	—
Total Government Activities.....	<u>15,818,547</u>	<u>108,210</u>	<u>648,934</u>	<u>—</u>
Business-type Activities:				
Water and Sewer.....	10,892,907	7,951,683	—	—
FIA Building.....	317,524	692,340	—	—
Total Business-type Activities.....	<u>11,210,431</u>	<u>8,644,023</u>	<u>—</u>	<u>—</u>
Total Primary Government.....	<u>\$ 27,028,978</u>	<u>\$ 8,752,233</u>	<u>\$ 648,934</u>	<u>\$ —</u>
Component Unit:				
Tax Increment Finance Authority.....	\$ 16,757	\$ —	\$ —	\$ —
Total Component Units.....	<u>\$ 16,757</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

General Revenues:

Taxes:

Property Taxes.....
Municipal Income Tax.....
State Shared Taxes.....
Fines and Forfeitures.....
Investment Earnings.....
City-owned parcels held for resale.....
Miscellaneous Revenues (Expenses).....

Total General Revenues and Transfers.....

Change in Net Assets.....

Net Position (Deficit) - Beginning of Year.....

Net Position (Deficit) - End of Year.....

See accompanying notes to basic financial statements.

(Continued)

**Net (Expense) Revenue and
Changes in Net Position**

Primary Government			
Governmental Activities	Business-type Activities	Totals	Component Unit
\$ (5,740,529)	\$ —	\$ (5,740,529)	\$ —
(4,085,724)	—	(4,085,724)	—
(4,146,193)	—	(4,146,193)	—
(566,286)	—	(566,286)	—
<u>(522,671)</u>	<u>—</u>	<u>(522,671)</u>	<u>—</u>
<u>(15,061,403)</u>	<u>—</u>	<u>(15,061,403)</u>	<u>—</u>
—	(2,941,224)	(2,941,224)	—
<u>—</u>	<u>374,816</u>	<u>374,816</u>	<u>—</u>
—	(2,566,408)	(2,566,408)	—
<u>(15,061,403)</u>	<u>(2,566,408)</u>	<u>(17,627,811)</u>	<u>—</u>
<u>—</u>	<u>—</u>	<u>—</u>	<u>(16,757)</u>
<u>—</u>	<u>—</u>	<u>—</u>	<u>(16,757)</u>
7,550,328	—	7,550,328	12,829
2,769,067	—	2,769,067	—
3,985,171	3,638,232	7,623,403	—
1,041,315	—	1,041,315	—
23,475	(75,036)	(51,561)	1,509
3,150,000	—	3,150,000	—
<u>986,913</u>	<u>(323,358)</u>	<u>663,555</u>	<u>—</u>
<u>19,506,269</u>	<u>3,239,838</u>	<u>22,746,107</u>	<u>14,338</u>
4,444,866	673,430	5,118,296	(2,419)
<u>(8,918,387)</u>	<u>5,845,201</u>	<u>(3,073,186)</u>	<u>4,676,837</u>
<u>\$ (4,473,521)</u>	<u>\$ 6,518,631</u>	<u>\$ 2,045,110</u>	<u>\$ 4,674,418</u>

CITY OF HIGHLAND PARK, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2019

	General Fund	Major Streets Fund	Pension Levy Judgment Fund	Non-Major Funds	Totals
ASSETS					
Cash and Cash Equivalents.....	\$ 5,951,144	\$ 3,078,220	\$ 1,245,778	\$ 1,018,165	\$ 11,293,307
Accounts and Contracts Receivable:					
Property Tax Receivable.....	51,392	—	49,176	—	100,568
Income Tax Assessments.....	203,499	—	—	—	203,499
Other Receivables.....	122,665	—	86,104	15,957	224,726
Total Accounts and Contracts Receivable.....	377,556	—	135,280	15,957	528,793
Allowance for Uncollectible Accounts.....	—	—	—	—	—
Total Accounts and Contracts Receivable - Net..	377,556	—	135,280	15,957	528,793
Due from Other Funds.....	943,070	—	—	—	943,070
Due from Other Governmental Agencies.....	741,942	84,343	—	45,795	872,080
Prepaid Expenditures.....	119,020	—	—	—	119,020
Advances to Other Funds.....	—	6,080	—	606,872	612,952
Restricted Assets.....	815,776	—	—	172,573	988,349
Total Assets	<u>\$ 8,948,508</u>	<u>\$ 3,168,643</u>	<u>\$ 1,381,058</u>	<u>\$ 1,859,362</u>	<u>\$ 15,357,571</u>
LIABILITIES					
Accounts and Contracts Payable.....	\$ 371,681	\$ 4,267	\$ —	\$ 132,544	\$ 508,492
Due to Other Funds.....	2,557	9,000	—	94,670	106,227
Due to Other Governmental Agencies.....	—	—	—	—	—
Advances from Other Funds.....	612,952	—	—	—	612,952
Accrued and Other Liabilities.....	349,088	17,116	—	56,276	422,480
Total Liabilities.....	1,336,278	30,383	—	283,490	1,650,151
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue.....	—	—	—	22,487	22,487
Total Deferred Inflows of Resources.....	—	—	—	22,487	22,487
FUND BALANCES					
Restricted for:					
Roads.....	—	3,138,260	—	1,152,471	4,290,731
Ordinance Enforcement.....	—	—	—	(24,788)	(24,788)
Debt Service.....	815,776	—	1,381,058	436,153	2,632,987
Unassigned (Deficit).....	6,796,454	—	—	(10,451)	6,786,003
Total Fund Balances.....	7,612,230	3,138,260	1,381,058	1,553,385	13,684,933
Total Liabilities and Fund Balances.....	<u>\$ 8,948,508</u>	<u>\$ 3,168,643</u>	<u>\$ 1,381,058</u>	<u>\$ 1,859,362</u>	<u>\$ 15,357,571</u>

See accompanying notes to basic financial statements.

**CITY OF HIGHLAND PARK, MICHIGAN
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019**

Fund Balances - Total Governmental funds.....	\$	13,684,933
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund:		
Governmental capital assets.....	\$ 56,245,424	
Less accumulated depreciation.....	<u>(32,741,737)</u>	23,503,687
Other assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund:		
Receivables applicable to governmental activities are not due and collectible in the current period and therefore are deferred in governmental funds.....		113,107
City-owned parcels held for resale.....		3,150,000
Long term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental fund; interest on long-term debt is not accrued in governmental funds and is recognized as an expenditure to the extent due; and all liabilities, both current and long-term, are reported in the statement of net position:		
Net deferred outflows related to net pension liability.....	6,851,823	
Net deferred outflows related to OPEB liability.....	(14,669)	
Accrued interest payable on bonds and other long-term obligations.....	(72,479)	
Accrued workers compensation.....	(140,000)	
Accrued compensated absences.....	(122,837)	
Net pension liability.....	(36,186,687)	
Accrued other post-employment benefits.....	(4,571,101)	
Long-term obligations.....	(10,588,005)	
Net deferred inflows related to net pension liability.....	<u>(81,293)</u>	<u>(44,925,248)</u>
Net Position of Governmental Activities.....	\$	<u><u>(4,473,521)</u></u>

See accompanying notes to basic financial statements.

CITY OF HIGHLAND PARK, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>General Fund</u>	<u>Major Streets Fund</u>	<u>Pension Levy Judgment Fund</u>	<u>Non-Major Funds</u>	<u>Totals</u>
REVENUES					
Taxes:					
Property Taxes.....	\$ 2,898,419	\$ —	\$ 3,754,121	\$ 777,550	\$ 7,430,090
Municipal Income Tax.....	3,128,868	—	—	—	3,128,868
Business Licenses and Permits.....	167,924	—	—	—	167,924
State Shared Taxes.....	2,990,169	995,002	—	—	3,985,171
Intergovernmental:					
Federal.....	—	—	—	75,839	75,839
State.....	—	—	—	487,858	487,858
Sales and Charges for Services.....	108,210	—	—	—	108,210
Ordinance Fines and Forfeitures.....	1,041,315	—	—	—	1,041,315
Other Revenue.....	299,814	42,463	—	255,106	597,383
Investment Earnings.....	12,364	1,252	—	9,859	23,475
Total Revenues.....	10,647,083	1,038,717	3,754,121	1,606,212	17,046,133
EXPENDITURES					
Current:					
General Government.....	3,945,828	—	3,088,659	215,768	7,250,255
Public Safety.....	3,707,948	—	—	4,351	3,712,299
Public Works.....	2,856,186	330,810	—	250,822	3,437,818
Community and Economic Development.....	492,197	—	—	73,910	566,107
Debt Service:					
Principal and Interest.....	1,040,045	—	—	1,594,621	2,634,666
Capital Outlay.....	65,876	—	38,341	30,092	134,309
Total Expenditures.....	12,108,080	330,810	3,127,000	2,169,564	17,735,454
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	(1,460,997)	707,907	627,121	(563,352)	(689,321)
OTHER FINANCING SOURCES (USES)					
Sources:					
Transfers In.....	594,160	—	—	61,830	655,990
Uses:					
Transfers Out.....	(61,830)	—	—	(594,160)	(655,990)
Total Other Financing Sources (Uses).....	532,330	—	—	(532,330)	—
Net Change in Fund Balances.....	(928,667)	707,907	627,121	(1,095,682)	(689,321)
FUND BALANCES					
Beginning of Year.....	8,540,897	2,430,353	753,937	2,649,067	14,374,254
End of Year.....	\$ 7,612,230	\$ 3,138,260	\$ 1,381,058	\$ 1,553,385	\$ 13,684,933

See accompanying notes to basic financial statements.

**CITY OF HIGHLAND PARK, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

Net Change in Fund Balances - Total Governmental Funds..... \$ (689,321)

Amounts reported for governmental activities in the statement
of activities are different because:

Some revenues reported in the statement of activities do not provide current financial
resources and therefore are not reported as revenues in governmental funds..... 3,240,620

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets
is depreciated over their estimated useful lives:

Expenditures for capital assets.....	\$ 134,309	
Less net book value of assets disposed.....	(193,624)	
Less current year depreciation.....	<u>(1,151,452)</u>	(1,210,767)

Repayment of bond principal and other debt is an expenditure in the governmental
funds, but the repayment reduces long term liabilities in the statement in
net position..... 2,145,000

Some expenses recorded in the statement of activities do not require the use of current
financial resources and therefore are not reported as expenditures in the governmental
funds:

Change in accrued interest payable.....	37,411	
Change in accrued workers compensation claims.....	110,000	
Change in accrued compensated absences.....	(5,301)	
Change in pension-related expenses.....	(128,395)	
Change in accrued other postemployment benefits.....	1,059,791	
Change in accrued and other liabilities.....	<u>(114,172)</u>	<u>959,334</u>

Change in Net Position of Governmental Activities..... \$ 4,444,866

See accompanying notes to basic financial statements.

