

# **City of Highland Park**

## **Financial Statements**

**June 30, 2022**



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**City of Highland Park**  
**List of Elected and Appointed Officials**  
**June 30, 2022**

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Council

Carlton Clyburn – Council President

Rodney Patrick – Council President Pro Tem

Glenda McDonald – Council Member

Kendrich Bates – Council Member

Derrick Armstrong – Council Member

Other Officers and Officials

Hubert Yopp – Mayor

Cathy Square – City Administrator

Brenda Green – City Clerk

Janice Bibbs – City Treasurer

Eleanor Williamson – Finance Director



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## **Independent Auditors' Report**

Honorable Mayor and City Council  
City of Highland Park  
Highland Park, Michigan

### **Report on the Audit of the Financial Statements**

#### **Opinions**

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 (the City), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Highland Park, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Responsibilities of Management for the Financial Statements**

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

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

### **Auditors' Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness the City of Highland Park's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Highland Park's ability to continue as a going concern for a reasonable period of time.

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, and the pension and OPEB schedules, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the

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

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 by us. In our opinion, based on our audit, the other supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Yeo & Yeo, P.C.*

Auburn Hills, Michigan  
December 16, 2022

**City of Highland Park**  
**Management's Discussion and Analysis**  
**June 30, 2022**

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Our discussion and analysis of the City of Highland Park (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2022. Please read it in conjunction with the City's financial statements.

**Financial Highlights**

- The City has experienced several decades of fiscal distress, driven primarily, but not restricted to, corporate disinvestment and restricted or reduced property values; 40.8% of households live in poverty according to the 2020 United States Census Bureau.
- Over one third of the residential property in the city is exempt from paying taxes due primarily to abandonment – the majority of those properties are owned by the City, Wayne County, Wayne County Land Bank, State of Michigan and State Land Bank.
- During fiscal year 2022 the General Fund increased fund balance by \$846,350 which represents an improvement of more than \$1.473 million from fiscal year 2021. This increase to the City fund balance was impacted by the following components (rounded to the nearest thousand):
  - \$1,185,000 in revenue increases. Several of the significant revenue sources continue to rebound following the COVID-19 pandemic and include the following:
    - \$1,449,000 or 45% increase in income tax revenue.
    - \$278,000 or 11% increase to property tax revenue.
    - \$238,000 decrease in fines and forfeiture court revenues.
  - \$310,000 in net expenditure increases include the following:
    - \$102,000 increase in city council legal fees.
    - \$308,000 reduction in debt service due to the payoff of one of the emergency loans in prior year.
    - \$277,000 increase in new one-time court judgments
    - \$94,000 increase in transfers out to cover costs related to the vacant FIA building
- The City paid \$728,897 in pension contributions over the actuarial required annual contribution. State of Michigan 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 required to spend additional funds from an already strapped General Fund budget.



**City of Highland Park**  
**Management's Discussion and Analysis**  
**June 30, 2022**

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- The City owned and operated a water distribution system and a combined (both sanitary and storm water) sewer system prior to 2012. In 2012 the State 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 2016 to take over all DWSD wholesale water and sewer activities and is now the City vendor for both commodity services.
- The City continues is legal battles with GLWA over the discriminatory sewer rate setting and commodity sales estimation practices. The City continues to pay 65% of all water and sewer commodity collections to GLSW according to a 1996 consent judgement.
- The City is in good standing with all its debt service payments and is working on both operating cost containment and capital improvements.

**City of Highland Park**  
**Management's Discussion and Analysis**  
**June 30, 2022**

In condensed format, the table below shows the comparison of net position as of June 30, 2022 to the prior year:

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current assets	\$ 13,836,247	\$ 11,210,133	\$ 721,931	\$ 4,170,612	\$ 14,558,178	\$ 15,380,745
Non-current assets	24,152,137	24,731,557	30,274,636	21,918,860	54,426,773	46,650,417
Total assets	<u>37,988,384</u>	<u>35,941,690</u>	<u>30,996,567</u>	<u>26,089,472</u>	<u>68,984,951</u>	<u>62,031,162</u>
Deferred outflows	<u>250,775</u>	<u>428,517</u>	<u>-</u>	<u>-</u>	<u>250,775</u>	<u>428,517</u>
Current liabilities	3,223,617	2,405,119	1,717,387	2,542,244	4,941,004	4,947,363
Long-term liabilities	<u>41,595,596</u>	<u>47,975,251</u>	<u>13,746,854</u>	<u>9,983,601</u>	<u>55,342,450</u>	<u>57,958,852</u>
Total liabilities	<u>44,819,213</u>	<u>50,380,370</u>	<u>15,464,241</u>	<u>12,525,845</u>	<u>60,283,454</u>	<u>62,906,215</u>
Deferred inflows	<u>633,222</u>	<u>1,266,445</u>	<u>-</u>	<u>-</u>	<u>633,222</u>	<u>1,266,445</u>
Net position:						
Net investment in capital assets	21,456,998	20,677,069	14,411,533	10,820,723	35,868,531	31,497,792
Restricted	5,363,145	5,578,695	2,072,583	1,114,536	7,435,728	6,693,231
Unrestricted (deficit)	<u>(34,033,419)</u>	<u>(41,532,372)</u>	<u>(951,790)</u>	<u>1,628,368</u>	<u>(34,985,209)</u>	<u>(39,904,004)</u>
Total net position	<u>\$ (7,213,276)</u>	<u>\$ (15,276,608)</u>	<u>\$ 15,532,326</u>	<u>\$ 13,563,627</u>	<u>\$ 8,319,050</u>	<u>\$ (1,712,981)</u>