CITY OF HIGHLAND PARK, MICHIGAN
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019

	<u>Water and Sewer Fund</u>	<u>FIA Building Fund</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and Cash Equivalents.....	\$ 28,989	\$ —	\$ 28,989
Investments.....	—	285,203	285,203
Accounts and Contracts Receivable:			
Billed Receivables- Trade.....	5,203,103	—	5,203,103
Unbilled and Other Receivables.....	469,155	—	469,155
Total Accounts and Contracts Receivable.....	5,672,258	—	5,672,258
Allowance for Uncollectible Accounts.....	(1,840,000)	—	(1,840,000)
Total Accounts and Contracts Receivable - Net.....	3,832,258	—	3,832,258
Due from Other Funds.....	2,557	—	2,557
Due from Other Governmental Agencies.....	618,799	—	618,799
Inventories.....	32,400	—	32,400
Restricted - Cash and Cash Equivalents.....	936,638	—	936,638
Total Current Assets.....	5,451,641	285,203	5,736,844
Noncurrent Assets:			
Capital Assets:			
Land.....	349,112	—	349,112
Land Improvements.....	148,948	—	148,948
Buildings and Improvements.....	886,817	11,782,800	12,669,617
Water and Sewer Lines.....	21,643,881	—	21,643,881
Machinery and Equipment.....	1,248,246	—	1,248,246
Construction in Progress.....	5,570,152	41,418	5,611,570
Total Capital Assets.....	29,847,156	11,824,218	41,671,374
Less: Accumulated Depreciation.....	(19,862,961)	(5,417,020)	(25,279,981)
Net Capital Assets.....	9,984,195	6,407,198	16,391,393
Total Noncurrent Assets.....	9,984,195	6,407,198	16,391,393
Total Assets.....	15,435,836	6,692,401	22,128,237
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amounts on Bond Earnings.....	—	108,676	108,676
Total Deferred Outflows of Resources.....	—	108,676	108,676
LIABILITIES			
Current Liabilities:			
Accounts and Contracts Payable.....	6,915,648	129,713	7,045,361
Due to Other Funds.....	837,400	2,000	839,400
Other Liabilities.....	82,834	6,563	89,397
Bonds, Notes, and Leases Payable - Current Portion.....	225,000	610,000	835,000
Net OPEB Liability.....	181,522	—	181,522
Total Current Liabilities.....	8,242,404	748,276	8,990,680
Noncurrent Liabilities:			
Bonds and Notes Payable - Net.....	6,087,602	640,000	6,727,602
Total Noncurrent Liabilities.....	6,087,602	640,000	6,727,602
Total Liabilities.....	14,330,006	1,388,276	15,718,282
NET POSITION			
Invested in Capital Assets, Net of Related Debt.....	3,637,319	5,157,198	8,794,517
Restricted for Debt Service.....	936,638	—	936,638
Unrestricted (Deficit).....	(3,468,127)	255,603	(3,212,524)
Total Net Position.....	\$ 1,105,830	\$ 5,412,801	\$ 6,518,631

See accompanying notes to basic financial statements.

CITY OF HIGHLAND PARK, MICHIGAN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Water and Sewer Fund	FIA Building Fund	Total
OPERATING REVENUES			
Water Sales.....	\$ 1,844,081	\$ —	\$ 1,844,081
Sewage Disposal Charges for Services.....	5,522,181	—	5,522,181
Rental Income.....	—	692,255	692,255
Other Revenue.....	585,421	85	585,506
Total Operating Revenues.....	7,951,683	692,340	8,644,023
OPERATING EXPENSES			
Cost of Water.....	500,000	—	500,000
Cost of Sewage Treatment.....	4,770,082	—	4,770,082
Contractual Services.....	4,533,829	—	4,533,829
Materials, Supplies and Other Expenses.....	677,428	81,504	758,932
Depreciation, Amortization and Impairment Loss.....	411,568	236,020	647,588
Total Operating Expenses.....	10,892,907	317,524	11,210,431
Total Operating Income (Loss).....	(2,941,224)	374,816	(2,566,408)
NON-OPERATING REVENUES (EXPENSES)			
Intergovernmental Revenue - State.....	3,638,232	—	3,638,232
Investment Earnings (Losses).....	3,760	(78,796)	(75,036)
Interest Expenses.....	(91,494)	(231,864)	(323,358)
Total Non-Operating Revenues (Expenses), Net.....	3,550,498	(310,660)	3,239,838
Change in Net Position.....	609,274	64,156	673,430
NET POSITION			
Beginning of Year.....	496,556	5,348,645	5,845,201
End of Year.....	\$ 1,105,830	\$ 5,412,801	\$ 6,518,631

See accompanying notes to basic financial statements.

CITY OF HIGHLAND PARK, MICHIGAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Water and Sewer Fund	FIA Building Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers.....	\$ 7,215,313	\$ 740,549	\$ 7,955,862
Payments from (to) Other Funds.....	(2,557)	—	(2,557)
Payments to Suppliers.....	(9,434,596)	—	(9,434,596)
Net Cash Provided by (Used in) Operating Activities.....	<u>(2,221,840)</u>	<u>740,549</u>	<u>(1,481,291)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Grants and Contributions from Other Governments.....	3,369,068	—	3,369,068
Net Cash Provided by Non-Capital Financing Activities.....	<u>3,369,068</u>	<u>—</u>	<u>3,369,068</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and Construction of Capital Assets.....	(5,118,939)	(49,218)	(5,168,157)
Proceeds from Bond and Note Issuances.....	3,537,704	—	3,537,704
Principal Paid on Bonds, Notes and Leases.....	(220,000)	(585,000)	(805,000)
Interest Paid on Bonds, Notes and Leases - Net.....	(75,938)	(239,064)	(315,002)
Net Cash Used in Capital and Related Financing Activities.....	<u>(1,877,173)</u>	<u>(873,282)</u>	<u>(2,750,455)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from Sales and Maturities of Investments.....	94,608	47,590	142,198
Investment Earnings (Losses).....	3,760	84,219	87,979
Net Cash Provided by Investing Activities.....	<u>98,368</u>	<u>131,809</u>	<u>230,177</u>
Net Decrease in Cash and Cash Equivalents.....	(631,577)	(924)	(632,501)
CASH AND CASH EQUIVALENTS			
Beginning of Year.....	1,597,204	924	1,598,128
End of Year.....	<u>\$ 965,627</u>	<u>\$ —</u>	<u>\$ 965,627</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Operating Income (Loss).....	\$ (2,941,224)	\$ 374,816	\$ (2,566,408)
Adjustments to Operating Income (Loss):			
Depreciation and Amortization	411,568	236,020	647,588
Changes in Assets and Liabilities:			
Accounts Receivable.....	(736,370)	—	(736,370)
Inventories.....	(32,400)	—	(32,400)
Due from Other Funds.....	(2,557)	—	(2,557)
Accounts and Contracts Payable.....	1,079,143	129,713	1,208,856
Net Cash Provided by (Used in) Operating Activities.....	<u>\$ (2,221,840)</u>	<u>\$ 740,549</u>	<u>\$ (1,481,291)</u>

See accompanying notes to basic financial statements.

**CITY OF HIGHLAND PARK, MICHIGAN
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019**

	Pension Trust Funds	Agency Funds	Totals
ASSETS			
Cash and Cash Equivalents.....	\$ 1,378,864	\$ 739,212	\$ 2,118,076
Investments at Fair Value:			
U.S. Government Obligations.....	112,886	—	112,886
Accounts Receivable.....	—	2,310	2,310
Total Assets.....	\$ 1,491,750	\$ 741,522	\$ 2,233,272
LIABILITIES			
Accounts and Contracts Payable.....	\$ 13,364	\$ 106,698	\$ 120,062
Due to Other Governmental Units.....	—	385,646	385,646
Refundable Deposits, Bonds, Etc.....	—	249,178	249,178
Total Liabilities.....	13,364	\$ 741,522	\$ 754,886
NET POSITION HELD IN TRUST FOR PENSION AND OTHER EMPLOYEE BENEFITS.....			
	\$ 1,478,386		

See accompanying notes to basic financial statements.

**CITY OF HIGHLAND PARK, MICHIGAN
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

ADDITIONS	
Employer Contributions.....	\$ 3,387,000
Plan Member Contributions.....	53,197
Other Income.....	<u>3,071</u>
Total Additions.....	<u>3,443,268</u>
DEDUCTIONS	
Pension and Annuity Benefits.....	2,941,675
General and Administrative Expenses.....	<u>48,364</u>
Total Deductions.....	<u>2,990,039</u>
Net Decrease.....	453,229
NET POSITION	
Held in Trust for Pension and Employee Benefits, Beginning of Year.....	<u>1,025,157</u>
Held in Trust for Pension and Employee Benefits, End of Year.....	<u><u>\$ 1,478,386</u></u>

See accompanying notes to basic financial statements.

CITY OF HIGHLAND PARK, MICHIGAN
STATEMENT OF NET POSITION
COMPONENT UNIT
JUNE 30, 2019

		Tax Increment Finance Authority
ASSETS		
Cash and Cash Equivalents.....	\$	689,030
Other Receivables.....		3,808,729
Capital Assets, Net.....		176,659
Total Assets.....		4,674,418
NET POSITION		
Invested in Capital Assets, Net of Related Debt.....		176,659
Unrestricted.....		4,497,759
Total Net Position.....	\$	4,674,418

See accompanying notes to basic financial statements.

**CITY OF HIGHLAND PARK, MICHIGAN
STATEMENT OF ACTIVITIES
COMPONENT UNIT
FOR THE YEAR ENDED JUNE 30, 2019**

		Tax Increment Finance Authority
REVENUES		
Property Taxes.....	\$	12,829
Investment Earnings.....		1,509
Other Revenue.....		—
Total Revenues.....		14,338
EXPENSES		
Administrative		10,696
Depreciation, Amortization and Impairment Loss.....		6,061
Total Expenses.....		16,757
Change in Net Position.....		(2,419)
NET POSITION		
Beginning of Year.....		4,676,837
End of Year.....	\$	4,674,418

See accompanying notes to basic financial statements

CITY OF HIGHLAND PARK, MICHIGAN
JUNE 30, 2019

NOTES TO FINANCIAL STATEMENTS

CITY OF HIGHLAND PARK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

(1) **NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES**

The City of Highland Park (the City), incorporated in 1918, is a home rule city under State of Michigan law, and operates according to a new City Charter adopted on May 7, 2019, pursuant to a special election. The City's administration is led by the formation of Officers, or the Mayor, the five-member City Council, Clerk and Treasurer. The City provides the following services as authorized by its charter: public protection, public works, recreation and culture, economic development, water and sewerage, and buildings.

The accounting and financial reporting, taken as a whole, of the City conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies used by the City:

Reporting Entity

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

Blended Component Unit

Building Authority – The Building Authority is governed by a board appointed by the City Council. The Building Authority's sole function is to oversee the acquisition/construction of the City's public buildings; therefore, it is reported as if it were part of the primary government.

Discretely Presented Component Unit

Tax Increment Finance Authority – The Tax Increment Finance Authority (TIFA) is responsible for certain revitalization projects and activities in the City. The members of the TIFA's governing board are appointed by the primary government.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position (deficit) and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

CITY OF HIGHLAND PARK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Continued)

Government-wide and Fund Financial Statements (Cont'd)

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period. Conversely, federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred inflow".

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.

CITY OF HIGHLAND PARK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Continued)

The City reports the following major governmental funds:

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

Major Streets Fund – The Major Streets Fund is used to account for restricted Public Act 51 Major Street Fund transactions.

Pension Levy Judgement Fund –The Pension Levy Judgement Fund accounts are for the pension judgment levy activity.

The City reports the following major proprietary funds:

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

FIA Building Fund – The FIA Building Fund represents the activity of the Building Authority, whose sole function is to oversee the acquisition/construction of the City’s public buildings. The FIA Building Fund generated lease revenue from an external party, specifically the State of Michigan’s Family Independence Agency. The rental income generated is used to pay the debt service on the building.

CITY OF HIGHLAND PARK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(Continued)

(1) **NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES** (Cont'd)

Additionally, the City reports the following fiduciary activities:

The pension funds account for the activities of the General Employees Retirement System, the Policemen and Firemen Retirement System, and the Public Safety Retirement Plan, which accumulates resources for pension benefit payments to qualified general and police and fire employees. Each of the three pension plans uses a calendar fiscal year-end. Accordingly, all pension disclosures and required supplementary information is prepared as of December 31. However, for purposes of reporting the pension fiduciary funds, the City reports this information as of the City's fiscal year, June 30.

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

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

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

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

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's proprietary funds relates to charges to customers for sales and services. 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 nonoperating revenue and expenses.