**City of Highland Park**  
**Management's Discussion and Analysis**  
**June 30, 2022**

The following table shows the changes in net position for the years ended June 30, 2022 and 2021:

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Program Revenues:						
Charges for services	\$ 1,436,661	\$ 1,684,328	\$ 7,642,002	\$ 7,833,870	\$ 9,078,663	\$ 9,518,198
Operating grants & contributions	3,352,200	3,022,780	85,700	957,291	3,437,900	3,980,071
Capital grants and contributions	-	-	5,455,910	194,389	5,455,910	194,389
General Revenues:						
Property taxes	6,633,436	6,405,361	-	-	6,633,436	6,405,361
Income taxes	4,685,196	3,235,762	-	-	4,685,196	3,235,762
State shared revenue	2,826,935	2,836,224	-	-	2,826,935	2,836,224
Investment earnings	1,243	1,010	748	390	1,991	1,400
Miscellaneous	1,068,673	709,317	-	-	1,068,673	709,317
Transfers	(87,776)	-	87,776	-	-	-
Total revenues	<u>19,916,568</u>	<u>17,894,782</u>	<u>13,272,136</u>	<u>8,985,940</u>	<u>33,188,704</u>	<u>26,880,722</u>
Expenses						
General government	3,352,317	3,518,390	-	-	3,352,317	3,518,390
Public safety	3,282,263	10,227,198	-	-	3,282,263	10,227,198
Public works	3,918,184	5,674,991	-	-	3,918,184	5,674,991
Health and welfare	44,322	71,053	-	-	44,322	71,053
Community and economic development	796,069	683,001	-	-	796,069	683,001
Recreation and culture	170,444	177,210	-	-	170,444	177,210
Interest on long-term debt	289,637	374,986	-	-	289,637	374,986
Water and sewer	-	-	10,933,933	6,547,164	10,933,933	6,547,164
FIA building	-	-	369,504	401,678	369,504	401,678
Total expenses	<u>11,853,236</u>	<u>20,726,829</u>	<u>11,303,437</u>	<u>6,948,842</u>	<u>23,156,673</u>	<u>27,675,671</u>
Change in net position	8,063,332	(2,832,047)	1,968,699	2,037,098	10,032,031	(794,949)
Net position - beginning	(15,276,608)	(12,444,561)	13,563,627	11,526,529	(1,712,981)	(918,032)
Total net position	<u>\$ (7,213,276)</u>	<u>\$ (15,276,608)</u>	<u>\$ 15,532,326</u>	<u>\$ 13,563,627</u>	<u>\$ 8,319,050</u>	<u>\$ (1,712,981)</u>

The increase in the net position for governmental activities of \$8.1 million was primarily the result of a net decrease to the net pension and OPEB liabilities of approximately \$6.0 million along favorable operating surplus increasing cash from unexpected revenue increases.

**City of Highland Park**  
**Management's Discussion and Analysis**  
**June 30, 2022**

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The General Fund pays for most of the City's governmental services. At \$3.2 million, the property taxes are the largest revenue source. This figure is approximately 45% of tax revenue collected 14 years ago. The City has one of the highest millage rates in the state primarily due to low taxable values and limited new development. During the past year, the City had an 11% increase in taxable value primarily due to new development but did see some increase in the values of existing properties. As taxable value rises, the City will look to possibly reducing the number of mills needed to produce revenue to cover basic operating costs and judgement judgment levies.

**General Fund Budgetary Highlights**

The General Fund revenue increased over prior year by approximately \$1.185 million. The increase is primarily larger than expected increase in both property taxes and income taxes. Federal grants related to the COVID-19 pandemic (ARPA) were received totaling \$566,172 but were not recognized. The ARPA funds will be part of fiscal year 2022-2023 revenues and will be used to offset public safety payroll increases.

General Fund expenditures rose only approximately \$310,000 as for the most part departments kept their spending within council approved limits and amendments were not made to spend the unplanned additional revenues received.