CITY OF HIGHLAND PARK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Continued)

(1) **NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES** (Cont'd)

Property Tax Revenue

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

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

The 2018 taxable valuation of the City totaled \$113,759,713, on which taxes levied consisted of 19.3703 mills for operating purposes, 2.9055 mills for rubbish services, 4.1045 mills for 2004 Bonds, 30.4909 mills for pension judgments, and 1.5461 mills for 2014 State of Michigan Emergency Loan or 2008 Bonds. This resulted in approximately \$7.6 million for operating purposes, rubbish, and judgments. These amounts are recognized in the General Fund, the Pension Bond Debt Service Fund and the Pension Levy Judgement Fund as tax revenue.

Assets, Liabilities, and Net Position 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.

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.”

Loan Receivable – The TIFA has an outstanding loan receivable of \$3,808,729 from a commercial developer located within the City. The developer is required to repay the loan as net profits are earned.

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

CITY OF HIGHLAND PARK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(Continued)

(1) **NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES** (Cont'd)

Restricted Assets – The revenue bonds of the General Fund and certain judgment levies require amounts to be set aside for debt service principal and interest and a bond reserve. These amounts have been classified as restricted assets, as well as cash and cash equivalents and investments in the Pension Bonds Debt Service Funds, which are also restricted for debt service principal and interest payments.

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

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

Building and Improvements	50 years
Infrastructure	40 years
Land Improvements	20 years
Street Lights and Traffic Signals	15-20 years
Machinery and Equipment	5-20 years
Water and Sewer Lines	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. All sick and vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year-end.

Long-term Debt – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt is reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

CITY OF HIGHLAND PARK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(Continued)

(1) **NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES** (Cont'd)

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

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

Other Postemployment Benefits Other Than Pensions – The City offers retiree healthcare benefits to retirees. During the current year, the City adopted GASB Statement No. 75, Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions. Refer to Note 10 for further details.

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.

Deferred Outflow and Inflow of Resources – Deferred Outflow of Resources is defined as the consumption or usage of net assets applicable to a future reporting period. These types of resources are similar to assets and have a positive effect on the Statement of Net Position. Deferred Inflow of Resources is defined as the acquisition of net assets applicable to a future reporting period. These types of resources are similar to liabilities and have a negative effect on the statement of net position.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Retirement Plans	\$ 6,851,823	\$ 81,293
OPEB	(14,669)	—
Bond Earnings	108,676	—
Total	<u>\$ 6,945,830</u>	<u>\$ 81,293</u>

CITY OF HIGHLAND PARK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Continued)

(1) **NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES** (Cont'd)

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 a specific purpose.

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 or individual who is authorized by resolution approved by the governing body to make assignments.

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.

(2) **STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Grants Funds – Deficits in the grant funds relate to a timing issue of reimbursements for money spent. Any money reimbursed 60 days after year end cannot be recognized as revenue – therefore creating a deficit spending in the fund. When the grant is complete, expenditures will equal revenues in this fund as any participation or denied amounts must be paid by other funds.

CITY OF HIGHLAND PARK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(Continued)

(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 local unit 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 agreement; 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 General Employees Retirement System, the Police and Fire Retirement System, and the Public Safety Retirement Plan are also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million) debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The City has designated five 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 deposits and investments policies are in accordance with statutory authority.

CITY OF HIGHLAND PARK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(Continued)

(3) DEPOSITS AND INVESTMENTS (Cont'd)

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 \$15,772,628 bank deposits (certifications of deposit, checking, and savings accounts), that were uninsured or uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

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.

The City's Business-type Activities had the following debt investments and maturities at June 30, 2019:

<u>Investment</u>	<u>Business-type Activities</u>	<u>Ratings</u>	<u>Maturity</u>
U.S. Treasury Note	\$ 285,203	AAA	1-5 years
Total	<u>\$ 285,203</u>		

The fiduciary activities consist of the Pension Funds (General Employees Retirement System, Policemen and Firemen Retirement System, and Public Safety Retirement System): at June 30, 2019 as follows:

<u>Investment</u>	<u>General Employees' Business-type Activities</u>	<u>Polic and Fire Retirement System</u>	<u>Public Safety</u>	<u>Total</u>	<u>Ratings</u>	<u>Maturity</u>
U.S. Government Obligations	\$ —	\$ 98,381	\$ 14,505	\$ 112,886	AAA	Less than 1 year
Total	<u>\$ —</u>	<u>\$ 98,381</u>	<u>\$ 14,505</u>	<u>\$ 112,886</u>		

CITY OF HIGHLAND PARK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Continued)

(4) CAPITAL ASSETS

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

Governmental Activities	Balance June 30, 2018	Additions	Disposals	Balance June 30, 2019
Capital Assets not being depreciated:				
Land.....	\$ 575,170	\$ —	\$ —	\$ 575,170
Sub-total.....	<u>575,170</u>	<u>—</u>	<u>—</u>	<u>575,170</u>
Capital Assets being depreciated:				
Infrastructure.....	42,421,576	—	—	42,421,576
Buildings and Improvements.....	4,833,740	38,341	(242,709)	4,629,372
Machinery and Equipment.....	1,601,309	95,968	—	1,697,277
Land Improvements.....	562,290	—	—	562,290
Street Lights and Traffic Signals.....	6,553,363	—	(193,624)	6,359,739
Sub-total.....	<u>55,972,278</u>	<u>134,309</u>	<u>(436,333)</u>	<u>55,670,254</u>
Accumulated Depreciation:				
Infrastructure.....	(22,088,369)	(760,639)	—	(22,849,008)
Buildings and Improvements.....	(2,057,606)	(75,729)	242,709	(1,890,626)
Machinery and Equipment.....	(972,315)	(295,438)	—	(1,267,753)
Land Improvements.....	(441,166)	(12,750)	—	(453,916)
Street Lights and Traffic Signals.....	(6,273,538)	(6,896)	—	(6,280,434)
Sub-total.....	<u>(31,832,994)</u>	<u>(1,151,452)</u>	<u>242,709</u>	<u>(32,741,737)</u>
Net Capital Assets being depreciated	<u>24,139,284</u>	<u>(1,017,143)</u>	<u>(193,624)</u>	<u>22,928,517</u>
Net Capital Assets	<u>\$ 24,714,454</u>	<u>\$ (1,017,143)</u>	<u>\$ (193,624)</u>	<u>\$ 23,503,687</u>

CITY OF HIGHLAND PARK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(Continued)

(4) **CAPITAL ASSETS (Cont'd)**

<u>Business-type Activities</u>	<u>Balance June 30, 2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2019</u>
Capital Assets not being depreciated:				
Land.....	\$ 349,112	\$ —	\$ —	\$ 349,112
Construction in Progress.....	402,654	5,208,916	—	5,611,570
Sub-total.....	<u>751,766</u>	<u>5,208,916</u>	<u>—</u>	<u>5,960,682</u>
Capital Assets being depreciated:				
Water and Sewer Lines.....	21,643,881	—	—	21,643,881
Buildings and Improvements.....	12,661,816	7,801	—	12,669,617
Machinery and Equipment.....	1,283,546	—	(35,300)	1,248,246
Land Improvements.....	176,975	—	(28,027)	148,948
Sub-total.....	<u>35,766,218</u>	<u>7,801</u>	<u>(63,327)</u>	<u>35,710,692</u>
Accumulated Depreciation:				
Water and Sewer Lines.....	(18,336,952)	(335,120)	—	(18,672,072)
Buildings and Improvements.....	(6,067,817)	(236,020)	—	(6,303,837)
Machinery and Equipment.....	(209,652)	(71,285)	35,300	(245,637)
Land Improvements.....	(81,299)	(5,163)	28,027	(58,435)
Sub-total.....	<u>(24,695,720)</u>	<u>(647,588)</u>	<u>63,327</u>	<u>(25,279,981)</u>
Net Capital Assets being depreciated	<u>11,070,498</u>	<u>(639,787)</u>	<u>—</u>	<u>10,430,711</u>
Net Capital Assets	<u>\$ 11,822,264</u>	<u>\$ 4,569,129</u>	<u>\$ —</u>	<u>\$ 16,391,393</u>

<u>Component Unit</u>	<u>Balance June 30, 2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2019</u>
Capital Assets not being depreciated:				
Infrastructure.....	\$ 17,100	\$ —	\$ —	\$ 17,100
Sub-total.....	<u>17,100</u>	<u>—</u>	<u>—</u>	<u>17,100</u>
Capital Assets being depreciated:				
Buildings and Improvements.....	186,582	—	—	186,582
Sub-total.....	<u>186,582</u>	<u>—</u>	<u>—</u>	<u>186,582</u>
Accumulated Depreciation:				
Buildings and Improvements.....	(20,962)	(6,061)	—	(27,023)
Sub-total.....	<u>(20,962)</u>	<u>(6,061)</u>	<u>—</u>	<u>(27,023)</u>
Net Capital Assets being depreciated	<u>165,620</u>	<u>(6,061)</u>	<u>—</u>	<u>159,559</u>
Net Capital Assets	<u>\$ 182,720</u>	<u>\$ (6,061)</u>	<u>\$ —</u>	<u>\$ 176,659</u>

CITY OF HIGHLAND PARK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(Continued)

(5) INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

During the course of operations, numerous transactions occur between the City funds for goods provided and services rendered and for the reimbursement of expenditures. Related interfund receivables and payables are classified as “due from other funds” and “due to other funds” on the balance sheet and statement of net position and will be settled within one year. Interfund receivables and payables at June 30, 2019 are as follows:

<u>Due To</u>	<u>Due From</u>					<u>Total Assets</u>
	<u>General Fund</u>	<u>Major Streets Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Water and Sewer Fund</u>	<u>FIA Building Fund</u>	
General Fund	\$ —	\$ 9,000	\$ 94,670	\$ 837,400	\$ 2,000	\$ 943,070
Water and Sewer Fund	<u>2,557</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,557</u>
Total Liabilities	<u>\$ 2,557</u>	<u>\$ 9,000</u>	<u>\$ 94,670</u>	<u>\$ 837,400</u>	<u>\$ 2,000</u>	<u>\$ 945,627</u>

Long-term interfund receivables and payables are classified as “advance from other funds” and “advance to other funds” on the balance sheet and statement of net position and are scheduled be settled in greater than one year. Interfund advance receivables and payables at June 30, 2019 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Major Streets Fund	General Fund	\$ 6,080
Non-Major Governmental Funds	General Fund	<u>606,872</u>
	Total	<u>\$ 612,952</u>

Also, during the course of the fiscal year, transactions occur between the City’s funds for operating subsidies. Related interfund receipts and disbursements are classified as “transfers in” and “transfers out” on the statements of revenue, expenditures/expenses, and changes in the fund balances/net position. The transfers are routine and consistent with the activities of the funds. Transfers between funds during the year ended June 30, 2019 are as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Non-Major Governmental Funds	\$ 594,160
Non-Major Governmental Funds	General Fund	<u>61,830</u>
	Total	<u>\$ 655,990</u>

CITY OF HIGHLAND PARK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(Continued)

(6) LONG-TERM DEBT

The City issues bonds to provide for the acquisition and construction of major capital facilities. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Long-term debt activity can be summarized as follows:

<u>Governmental Activities</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
2002 General Obligation Limited Tax: Amount of loan - \$1,000,000 Maturing through 2022	0.94%	\$ 400,000	\$ —	\$ (100,000)	\$ 300,000	\$ 100,000
2006 General Obligation Limited Tax: Amount of loan - \$1,000,000 Maturing through 2026	1.19%-2.28%	800,000	—	(100,000)	700,000	100,000
2008 General Obligation Limited Tax: Amount of loan - \$3,000,000 Maturing through 2027	1.19%-2.28%	2,700,000	—	(300,000)	2,400,000	300,000
2000B Fiscal Stability: Amount of loan - \$3,480,000 Maturing through 2021	4.75%-5.5%	745,000	—	(240,000)	505,000	250,000
2003B Fiscal Stability: Amount of loan - \$2,225,000 Maturing through 2022	1.19%-2.28%	890,000	—	(130,000)	760,000	135,000
2004A & B Fiscal Stability: Amount of loan - \$6,000,000 Maturing through 2034	5.15%-6.875%	4,455,000	—	(175,000)	4,280,000	185,000
2014 Fiscal Stability: Amount of loan - \$3,000,000 Maturing through 2039	2.45%	2,710,000	—	(1,100,000)	1,610,000	100,000
Total		<u>\$ 12,700,000</u>	<u>\$ —</u>	<u>\$ (2,145,000)</u>	<u>\$ 10,555,000</u>	<u>\$ 1,170,000</u>

CITY OF HIGHLAND PARK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(Continued)

(6) LONG-TERM DEBT (Cont'd)

<u>Business-type Activities</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
1999 Revenue Bonds:						
Amount of loan - \$6,000,000	2.50%	\$ 2,994,898	\$ —	\$ (220,000)	\$ 2,774,898	\$ 225,000
Maturing through 2030						
2015 Building Authority Bonds:						
Amount of loan - \$3,130,000	7.75%	1,835,000	—	(585,000)	1,250,000	610,000
Maturing through 2021						
2018 Revenue Bonds:						
Amount of loan - \$6,000,000	2.50%	—	3,537,704	—	3,537,704	—
Maturing through 2045						
Total		<u>\$ 4,829,898</u>	<u>\$ 3,537,704</u>	<u>\$ (805,000)</u>	<u>\$ 7,562,602</u>	<u>\$ 835,000</u>

Total interest expense for the year was approximately \$323,400. Annual debt service requirements to maturity for the above bonds and note obligations, including debt service requirements of the variable rate debt and net swap payments, assuming current interest rates remain the same for their term, are as follows:

<u>Years Ending</u> <u>June 30,</u>	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 1,170,000	\$ 421,209	\$ 1,591,209	\$ 835,000	\$ 193,849	\$ 1,028,849
2021	1,200,000	435,055	1,635,055	875,000	174,535	1,049,535
2022	965,000	385,392	1,350,392	240,000	146,910	386,910
2023	890,000	341,279	1,231,279	290,000	140,422	430,422
2024	920,000	299,921	1,219,921	295,000	133,360	428,360
2025	760,000	261,956	1,021,956	385,000	125,310	510,310
2026-2030	2,790,000	850,136	3,640,136	2,069,898	485,525	2,555,423
2031-2035	1,860,000	245,830	2,105,830	825,000	322,850	1,147,850
2036-2040	—	—	—	910,000	236,200	1,146,200
2041-2045	—	—	—	837,704	120,300	958,004
Total	<u>\$ 10,555,000</u>	<u>\$ 3,240,778</u>	<u>\$ 13,795,778</u>	<u>\$ 7,562,602</u>	<u>\$ 2,079,261</u>	<u>\$ 9,641,863</u>

The City has committed to appropriate each year, from state-shared revenue, amounts sufficient to cover the principal and interest requirements of the City's debt. Principal and interest remaining on the debt total \$8,005,729, with annual requirements ranging from \$437,010 to \$886,153.

CITY OF HIGHLAND PARK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(Continued)

(7) RESTRICTED ASSETS

Restricted assets of \$1,924,987 represent cash to be used for specific purposes such as roads, future debt service payments on the City’s general obligation bonds, pension judgment levy, and water revenue bonds.

(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 following is a summary of the City’s risk management programs:

General Liability – The City purchases insurance coverage through commercial carriers for general and auto liability, auto physical damage, and certain property loss claims. The City is self-insured primarily for all other potential claims against the City. No reserves have been established by the City to fund any self-insured claims. All self-insured claims are funded through judgment levies placed on the tax roll and other expendable available resources.

Workers’ Compensation –The City is self-insured for workers’ compensation claims. The City estimates the liability for workers’ compensation claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. Changes in the estimated liability for the past two fiscal years were as follows:

	Workers' Compensation	
	<u>2019</u>	<u>2018</u>
Estimated Liability - Beginning of year	\$ 250,000	\$ 254,000
Estimated claims incurred - Including changes in estimates	27,676	102,453
Claim Payments	<u>(137,676)</u>	<u>(106,453)</u>
Estimated Liability - Ending of year	<u>\$ 140,000</u>	<u>\$ 250,000</u>

CITY OF HIGHLAND PARK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(Continued)

(9) DEFINED BENEFIT PENSION PLANS

Summarized below is the City's Net Pension Liability and Deferred Outflows and Inflows:

	Net Pension Liability	Deferred Outflows	Deferred Inflows
General Employees	\$ 4,654,408	\$ 780,204	\$ 81,293
Policemen and Firemen	3,028,480	585,457	—
Public Safety	28,503,799	5,486,162	—
Total	\$ 36,186,687	\$ 6,851,823	\$ 81,293

General Employees Retirement Plan

Plan Description – The City of Highland Park General Employees Retirement System (ERS) is a single-employer defined benefit pension plan; this plan covers nonpublic safety employees of the City. As of November 1986, the City closed the ERS to all employees hired after that date. Vested members of the ERS as of that date were given the option of freezing their accrued defined benefit, payable at their normal retirement date, or joining the defined contributed plan. Members who elected to join the defined contribution plan were refunded their contributions and were allowed to enroll into that plan. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. At December 31, 2017, the date of the most recent actuarial valuation, membership consisted of the following and the plan does not issue a separate financial report:

Retirees and Covered Spouses

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Contributions – Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Administrative costs of the plan are financed through investment earnings. Please refer to Note 1 for further significant accounting policies.

Funding Policy – The obligation to contribute to and maintain the System for these employees was established by negotiation with the City's competitive bargaining units. The funding policy provides for periodic employer contributions at actuarially determined rates.

CITY OF HIGHLAND PARK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(Continued)

(9) **DEFINED BENEFIT PENSION PLANS** (Cont'd)

General Employees Retirement Plan

Net Pension Liability

The components of the net pension liability of the City at June 30, 2019 were as follows:

<u>General Employees Retirement Plan</u>	<u>Net Pension Liability</u>
Total pension liability	\$ 5,027,844
Plan fiduciary net position	<u>373,436</u>
Total	<u>\$ 4,654,408</u>
Plan fiduciary net position as a percentage of total pension liability	<u>7.43%</u>

The City has chosen to use December 31, 2018 as its measurement date for the net pension liability. The June 30, 2019 reported net pension liability was determined using a measure of the total pension liability and the pension plan net position as of December 31, 2018. The June 30, 2019 total pension liability was determined by an actuarial valuation performed as of December 31, 2018.

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

	<u>Total Pension Liability</u>	<u>Plan Net Pension</u>	<u>Net Pension Liability</u>
Balances at December 31, 2017	\$ 5,638,826	\$ 351,705	\$ 5,287,121
Changes for the year:			
Interest	171,016	—	171,016
Differences between expected and actual experience	—	—	—
Changes in actual assumptions	(192,854)	—	(192,854)
Benefit Payments	(589,144)	(589,144)	—
Contributions - Employer	—	620,000	(620,000)
Net investment income	—	—	—
Administrative expenses	—	(9,125)	9,125
Net changes	<u>(610,982)</u>	<u>21,731</u>	<u>(632,713)</u>
Balances at December 31, 2018	<u>\$ 5,027,844</u>	<u>\$ 373,436</u>	<u>\$ 4,654,408</u>

CITY OF HIGHLAND PARK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(Continued)

(9) **DEFINED BENEFIT PENSION PLANS (Cont'd)**

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

For the year ended June 30, 2019, the City recognized pension expense of \$484,417. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Net Outflows of Resources</u>
Differences between expected and actual experience	\$ —	\$ (81,293)	\$ (81,293)
Changes in actuarial assumptions	429,198	—	429,198
Net difference between projected and actual earnings on pension plan investments	4,006	—	4,006
Contributions subsequent to measurement date	<u>347,000</u>	<u>—</u>	<u>347,000</u>
Total	<u>\$ 780,204</u>	<u>\$ (81,293)</u>	<u>\$ 698,911</u>

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

Contributions made by the City between the measurement date and the end of the City's fiscal year totaling \$347,000 are also reported as deferred outflows as of June 30, 2019 and have already been included in pension expense. Next year, the net pension liability will be reduced by this amount.

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

<u>Years ending June 30,</u>	<u>Net Deferred Outflows of Resources</u>
2020	\$ 590,502
2021	153,531
2022	(6,327)
2023	(38,795)
2024	<u>—</u>
Total	<u>\$ 698,911</u>

CITY OF HIGHLAND PARK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(Continued)

Actuarial Methods and Assumptions – The annual required contribution was determined as part of an actuarial valuation at December 31, 2018, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) 1.0 percent investment rate of return and (b) projected salary increases of 3.5 percent per year. Both (a) and (b) include an inflation component of 3.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level dollar on an open basis. The remaining amortization period is 11 years. The Mortality rate is based on the IRS 2014 Combined Mortality Table as published for funding purposes.

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 single discount rate of 3.6 percent, as well as what the City’s net pension liability would be if were calculated using a single discount rate that is 1-percentage-point lower (2.6 percent) or 1-percentage-point higher (4.6) percent) than the current rate:

	<u>1.0%</u> <u>Increase</u>		<u>Single</u> <u>Discount</u> <u>Rate of</u> <u>3.6%</u>		<u>1.0%</u> <u>Decrease</u>
Net Pension Liability	\$ 4,246,394	\$	4,654,408	\$	5,135,918

Policemen and Firemen Retirement System

Plan Description – The City of Highland Park Policemen and Firemen Retirement System (PFRS) is a single-employer defined benefit pension plan; this covers public safety officers employed by the City. This plan was closed as of November 1985 to new hires; active members at that time were terminated and enrolled under the Public Safety Retirement Plan. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. At December 31, 2017, the date of the most recent actuarial valuation, membership consisted of the follow and the plan does not issue a separate financial report:

Retirees and Covered Spouses	45
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Contributions – Plan member contributions, if any, are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Administrative costs of the plan are financed through investment earnings. Please refer to Note 1 for further significant accounting policies.

CITY OF HIGHLAND PARK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(Continued)

(9) **DEFINED BENEFIT PENSION PLANS** (Cont'd)

Funding Policy – The obligation to contribute to and maintain the system for these employees was established by negotiation with the City’s competitive bargaining units. The funding policy provides for periodic employer contributions at actuarially determined rates.

Net Pension Liability

The components of the net pension liability of the City at June 30, 2019 were as follows:

<u>Policemen and Firemen Retirement System</u>	<u>Net Pension Liability</u>
Total pension liability	\$ 3,398,821
Plan fiduciary net position	370,341
Total	<u>\$ 3,028,480</u>
Plan fiduciary net position as a percentage of total pension liability	<u>10.90%</u>

The City has chosen to use December 31, 2018 as its measurement date for the net pension liability. The June 30, 2019 reported net pension liability was determined using a measure of the total pension liability and the pension plan net position as of December 31, 2018. The June 30, 2019 total pension liability was determined by an actuarial valuation performed as of December 31, 2017.

Net Pension Liability

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

	<u>Total Pension Liability</u>	<u>Plan Net Pension</u>	<u>Net Pension Liability</u>
Balances at December 31, 2017	\$ 3,914,568	\$ 339,501	\$ 3,575,067
Changes for the year:			
Interest	116,620	—	116,620
Differences between expected and actual experience	—	—	—
Changes in actual assumptions	(91,966)	—	(91,966)
Benefit Payments	(540,401)	(540,401)	—
Contributions - Employer	—	590,000	(590,000)
Net investment income	—	(7,567)	7,567
Administrative expenses	—	(11,192)	11,192
Net changes	<u>(515,747)</u>	<u>30,840</u>	<u>(546,587)</u>
Balances at December 31, 2018	<u>\$ 3,398,821</u>	<u>\$ 370,341</u>	<u>\$ 3,028,480</u>

CITY OF HIGHLAND PARK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(Continued)

(9) **DEFINED BENEFIT PENSION PLANS (Cont'd)**

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

For the year ended June 30, 2019, the City recognized pension expense of \$527,601. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Net Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ 80,642	\$ —	\$ 80,642
Changes in actuarial assumptions	222,611	—	222,611
Net difference between projected and actual			
earnings on pension plan investments	2,204	—	2,204
Contributions subsequent to measurement date	<u>280,000</u>	<u>—</u>	<u>280,000</u>
Total	<u>\$ 585,457</u>	<u>\$ —</u>	<u>\$ 585,457</u>

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

Contributions made by the City between the measurement date and the end of the City's fiscal year totaling \$280,000 are also reported as deferred outflows as of June 30, 2019 and have already been included in pension expense. Next year, the net pension liability will be reduced by this amount.