**Capital Asset and Debt Administration**

At the end of 2022 the City had \$51.5 million (net) invested in a broad range of assets. The City also holds a significant number of abandoned property parcels for sale which are conservatively valued at \$145,700. 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 its focus on replacing and upgrading its water and sewer system including the lead-based water lines and has received several low interest loans and grants from the state for this purpose. In addition, the City has several emergency loans and fiscal stability bonds. Below is a summary of the City's debt and additional information can be found in the notes to the financial statements.

	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
Bonds	\$ 4,020,000	\$ 1,605,014	\$ 13,746,854	\$ 3,791,183	\$ 17,766,854	\$ 5,396,197
Notes from direct borrowings	3,213,202	394,113	-	-	3,213,202	394,113
Total	<u>\$ 7,233,202</u>	<u>\$ 1,999,127</u>	<u>\$ 13,746,854</u>	<u>\$ 3,791,183</u>	<u>\$ 20,980,056</u>	<u>\$ 5,790,310</u>

**Economic Factors and Next Year's Budgets and Rates**

The future remains extremely challenging for the City of Highland park as 40.8% of its households operate at or below poverty levels. Due to this 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.

**City of Highland Park**  
**Management's Discussion and Analysis**  
**June 30, 2022**

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The COVID-19 pandemic had a significant financial impact on the City over the past couple years but both income tax and property tax revenues seem to have rebounded over the past year. The City continues to be optimistic about possible taxable value growth from new development and hopes the significant increase in inflation and related interest rates will not curtail the planned development. The loss of population from the final 2020 census count will decrease state revenues for the next ten years including revenue sharing and Act 51 road funding.

**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**  
**Statement of Net Position**  
**June 30, 2022**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents	\$ 8,550,472	\$ 447	\$ 8,550,919	\$ 675,729
Investments	108,014	-	108,014	-
Receivables				
Taxes	510,208	-	510,208	-
Customers	209,703	2,194,460	2,404,163	3,808,630
Accrued interest and other	-	-	-	1,035,979
Due from other units of government	1,766,647	724,172	2,490,819	-
Internal balances	2,446,377	(2,446,377)	-	-
Inventories	-	7,810	7,810	-
Prepaid items	244,826	241,419	486,245	-
Properties held for sale	145,700	-	145,700	-
Restricted assets				
Cash and cash equivalents	636,237	2,116,249	2,752,486	-
Capital assets not being depreciated	575,170	13,093,841	13,669,011	17,100
Capital assets, net of accumulated depreciation	22,795,030	15,064,546	37,859,576	141,376
Total assets	<u>37,988,384</u>	<u>30,996,567</u>	<u>68,984,951</u>	<u>5,678,814</u>
<b>Deferred Outflows of Resources</b>				
Deferred amount relating to net pension liability	193,533	-	193,533	-
Deferred amount relating to total OPEB liability	57,242	-	57,242	-
Total deferred outflows of resources	<u>250,775</u>	<u>-</u>	<u>250,775</u>	<u>-</u>

See Accompanying Notes to the Financial Statements

**City of Highland Park**  
**Statement of Net Position**  
**June 30, 2022**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>Liabilities</b>				
Accounts payable	\$ 1,177,495	\$ 1,649,957	\$ 2,827,452	\$ -
Accrued and other liabilities	1,379,131	67,430	1,446,561	-
Due to other units of government	23,759	-	23,759	-
Unearned revenue	643,232	-	643,232	-
Noncurrent liabilities				
Debt due within one year	1,079,924	310,000	1,389,924	-
Debt due in more than one year	6,336,601	13,436,854	19,773,455	-
Net pension liability	30,966,993	-	30,966,993	-
Total OPEB liability	3,212,078	-	3,212,078	-
Total liabilities	<u>44,819,213</u>	<u>15,464,241</u>	<u>60,283,454</u>	<u>-</u>
<b>Deferred Inflows of Resources</b>				
Deferred amount relating to total OPEB liability	<u>633,222</u>	<u>-</u>	<u>633,222</u>	<u>-</u>
<b>Net Position</b>				
Net investment in capital assets	21,456,998	14,411,533	35,868,531	158,476
Restricted for				
Roads	3,339,676	-	3,339,676	-
Building department	71,294	-	71,294	-
Ordinance enforcement	16,114	-	16,114	-
Debt service	1,018,796	2,116,249	3,135,045	-
Pension obligations	917,265	-	917,265	-
Unrestricted (deficit)	<u>(34,033,419)</u>	<u>(995,456)</u>	<u>(35,028,875)</u>	<u>5,520,338</u>
Total net position	<u>\$ (7,213,276)</u>	<u>\$ 15,532,326</u>	<u>\$ 8,319,050</u>	<u>\$ 5,678,814</u>