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

<u>Years ending June 30,</u>	<u>Net Deferred Outflows of Resources</u>
2020	\$ 526,383
2021	87,139
2022	(7,439)
2023	(20,625)
2024	<u>(1)</u>
Total	<u>\$ 585,457</u>

CITY OF HIGHLAND PARK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(Continued)

(9) **DEFINED BENEFIT PENSION PLANS (Cont'd)**

Actuarial Methods and Assumptions – The annual required contribution was determined as part of an actuarial valuation at December 31, 2017, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) 1.0 percent investment rate of return and (b) projected salary increases of 3.5 percent per year. Both (a) and (b) include an inflation component of 3.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level dollar on an open basis. The remaining amortization period is 7 years. The Mortality rate is based on the IRS 2014 Combined Mortality Table as published for funding purposes.

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 single discount rate of 3.6 percent, as well as what the City’s net pension liability would be if were calculated using a single discount rate that is 1-percentage-point lower (2.6 percent) or 1-percentage-point higher (4.6) percent) than the current rate:

	<u>1.0%</u> <u>Increase</u>	<u>Single</u> <u>Discount</u> <u>Rate of</u> <u>3.6%</u>	<u>1.0%</u> <u>Decrease</u>
Net Pension Liability	\$ 2,824,527	\$ 3,028,480	\$ 3,255,019

Public Safety Retirement Plan

Plan Description – The City of Highland Park Public Safety Retirement Plan is a single-employer defined benefit pension plan; this plan covers public safety officers employed by the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. At December 31, 2017, the date of the most recent actuarial valuation, membership consisted of the following and the plan did not issue separate financial statements:

Inactive plan members or beneficiaries currently receiving benefits	61
Inactive employees entitled to but not receiving benefits	4
Active plan members	<u>4</u>
Total Plan Members	<u><u>69</u></u>

CITY OF HIGHLAND PARK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(Continued)

(9) **DEFINED BENEFIT PENSION PLANS (Cont'd)**

Contributions – Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Administrative costs of the plan are financed through investment earnings. Please refer to Note 1 for further significant accounting policies.

Funding Policy – The obligation to contribute to maintain the system for these employees was established by negotiation with the City’s competitive bargaining units. The funding policy provides for periodic employer contributions at actuarially determined rates.

Net Pension Liability of the City

The components of the net pension liability of the City at June 30, 2019 were as follows:

Public Safety Retirement System	Net Pension Liability
Total pension liability	\$ 29,281,467
Plan fiduciary net position	<u>777,668</u>
Total	<u>\$ 28,503,799</u>
Plan fiduciary net position as a percentage of total pension liability	<u>2.66%</u>

Net Pension Liability of the City

The City has chosen to use December 31, 2018 as its measurement date for the net pension liability. The June 30, 2019 reported net pension liability was determined using a measure of the total pension liability and the pension plan net position as of December 31, 2018. The June 30, 2019 total pension liability was determined by an actuarial valuation performed as of December 31, 2017.

CITY OF HIGHLAND PARK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(Continued)

(9) DEFINED BENEFIT PENSION PLANS (Cont'd)

Net Pension Liability of the City (Cont'd)

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

	<u>Total Pension Liability</u>	<u>Plan Net Position</u>	<u>Net Pension Liability</u>
Balances at December 31, 2017	\$ 31,681,209	\$ 524,463	\$ 31,156,746
Changes for the year:			
Service Cost	93,550	—	93,550
Interest	986,354	—	986,354
Differences between expected and actual experience	—	—	—
Changes in actual assumptions	(1,577,245)	—	(1,577,245)
Benefit Payments	(1,902,401)	(1,902,401)	—
Contributions - Employer	—	2,138,000	(2,138,000)
Contributions - Employee	—	26,940	(26,940)
Net investment income	—	166	(166)
Administrative expenses	—	(9,500)	9,500
Net changes	<u>(2,399,742)</u>	<u>253,205</u>	<u>(2,652,947)</u>
Balances at December 31, 2018	<u>\$ 29,281,467</u>	<u>\$ 777,668</u>	<u>\$ 28,503,799</u>

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

For the year ended June 30, 2019, the City recognized pension expense of \$1,739,350. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Net Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ 62,442	\$ —	\$ 62,442
Changes in actuarial assumptions	4,417,659	—	4,417,659
Net difference between projected and actual earnings on pension plan investments	16,061	—	16,061
Contributions subsequent to measurement date	990,000	—	990,000
Total	<u>\$ 5,486,162</u>	<u>\$ —</u>	<u>\$ 5,486,162</u>

CITY OF HIGHLAND PARK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(Continued)

(9) DEFINED BENEFIT PENSION PLANS (Cont'd)

Contributions made by the City between the measurement date and the end of the City's fiscal year totaling \$990,000 are also reported as deferred outflows as of June 30, 2019 and have already been included in pension expense. Next year, the net pension liability will be reduced by this amount.

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

<u>Years ending June 30,</u>	<u>Net Deferred Outflows of Resources</u>
2020	\$ 2,618,943
2021	1,170,494
2022	1,010,324
2023	686,401
2024	—
Total	\$ 5,486,162

Actuarial Methods and Assumptions – The annual required contribution was determined as part of an actuarial valuation at December 31, 2017, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) 1.0 percent investment rate of return and (b) projected salary increases of 3.5 percent per year. Both (a) and (b) include an inflation component of 3.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level dollar on an open basis. The remaining amortization period is 20 years. The Mortality rate is based on the IRS 2014 Combined Mortality Table as published for funding purposes.

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 single discount rate of 3.6 percent, as well as what the City's net pension liability would be if were calculated using a single discount rate that is 1-percentage-point lower (2.6 percent) or 1-percentage-point higher (4.6 percent) than the current rate:

	<u>1.0% Increase</u>	<u>Single Discount Rate of 3.6%</u>	<u>1.0% Decrease</u>
Net Pension Liability	\$ 25,414,018	\$ 28,503,799	\$ 32,218,267

CITY OF HIGHLAND PARK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(Continued)

(10) OTHER POSTEMPLOYMENT BENEFITS

Plan Description – The City provides retiree healthcare benefits to eligible employees and their spouses upon retirement, in accordance with approved contracts. This is a single-employer defined benefit plan administered by the City and it does not issue a separate financial report.

Active employees who are eligible for medical coverage during employment are eligible for retiree health care. police and fire employees are eligible after 25 years of service and after reaching 55 years of age. Retirees must contribute a portion. Spouses receive same level of coverage following death of eligible employee.

Benefits Provided – the retirees and spouses are eligible for a \$120 stipend per month.

Plan Members – At July 1, 2019, the date of the most recent actuarial valuation, membership consisted of the following:

Number of Participants	Count
Actives	2
Inactives	
Retirees	69
Spouses	16
Deferred vested	3
Total	90

Contributions – The obligation to contribute to and maintain the system for these employees was established by negotiation with the City’s collective bargaining units. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a “pay-as-you-go” basis). The cost of administering the plan is borne by the General Fund. The retirees contribute varying amounts, as negotiated by collective bargaining units.

Net OPEB Liability – The City has chosen to use June 30 as its measurement date for the net OPEB liability. The June 30, 2019 fiscal year end reported net OPEB liability was determined using a measure of the total liability as of July 1, 2019.

CITY OF HIGHLAND PARK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(Continued)

(10) OTHER POSTEMPLOYMENT BENEFITS (Cont'd)

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

	<u>Total OPEB Liability</u>	<u>Plan Net Position</u>	<u>Net OPEB Liability</u>
Balances at June 30, 2018	\$ 6,083,834	\$ —	\$ 6,083,834
Changes for the year:			
Service Cost	573	—	573
Interest	162,969	—	162,969
Differences between expected and actual experience	(1,778,859)	—	(1,778,859)
Changes in actual assumptions	345,821	—	345,821
Benefit Payments	(243,237)	(243,237)	—
Contributions - Employer	—	243,237	(243,237)
Contributions - Employee	—	—	—
Net investment income	—	—	—
Administrative expenses	—	—	—
Net changes	<u>(1,512,733)</u>	<u>—</u>	<u>(1,512,733)</u>
Balances at June 30, 2019	<u>\$ 4,571,101</u>	<u>\$ —</u>	<u>\$ 4,571,101</u>

OPEB Expense and Deferred Outflows and Inflows of Resources

OPEB expense (credit) of \$(1,269,496) was recognized for the fiscal year ended June 30, 2019 as of the July 1, 2019 measurement date. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Balances at June 30, 2018	\$ 256,751	\$ —
Changes for the year:		
Changes in actual assumptions	—	—
Net investment income	—	—
Recognition of prior post-measurement contributions	(243,237)	—
Post-measurement contributions	202,455	—
Amortization or change in beginning balances	<u>(230,638)</u>	<u>—</u>
Net changes	<u>(271,420)</u>	<u>—</u>
Balances at June 30, 2019	<u>\$ (14,669)</u>	<u>\$ —</u>

CITY OF HIGHLAND PARK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Continued)

(10) OTHER POSTEMPLOYMENT BENEFITS (Cont'd)

Recognition of Deferred Outflows and Inflows

<u>Years ending June 30,</u>	<u>Net Deferred Outflows of Resources</u>
2020	\$ —
2021	—
2022	—
2023	—
2024	—
Total	\$ <u>—</u>

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumption about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

CITY OF HIGHLAND PARK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(Continued)

(10) OTHER POSTEMPLOYMENT BENEFITS (Cont'd)

The following actuarial methods and assumptions were used in the City's OPEB calculations:

Discount Rate:	2.79%
Health Care Trend Rate:	From 7.0% to 5.5%
Mortality Table for Healthy Individuals:	SOP RP-2014 Mortality adjusted backward to 2006 using MP-2014 and projected with Scale MP-2018
Mortality Table for Disabled Individuals:	SOP RP-2014 Disabled Mortality adjusted backward to 2006 using MP-2014 and projected with Scale MP-2018
Funding Method:	Entry age normal

Sensitivity of the Net OPEB Liability to changes in the Discount Rate – The following presents the net OPEB liability of the City calculated assuming an increase and decrease of 1% to the current discount rate.

	<u>1.0%</u> <u>Increase</u>	<u>Current</u> <u>Discount</u> <u>Rate of</u> <u>2.8%</u>	<u>1.0%</u> <u>Decrease</u>
Net OPEB Liability	\$ 4,078,343	\$ 4,571,101	\$ 5,169,729

(11) CONTINGENT LIABILITIES

Lawsuits and Claims – The City is a defendant in several lawsuits and asserted claims. Management and legal counsel believe that the City's ultimate exposure with respect to these actions is not determinable. No provision has been made in the accompanying financial statements for additional potential liabilities, if any, that may arise from the suits and asserted claims, or any unasserted claims that relate to current or prior activities of the City.

The City is both a defendant and a plaintiff in various legal action claims and other negotiations regarding water, storm water, and waste water financial liabilities. Multiple agreements with the Great Lakes Water Authority vendor appear to be outdated, in conflict with each other, in conflict with the GLWA invoices as presented, and in conflict with the 1996 consent order. The vendor's usage estimates on their invoices if upheld by the Court, would have the effect of bankrupting the City's water and sewer fund as the charges are unsustainable.

CITY OF HIGHLAND PARK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Continued)

(11) CONTINGENT LIABILITIES (Cont'd)

Public Act 51 Noncompliance – In July 2000, the State of Michigan began withholding Public Act 51 shared revenue from the City due to noncompliance with the act. This came about when the City failed to repay an authorized lending of Act 51 funds from the Major and Local Streets Special Revenue Funds to the General Fund for tornado damage repairs with the understanding that these loans would be repaid when federal disaster reimbursements were received. Despite its agreement to repay the monies, the prior elected administration used the federal reimbursements for other purposes and did not repay the Act 51 loan.

By agreement reached during the fiscal year ended June 30, 2005, the City agreed to establish a payment plan until the balance is repaid in full. As of June 30, 2019, the outstanding loan balance was \$612,952, with \$6,080 due to the Major Streets Fund and \$606,872 due to the Local Streets Fund. The fund balance relating to these noncurrent receivables has been reported as restricted because the use of the amounts collected on the receivable is legally restricted under Act 51.

(12) JOINT OWNERSHIP OF ASSETS

The City of Highland Park and Grosse Pointe Farms jointly own a Lake St. Clair water intake pipe, water crib and well house. The percentage ownership is 88.04% and 11.96% respectively as outlined in an August 14, 1924 agreement. The City of Highland Park has not drawn water from the intake valve since 2012.

The City affirmed its rights to rehabilitate or reopen its water facilities or investments in a September 23, 2014 loan agreement with the State of Michigan Local Emergency Financial Assistance Loan Board. Further, the City intends to restart its water treatment plant under the terms outlined on the July 28, 2017 Administrative Consent Order ACO- 399-06-2017 with the Michigan Department of Environment, Great Lakes, and Energy.

(13) GOING CONCERN

For the year ended June 30, 2018, the Water and Sewer Fund reported an extraordinary credit of approximately \$30.2 million, related to the City's write-off of disputed billings from the Great Lakes Water Authority (GLWA). Had this extraordinary credit not been recorded, the Water and Sewer Fund would have reported an accumulated deficit of approximately \$29.7 million. For the year ended June 30, 2019, reported net position of approximately \$1.1 million continues to include such benefit. As noted in Note 11, the City is currently in litigation with GLWA and if unsuccessful, management believes that the payment claims by GLWA would effectively bankrupt the City's Water and Sewer Fund.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF HIGHLAND PARK, MICHIGAN
NOTE TO REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2018

Budgetary Information – Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all special revenue funds. All annual appropriations lapse at fiscal year-end. The annual budget and subsequent budget amendments are prepared by the City management and are approved by the City Council.

The budget process is initiated in April, when the finance department estimates the revenue, calculates salary and fringe benefit information, as well as estimates operating costs by department for the year. In May, the finance department discusses any critical needs identified by the department heads that need to be incorporated into the new budget. The finance department then meets with the mayor to determine the adjustments need to balance the operating budget. The budget is submitted to the City Council in June for review. After a public hearing, the final budget is adopted by a resolution from the City Council no later than June 30 of each year.

Excess of Expenditures over Appropriations in Budgeted Funds – During the year, the City of Highland Park, Michigan incurred expenditures that were in excess of the amounts budgeted as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Income Tax	\$ 190,000	\$ 190,023	\$ (23)
Code Enforcement	\$ 8,165	\$ 13,444	\$ (5,279)

**CITY OF HIGHLAND PARK, MICHIGAN
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance Under/(Over) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property Taxes.....	\$ 2,910,700	\$ 2,720,700	\$ 2,898,419	\$ 177,719
Municipal Income Tax.....	3,450,000	3,050,000	3,128,868	78,868
Business Licenses and Permits.....	87,000	75,000	167,924	92,924
State Shared Tax.....	3,111,024	3,111,024	2,990,169	(120,855)
Charges for Services.....	131,500	121,600	108,210	(13,390)
Ordinance Fines and Forfeitures.....	1,240,000	1,040,000	1,041,315	1,315
Other Revenue.....	105,800	291,650	299,814	8,164
Investment Earnings.....	3,200	10,000	12,364	2,364
Transfers, Net.....	554,000	540,000	532,330	(7,670)
Total Revenues.....	<u>11,593,224</u>	<u>10,959,974</u>	<u>11,179,413</u>	<u>219,439</u>
EXPENDITURES				
Current:				
General Government-				
City Council.....	100,370	100,370	99,068	1,302
Mayor's Office.....	345,350	345,350	300,706	44,644
Finance.....	566,550	542,350	438,023	104,327
District Court.....	715,625	715,625	670,499	45,126
Income Tax.....	190,000	190,000	190,023	(23)
Data Processing.....	179,070	185,870	181,700	4,170
Treasurer.....	147,365	147,365	145,765	1,600
City Assessor.....	154,150	129,150	124,445	4,705
City Clerk.....	208,840	228,840	205,260	23,580
Legal.....	1,159,720	819,720	528,218	291,502
Judgments.....	200,000	420,000	414,927	5,073
Human Resources.....	153,170	168,354	149,261	19,093
Audit.....	65,000	65,000	62,899	2,101
Employee Benefits.....	323,000	733,000	500,910	232,090
Total General Government.....	<u>4,508,210</u>	<u>4,790,994</u>	<u>4,011,704</u>	<u>779,290</u>
Public Safety-				
Police.....	2,454,378	2,370,406	2,251,451	118,955
Fire.....	1,482,140	1,540,268	1,443,053	97,215
Code Enforcement.....	8,165	8,165	13,444	(5,279)
Total Public Safety.....	<u>3,944,683</u>	<u>3,918,839</u>	<u>3,707,948</u>	<u>210,891</u>
Public Works-				
Rubbish and Garbage Collection.....	362,500	332,500	315,505	16,995
Public Service Administration.....	1,733,595	2,993,790	2,540,681	453,109
Total Public Works.....	<u>2,096,095</u>	<u>3,326,290</u>	<u>2,856,186</u>	<u>470,104</u>
Recreation and Culture-				
Community and Economic Development.....	138,480	438,433	426,136	12,297
Recreation.....	93,315	80,155	66,061	14,094
Total Recreation and Culture.....	<u>231,795</u>	<u>518,588</u>	<u>492,197</u>	<u>26,391</u>
Debt Service:				
Principal and Interest on Bonded Debt.....	985,457	1,033,473	1,040,045	(6,572)
Total Debt Service.....	<u>985,457</u>	<u>1,033,473</u>	<u>1,040,045</u>	<u>(6,572)</u>
Total Expenditures.....	<u>11,766,240</u>	<u>13,588,184</u>	<u>12,108,080</u>	<u>1,480,104</u>
Net Change in Fund Balances.....	(173,016)	(2,628,210)	(928,667)	1,699,543
FUND BALANCES				
Beginning of Year.....	8,540,897	8,540,897	8,540,897	—
End of Year.....	<u>\$ 8,367,881</u>	<u>\$ 5,912,687</u>	<u>\$ 7,612,230</u>	<u>\$ 1,699,543</u>

See accompanying independent auditors report and notes to required supplementary information

**CITY OF HIGHLAND PARK, MICHIGAN
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR STREETS FUND
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance Under/(Over) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes, Assessments, Interest and Penalties:				
State-Shared Revenue.....	\$ 945,000	\$ 945,000	\$ 1,037,465	\$ 92,465
Investment Earnings.....	1,600	1,600	1,252	(348)
Total Revenues.....	<u>946,600</u>	<u>946,600</u>	<u>1,038,717</u>	<u>92,117</u>
EXPENDITURES				
Current:				
Public Works.....	<u>758,100</u>	<u>758,100</u>	<u>330,810</u>	<u>427,290</u>
Total Expenditures.....	<u>758,100</u>	<u>758,100</u>	<u>330,810</u>	<u>427,290</u>
Net Change in Fund Balance.....	188,500	188,500	707,907	519,407
FUND BALANCES				
Beginning of Year.....	<u>2,430,353</u>	<u>2,430,353</u>	<u>2,430,353</u>	<u>—</u>
End of Year.....	<u>\$ 2,618,853</u>	<u>\$ 2,618,853</u>	<u>\$ 3,138,260</u>	<u>\$ 519,407</u>

See accompanying independent auditors report and notes to required supplementary information

**CITY OF HIGHLAND PARK, MICHIGAN
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
PENSION LEVY JUDGMENT FUND
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance Under/(Over) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes, Assessments, Interest and Penalties:				
Property Taxes.....	\$ 3,276,400	\$ 3,276,400	\$ 3,389,781	\$ 113,381
State Shared Tax.....	—	—	364,340	364,340
Total Revenues.....	<u>3,276,400</u>	<u>3,276,400</u>	<u>3,754,121</u>	<u>477,721</u>
EXPENDITURES				
Current:				
General Government.....	<u>3,276,000</u>	<u>3,293,000</u>	<u>3,127,000</u>	<u>166,000</u>
Total Expenditures.....	<u>3,276,000</u>	<u>3,293,000</u>	<u>3,127,000</u>	<u>166,000</u>
Net Change in Fund Balance.....	400	(16,600)	627,121	643,721
FUND BALANCES				
Beginning of Year.....	<u>753,937</u>	<u>753,937</u>	<u>753,937</u>	—
End of Year.....	<u>\$ 754,337</u>	<u>\$ 737,337</u>	<u>\$ 1,381,058</u>	<u>\$ 643,721</u>

See accompanying independent auditors report and notes to required supplementary information

**CITY OF HIGHLAND PARK, MICHIGAN
REQUIRED SUPPLEMENTAL INFORMATION
GENERAL EMPLOYEES PENSION PLAN
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**

December 31,	2018	2017	2016	2015	2014
Total Pension Liability					
Interest.....	\$ 171,016	\$ 217,743	\$ 211,230	\$ 230,012	\$ 400,778
Difference between expected and actual experience.....	—	(338,725)	352,277	—	(3,582)
Changes of assumptions.....	(192,854)	163,461	243,107	—	1,358,571
Benefit payments including employee refunds.....	(589,144)	(577,197)	(683,994)	(791,248)	(879,104)
Net Change in Total Pension Liability.....	(610,982)	(534,718)	122,620	(561,236)	876,663
Total Pension Liability, beginning.....	5,638,826	6,173,544	6,050,924	6,612,160	5,735,497
Total Pension Liability, ending.....	<u>\$ 5,027,844</u>	<u>\$ 5,638,826</u>	<u>\$ 6,173,544</u>	<u>\$ 6,050,924</u>	<u>\$ 6,612,160</u>
Plan Fiduciary Net Position					
Contributions-Employer.....	\$ 620,000	\$ 697,316	\$ 641,642	\$ 192,711	\$ —
Contributions-Employee.....	—	—	—	—	—
Projected Investment Earnings.....	3,625	1,186	121	1,554	1,697
Difference between Projected and Actual Investment Income.....	(3,625)	—	—	—	—
Benefit payments including employee refunds.....	(589,144)	(577,197)	(683,994)	(791,248)	(879,104)
Administrative expense.....	(9,125)	(525)	(350)	(421)	(708,340)
Net Change in Plan Fiduciary Net Position.....	21,731	120,780	(42,581)	(597,404)	(1,585,747)
Plan Fiduciary Net Position, beginning.....	351,705	230,925	273,506	870,910	2,456,657
Plan Fiduciary Net Position, ending.....	<u>\$ 373,436</u>	<u>\$ 351,705</u>	<u>\$ 230,925</u>	<u>\$ 273,506</u>	<u>\$ 870,910</u>
Employer Net Pension Liability.....	<u>\$ 4,654,408</u>	<u>\$ 5,287,121</u>	<u>\$ 5,942,619</u>	<u>\$ 5,777,418</u>	<u>\$ 5,741,250</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability.....	7.43%	6.24%	3.74%	4.52%	13.17%
Covered Employee Payroll.....	\$ —	\$ —	\$ —	\$ —	\$ —
Employer's Net Pension Liability as a percentage of covered employee payroll.....	N/A	N/A	N/A	N/A	N/A

See accompanying independent auditors report and notes to required supplementary information.

**CITY OF HIGHLAND PARK, MICHIGAN
REQUIRED SUPPLEMENTAL INFORMATION
GENERAL EMPLOYEES PENSION PLAN
SCHEDULE OF CONTRIBUTIONS LAST TEN YEARS**

June 30,	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially Determined Contribution.....	\$ 616,447	\$ 759,552	\$ 872,000	\$ 756,000	\$ 723,000	\$ 470,000	\$ 183,000	\$ 233,000	\$ 206,000	\$ 148,000
Contribution in relation to the Actuarially determined contribution.....	<u>617,000</u>	<u>620,000</u>	<u>701,807</u>	<u>192,711</u>	<u>—</u>	<u>7,000</u>	<u>51,000</u>	<u>70,000</u>	<u>—</u>	<u>—</u>
Contribution Excess (Deficiency).....	<u>\$ 553</u>	<u>\$ (139,552)</u>	<u>\$ (170,193)</u>	<u>\$ (563,289)</u>	<u>\$ (723,000)</u>	<u>\$ (463,000)</u>	<u>\$ (132,000)</u>	<u>\$ (163,000)</u>	<u>\$ (206,000)</u>	<u>\$ (148,000)</u>
Covered Employee Payroll.....	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 30,000
Contributions as a Percentage of Covered Employee Payroll.....	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.0%

The Schedule of money-weighted rate of return on the Pension Plan investment is as follows:

Annual money weighted rate of return, net of investment expense 0.8%

See accompanying independent auditors report and notes to required supplementary information.

**CITY OF HIGHLAND PARK, MICHIGAN
REQUIRED SUPPLEMENTAL INFORMATION
POLICE AND FIREMEN PENSION PLAN
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**

December 31,	2018	2017	2016	2015	2014
Total Pension Liability					
Interest.....	\$ 116,620	\$ 151,918	\$ 133,551	\$ 151,408	\$ 301,245
Difference between expected and actual experience.....	—	(155,019)	632,596	—	(4,270)
Changes of assumptions.....	(91,966)	53,616	272,789	—	542,149
Benefit payments including employee refunds.....	(540,401)	(483,699)	(601,356)	(666,707)	(746,632)
Net Change in Total Pension Liability.....	(515,747)	(433,184)	437,580	(515,299)	92,492
Total Pension Liability, beginning.....	3,914,568	4,347,752	3,910,172	4,425,471	4,332,979
Total Pension Liability, ending.....	<u>\$ 3,398,821</u>	<u>\$ 3,914,568</u>	<u>\$ 4,347,752</u>	<u>\$ 3,910,172</u>	<u>\$ 4,425,471</u>
Plan Fiduciary Net Position					
Contributions-Employer.....	\$ 590,000	\$ 513,117	\$ 655,015	\$ 666,707	\$ 746,632
Contributions-Employee.....	—	—	—	—	—
Projected Investment Earnings.....	3,587	2,952	(3,445)	(8,056)	8,168
Difference between Projected and Actual Investment Income.....	(11,154)	12,291	6,649	5,469	(4,476)
Benefit payments including employee refunds.....	(540,401)	(483,699)	(601,356)	(666,707)	(746,632)
Administrative expense.....	(11,192)	(647)	(1,646)	(1,933)	(1,939)
Net Change in Plan Fiduciary Net Position.....	30,840	44,014	55,217	(4,520)	1,753
Plan Fiduciary Net Position, beginning.....	339,501	295,487	240,270	244,790	243,037
Plan Fiduciary Net Position, ending.....	<u>\$ 370,341</u>	<u>\$ 339,501</u>	<u>\$ 295,487</u>	<u>\$ 240,270</u>	<u>\$ 244,790</u>
Employer Net Pension Liability.....	<u>\$ 3,028,480</u>	<u>\$ 3,575,067</u>	<u>\$ 4,052,265</u>	<u>\$ 3,669,902</u>	<u>\$ 4,180,681</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability.....	10.90%	8.67%	6.80%	6.14%	5.53%
Covered Employee Payroll.....	\$ —	\$ —	\$ —	\$ —	\$ —
Employer's Net Pension Liability as a percentage of covered employee payroll.....	N/A	N/A	N/A	N/A	N/A

See accompanying independent auditors report and notes to required supplementary information.

**CITY OF HIGHLAND PARK, MICHIGAN
REQUIRED SUPPLEMENTAL INFORMATION
POLICEMEN AND FIREMEN PENSION PLAN
SCHEDULE OF CONTRIBUTIONS LAST TEN YEARS**

June 30,	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially Determined Contribution.....	\$ 569,191	\$ 513,596	\$ 594,000	\$ 635,000	\$ 608,000	\$ 577,000	\$ 225,000	\$ 239,000	\$ 434,000	\$ 463,000
Contribution in relation to the Actuarially determined contribution.....	<u>570,000</u>	<u>535,000</u>	<u>620,976</u>	<u>667,000</u>	<u>747,000</u>	<u>415,000</u>	<u>943,000</u>	<u>858,000</u>	<u>875,000</u>	<u>1,009,000</u>
Contribution Excess (Deficiency).....	<u>\$ 809</u>	<u>\$ 21,404</u>	<u>\$ 26,976</u>	<u>\$ 32,000</u>	<u>\$ 139,000</u>	<u>\$ (162,000)</u>	<u>\$ 718,000</u>	<u>\$ 619,000</u>	<u>\$ 441,000</u>	<u>\$ 546,000</u>
Covered Employee Payroll.....	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Contributions as a Percentage of Covered Employee Payroll.....	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

The Schedule of money-weighted rate of return on the Pension Plan investment is as follows:

Annual money weighted rate of return, net of investment expense 1.5%

See accompanying independent auditors report and notes to required supplementary information.

CITY OF HIGHLAND PARK, MICHIGAN
REQUIRED SUPPLEMENTAL INFORMATION
PUBLIC SAFETY PENSION PLAN
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

December 31,	2018	2017	2016	2015	2014
Total Pension Liability					
Service Cost.....	\$ 93,550	\$ 96,627	\$ 121,305	\$ 121,330	\$ 20,946
Interest.....	986,354	1,137,552	1,042,099	1,075,429	1,548,695
Difference between expected and actual experience.....	—	(786,051)	1,821,882	—	33,870
Changes of assumptions.....	(1,577,245)	1,613,748	1,772,167	—	9,005,264
Benefit payments including employee refunds.....	<u>(1,902,401)</u>	<u>(2,227,903)</u>	<u>(2,150,084)</u>	<u>(2,045,072)</u>	<u>(2,139,906)</u>
Net Change in Total Pension Liability.....	(2,399,742)	(166,027)	2,607,369	(848,313)	8,468,869
Total Pension Liability, beginning.....	<u>31,681,209</u>	<u>31,847,236</u>	<u>29,239,867</u>	<u>30,088,180</u>	<u>21,619,311</u>
Total Pension Liability, ending.....	<u>\$ 29,281,467</u>	<u>\$ 31,681,209</u>	<u>\$ 31,847,236</u>	<u>\$ 29,239,867</u>	<u>\$ 30,088,180</u>
Plan Fiduciary Net Position					
Contributions-Employer.....	\$ 2,138,000	\$ 2,079,332	\$ 2,324,898	\$ 2,301,059	\$ 38,681
Contributions-Employee.....	26,940	22,736	31,769	(5,127)	—
Projected Investment Earnings.....	6,510	675	8,818	—	—
Difference between Projected and Actual Investment Income.....	(6,344)	—	—	(5,986)	28,795
Benefit payments including employee refunds.....	(1,902,401)	(2,227,903)	(2,150,084)	(2,045,072)	(2,139,906)
Administrative expense.....	<u>(9,500)</u>	<u>(3,000)</u>	<u>(3,693)</u>	<u>25,153</u>	<u>(6,105,570)</u>
Net Change in Plan Fiduciary Net Position.....	253,205	(128,160)	211,708	270,027	(8,178,000)
Plan Fiduciary Net Position, beginning.....	<u>524,463</u>	<u>652,623</u>	<u>440,915</u>	<u>170,888</u>	<u>8,348,888</u>
Plan Fiduciary Net Position, ending.....	<u>\$ 777,668</u>	<u>\$ 524,463</u>	<u>\$ 652,623</u>	<u>\$ 440,915</u>	<u>\$ 170,888</u>
Employer Net Pension Liability.....	<u>\$ 28,503,799</u>	<u>\$ 31,156,746</u>	<u>\$ 31,194,613</u>	<u>\$ 28,798,952</u>	<u>\$ 29,917,292</u>
Plan Fiduciary Net Position as a percentage of the					
Total Pension Liability.....	2.66%	1.66%	2.05%	1.51%	0.57%
Covered Employee Payroll.....	\$ 1,966,272	\$ 272,004	\$ 594,000	\$ 405,000	\$ 388,000
Employer's Net Pension Liability as a percentage					
of covered employee payroll.....	1449.6%	11454.5%	5251.6%	7110.9%	7710.6%

See accompanying independent auditors report and notes to required supplementary information.

**CITY OF HIGHLAND PARK, MICHIGAN
REQUIRED SUPPLEMENTAL INFORMATION
PUBLIC SAFETY RETIREMENT PLAN
SCHEDULE OF CONTRIBUTIONS LAST TEN YEARS**

June 30,	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially Determined Contribution.....	\$ 2,195,113	\$ 4,290,473	\$ 4,032,000	\$ 3,395,000	\$ 3,249,000	\$ 623,000	\$ 464,000	\$ 380,000	\$ 437,000	\$ 469,000
Contribution in relation to the Actuarially determined contribution.....	<u>2,200,000</u>	<u>2,079,332</u>	<u>2,123,028</u>	<u>2,301,000</u>	<u>—</u>	<u>—</u>	<u>5,000</u>	<u>8,000</u>	<u>3,000</u>	<u>—</u>
Contribution Excess (Deficiency).....	<u>4,887</u>	<u>(2,211,141)</u>	<u>(1,908,972)</u>	<u>(1,094,000)</u>	<u>(3,249,000)</u>	<u>(623,000)</u>	<u>(459,000)</u>	<u>(372,000)</u>	<u>(434,000)</u>	<u>(469,000)</u>
Covered Employee Payroll.....	\$ 1,966,272	\$ 272,004	\$ 384,361	\$ 405,000	\$ 388,000	\$ 1,727,000	\$ 1,727,000	\$ 1,727,000	\$ 1,727,000	\$ 1,727,000
Contributions as a Percentage of Covered Employee Payroll.....	111.9%	764.4%	552.4%	568.1%	0.0%	0.0%	0.3%	0.5%	0.2%	0.0%

The Schedule of money-weighted rate of return on the Pension Plan investment is as follows:

Annual money weighted rate of return, net of investment expense 0.4%

See accompanying independent auditors report and notes to required supplementary information.

**CITY OF HIGHLAND PARK, MICHIGAN
 REQUIRED SUPPLEMENTAL INFORMATION
 NOTES TO SCHEDULE FOR ALL CITY PENSION PLANS
 June 30, 2019**

Actuarial Methods and Assumptions:

Valuation Date.....	December 31, 2017
Measurement Date.....	December 31, 2018
Method and assumptions used to determine contribution rates:	
Actuarial Cost Method.....	Individual Entry Age Normal as a level percentage of payroll
Actuarial Determined Contribution (ADC).....	Two Components:
	(1) Normal cost including expenses
	(2) 8-year, level-percentage of payroll, open amortization of the Net Pension Liability
Wage inflation.....	3.50%
Salary Increases.....	3.50%
Investment Rate of Return.....	1.00%
Retirement Age.....	100% at age 65, or immediate, if older than 65
Mortality.....	Mortality improvement scale MP-2018
Discount Rate.....	3.64%

See accompanying independent auditors report and notes to required supplementary information.

CITY OF HIGHLAND PARK, MICHIGAN
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF OPEB LIABILITY AND RELATED RATIOS
June 30, 2019

June 30,	2019
Total OPEB Liability	\$
Service Cost.....	573
Interest.....	162,969
Changes of Benefit Terms.....	—
Difference between expected and actual experience.....	(1,778,859)
Changes of assumptions.....	345,821
Benefit payments including employee refunds.....	(243,237)
Other.....	—
Net Change in Total OPEB Liability.....	(1,512,733)
Total OPEB Liability, beginning.....	6,083,834
Total OPEB Liability, ending.....	\$ 4,571,101
 Plan Fiduciary Net Position	
Contributions-Employer.....	\$ 243,237
Contributions-Employee.....	—
Projected Investment Earnings.....	—
Difference between Projected and Actual Investment Income.....	—
Benefit payments including employee refunds.....	(243,237)
Administrative expense.....	—
Other.....	—
Net Change in Plan Fiduciary Net Position.....	—
Plan Fiduciary Net Position, beginning.....	—
Plan Fiduciary Net Position, ending.....	\$ —
 Employer Net OPEB Liability.....	\$ 4,571,101
 Plan Fiduciary Net Position as a percentage of the Total Pension Liability.....	— %
 Covered Employee Payroll.....	\$ —
 Employer's Net Pension Liability as a percentage of covered employee payroll.....	— %

See accompanying independent auditors report and notes to required supplementary information.

**CITY OF HIGHLAND PARK, MICHIGAN
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS AND INVESTMENT RETURNS
June 30, 2019**

Schedules of OPEB Contributions and Investment Returns

<u>June 30,</u>	Contributions		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarial determined contributions.....	\$ 473,446	\$ 557,966	\$ 557,966
Contributions in relation to the actuarially determined contributions.....	<u>243,237</u>	<u>307,209</u>	<u>262,168</u>
Contribution excess (deficiency).....	<u>(230,209)</u>	<u>(250,757)</u>	<u>(295,798)</u>
Covered Employee Payroll.....	\$ —	\$ —	\$ —
Contributions as a percentage of covered employee payroll.....	N/A	N/A	N/A
Investment Returns			
<u>June 30,</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Investment Yields.....	N/A	N/A	N/A

See accompanying independent auditors report and notes to required supplementary information.

OTHER SUPPLEMENTAL INFORMATION

**CITY OF HIGHLAND PARK, MICHIGAN
OTHER SUPPLEMENTAL INFORMATION
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019**

	Federal Grants Fund	Local Streets Fund	Building Department Fund	JAG Fund
ASSETS				
Cash and Cash Equivalents.....	\$ —	\$ 531,086	\$ 101,965	\$ 13,089
Receivables, Net.....	—	—	—	—
Due from Other Governmental Agencies.....	—	23,308	—	11,327
Advances from Other Funds.....	—	606,872	—	—
Restricted Assets.....	—	—	—	—
Total Assets.....	<u>\$ —</u>	<u>\$ 1,161,266</u>	<u>\$ 101,965</u>	<u>\$ 24,416</u>
LIABILITIES				
Accounts and Contracts Payable.....	\$ —	\$ 8,795	\$ 89,929	\$ —
Due to Other Funds.....	—	—	—	24,416
Unearned Revenue.....	—	—	—	—
Total Liabilities.....	<u>—</u>	<u>8,795</u>	<u>89,929</u>	<u>24,416</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue.....	—	—	—	11,327
Total Deferred Inflows of Resources.....	<u>—</u>	<u>—</u>	<u>—</u>	<u>11,327</u>
FUND BALANCES				
Restricted for:				
Roads.....	—	1,152,471	—	—
Ordinance Enforcement.....	—	—	—	—
Debt Service.....	—	—	—	—
Unassigned (Deficit).....	—	—	12,036	(11,327)
Total Fund Balances.....	<u>—</u>	<u>1,152,471</u>	<u>12,036</u>	<u>(11,327)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances.....	<u>\$ —</u>	<u>\$ 1,161,266</u>	<u>\$ 101,965</u>	<u>\$ 24,416</u>

See accompanying independent auditors' report.

Indigent Defense Fund	Drug Forfeiture	Legal Fund	Community Development Block Grant	Pension Bonds Service Funds	Totals
\$ 63,526	\$ 52,402	\$ 491	\$ —	\$ 255,606	\$ 1,018,165
—	—	—	—	15,957	15,957
—	—	—	11,160	—	45,795
—	—	—	—	—	606,872
—	—	—	—	172,573	172,573
<u>\$ 63,526</u>	<u>\$ 52,402</u>	<u>\$ 491</u>	<u>\$ 11,160</u>	<u>\$ 444,136</u>	<u>\$ 1,859,362</u>
\$ —	\$ 33,820	\$ —	\$ —	\$ —	\$ 132,544
7,250	—	43,861	11,160	7,983	94,670
56,276	—	—	—	—	56,276
<u>63,526</u>	<u>33,820</u>	<u>43,861</u>	<u>11,160</u>	<u>7,983</u>	<u>283,490</u>
—	—	—	11,160	—	22,487
—	—	—	11,160	—	22,487
—	—	—	—	—	1,152,471
—	18,582	(43,370)	—	—	(24,788)
—	—	—	—	436,153	436,153
—	—	—	(11,160)	—	(10,451)
—	18,582	(43,370)	(11,160)	436,153	1,553,385
<u>\$ 63,526</u>	<u>\$ 52,402</u>	<u>\$ 491</u>	<u>\$ 11,160</u>	<u>\$ 444,136</u>	<u>\$ 1,859,362</u>

**CITY OF HIGHLAND PARK, MICHIGAN
OTHER SUPPLEMENTAL INFORMATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	Federal Grants Fund	Local Streets Fund	Building Department Fund	JAG Fund
REVENUES				
Property Taxes.....	\$ —	\$ —	\$ —	\$ —
Federal Grants.....	—	—	—	13,089
State Grants.....	—	424,228	—	—
Other Revenue.....	17,408	—	232,776	—
Investment Earnings.....	—	—	—	—
Transfers, Net.....	61,830	—	(34,000)	—
Total Revenues.....	<u>79,238</u>	<u>424,228</u>	<u>198,776</u>	<u>13,089</u>
EXPENDITURES				
General Government.....	—	—	189,413	—
Public Safety.....	—	—	—	—
Public Works.....	—	250,822	—	—
Community and Economic Development.....	—	—	—	—
Debt Service.....	—	—	—	—
Capital Outlay.....	—	—	—	—
Total Expenditures.....	<u>—</u>	<u>250,822</u>	<u>189,413</u>	<u>—</u>
Net Change in Fund Balances.....	79,238	173,406	9,363	13,089
FUND BALANCES				
Beginning of Year.....	<u>(79,238)</u>	<u>979,065</u>	<u>2,673</u>	<u>(24,416)</u>
End of Year.....	<u>\$ —</u>	<u>\$ 1,152,471</u>	<u>\$ 12,036</u>	<u>\$ (11,327)</u>

See accompanying independent auditors' report.

Indigent Defense Fund	Drug Forfeiture	Legal Fund	Community Development Block Grant	Pension Bonds Service Funds	Totals
\$ —	\$ —	\$ 787	\$ —	\$ 776,763	\$ 777,550
—	—	—	62,750	—	75,839
7,250	—	—	—	56,380	487,858
—	4,922	—	—	—	255,106
—	81	—	—	9,778	9,859
—	—	(560,160)	—	—	(532,330)
<u>7,250</u>	<u>5,003</u>	<u>(559,373)</u>	<u>62,750</u>	<u>842,921</u>	<u>1,073,882</u>
7,250	—	—	—	19,105	215,768
—	4,351	—	—	—	4,351
—	—	—	—	—	250,822
—	—	—	73,910	—	73,910
—	—	—	—	1,594,621	1,594,621
—	30,092	—	—	—	30,092
<u>7,250</u>	<u>34,443</u>	<u>—</u>	<u>73,910</u>	<u>1,613,726</u>	<u>2,169,564</u>
—	(29,440)	(559,373)	(11,160)	(770,805)	(1,095,682)
—	48,022	516,003	—	1,206,958	2,649,067
<u>\$ —</u>	<u>\$ 18,582</u>	<u>\$ (43,370)</u>	<u>\$ (11,160)</u>	<u>\$ 436,153</u>	<u>\$ 1,553,385</u>

**CITY OF HIGHLAND PARK, MICHIGAN
OTHER SUPPLEMENTAL INFORMATION
COMBINING STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019**

	Pension Trust Funds			
	General Employees Retirement System	Policemen & Firemen Retirement System	Public Safety Retirement System	Total Pension Trust Funds
ASSETS				
Cash and Cash Equivalents.....	\$ 434,661	\$ 296,790	\$ 647,413	\$ 1,378,864
Investments:				
U. S. Government Obligations.....	—	98,381	14,505	112,886
Accounts Receivables.....	—	—	—	—
Total Assets.....	434,661	395,171	661,918	1,491,750
LIABILITIES				
Accounts Payable.....	8,446	2,459	2,459	13,364
Due to Other Government Units.....	—	—	—	—
Refundable Deposits, Bonds, Etc.....	—	—	—	—
Total Liabilities.....	8,446	2,459	2,459	13,364
NET POSITION				
Net Position Held in Trust for Pension and Other Employee Benefits.....	426,215	392,712	659,459	1,478,386
Total Net Position.....	\$ 426,215	\$ 392,712	\$ 659,459	\$ 1,478,386

See accompanying independent auditors' report.

Agency Funds

<u>Tax Collections</u>	<u>Fire Insurance Escrow</u>	<u>Imprest Payroll and Pension</u>	<u>30th District Court</u>	<u>Total Agency Funds</u>
\$ 97,459	\$ 217,324	\$ 214,814	\$ 209,615	\$ 739,212
—	—	—	—	—
—	—	2,310	—	2,310
<u>97,459</u>	<u>217,324</u>	<u>217,124</u>	<u>209,615</u>	<u>741,522</u>
—	—	14,814	91,884	106,698
97,459	—	202,310	85,877	385,646
—	217,324	—	31,854	249,178
<u>\$ 97,459</u>	<u>\$ 217,324</u>	<u>\$ 217,124</u>	<u>\$ 209,615</u>	<u>\$ 741,522</u>

CITY OF HIGHLAND PARK, MICHIGAN
COMBINING STATEMENT OF CHANGES IN NET POSITION
PENSION TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	General Employees Retirement System	Policemen & Firemen Retirement System	Public Safety Retirement System	Total Pension Trust Funds
ADDITIONS				
Employer Contributions.....	\$ 617,000	\$ 570,000	\$ 2,200,000	\$ 3,387,000
Plan Member Contributions.....	—	—	53,197	53,197
Other Income.....	—	2,739	332	3,071
Total Additions.....	<u>617,000</u>	<u>572,739</u>	<u>2,253,529</u>	<u>3,443,268</u>
DEDUCTIONS				
Pension Benefits.....	530,112	485,417	1,926,146	2,941,675
General and Administrative Expenses.....	15,888	17,194	15,282	48,364
Total Deductions.....	<u>546,000</u>	<u>502,611</u>	<u>1,941,428</u>	<u>2,990,039</u>
Net Increase (Decrease).....	71,000	70,128	312,101	453,229
NET POSITION				
Beginning of Year.....	<u>355,215</u>	<u>322,584</u>	<u>347,358</u>	<u>1,025,157</u>
End of Year.....	<u>\$ 426,215</u>	<u>\$ 392,712</u>	<u>\$ 659,459</u>	<u>\$ 1,478,386</u>

See accompanying independent auditors' report.