See Accompanying Notes to the Financial Statements

**City of Highland Park**  
**Statement of Activities**  
**For the Year Ended June 30, 2022**

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total	
Functions/Programs	Expenses							
<b>Primary government</b>								
Governmental activities								
General government	\$ 3,352,317	\$ 276,291	\$ 1,843,162	\$ -	\$ (1,232,864)	\$ -	\$ (1,232,864)	\$ -
Public safety	3,282,263	1,160,370	95,739	-	(2,026,154)	-	(2,026,154)	-
Public works	3,918,184	-	1,392,110	-	(2,526,074)	-	(2,526,074)	-
Health and welfare	44,322	-	21,189	-	(23,133)	-	(23,133)	-
Community and economic development	796,069	-	-	-	(796,069)	-	(796,069)	-
Recreation and culture	170,444	-	-	-	(170,444)	-	(170,444)	-
Interest and fiscal charges on long-term debt	289,637	-	-	-	(289,637)	-	(289,637)	-
Total governmental activities	11,853,236	1,436,661	3,352,200	-	(7,064,375)	-	(7,064,375)	-
Business-type activities								
Water and sewer	10,933,933	7,642,002	85,700	5,455,910	-	2,249,679	2,249,679	-
FIA Building	369,504	-	-	-	-	(369,504)	(369,504)	-
Total business-type activities	11,303,437	7,642,002	85,700	5,455,910	-	1,880,175	1,880,175	-
Total primary government	\$ 23,156,673	\$ 9,078,663	\$ 3,437,900	\$ 5,455,910	(7,064,375)	1,880,175	(5,184,200)	-
<b>Component unit</b>								
Tax Increment Financing Authority	\$ 52,101	\$ -	\$ -	\$ -				(52,101)
General revenues								
Property taxes					6,633,436	-	6,633,436	11,841
Income taxes					4,685,196	-	4,685,196	-
State-shared revenue					2,826,935	-	2,826,935	-
Unrestricted investment earnings					1,243	748	1,991	38,254
Miscellaneous					1,068,673	-	1,068,673	-
Transfers					(87,776)	87,776	-	-
Total general revenues and transfers					15,127,707	88,524	15,216,231	50,095
Change in net position					8,063,332	1,968,699	10,032,031	(2,006)
Net position - beginning of year					(15,276,608)	13,563,627	(1,712,981)	5,680,820
Net position - end of year					\$ (7,213,276)	\$ 15,532,326	\$ 8,319,050	\$ 5,678,814

See Accompanying Notes to the Financial Statements



**City of Highland Park**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2022**

	General	Special Revenue Funds Major Streets Fund	Pension Levy Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 4,020,289	\$ 2,821,945	\$ 623,789	\$ 1,084,449	\$ 8,550,472
Investments	108,014	-	-	-	108,014
Receivables					
Taxes	510,208	-	-	-	510,208
Customers	209,703	-	-	-	209,703
Due from other units of government	1,070,372	197,422	293,476	205,377	1,766,647
Due from other funds	99,900	-	-	-	99,900
Prepaid items	244,826	-	-	-	244,826
Properties held for sale	145,700	-	-	-	145,700
Advances to other funds	2,446,377	-	-	-	2,446,377
Restricted assets					
Cash and cash equivalents	392,671	-	-	243,566	636,237
Total assets	<u>\$ 9,248,060</u>	<u>\$ 3,019,367</u>	<u>\$ 917,265</u>	<u>\$ 1,533,392</u>	<u>\$ 14,718,084</u>

See Accompanying Notes to the Financial Statements

**City of Highland Park**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2022**

	General	Special Revenue Funds Major Streets Fund	Pension Levy Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Liabilities</b>					
Accounts payable	\$ 901,491	\$ 106,479	\$ -	\$ 169,525	\$ 1,177,495
Accrued and other liabilities	967,545	-	-	512	968,057
Due to other funds	-	-	-	99,900	99,900
Due to other units of government	23,759	-	-	-	23,759
Unearned revenue	566,172	1,245	-	75,815	643,232
<b>Total liabilities</b>	<u>2,458,967</u>	<u>107,724</u>	<u>-</u>	<u>345,752</u>	<u>2,912,443</u>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue	<u>3,047</u>	<u>-</u>	<u>-</u>	<u>93,172</u>	<u>96,219</u>
<b>Fund Balances</b>					
Non-spendable					
Advance to other funds	2,446,377	-	-	-	2,446,377
Prepaid items and other assets	390,526	-	-	-	390,526
Restricted for					
Roads	-	2,911,643	-	428,033	3,339,676
Building department	-	-	-	71,294	71,294
Ordinance enforcement	-	-	-	16,114	16,114
Debt service	392,671	-	-	672,199	1,064,870
Pension obligations	-	-	917,265	-	917,265
Unassigned (deficit)	<u>3,556,472</u>	<u>-</u>	<u>-</u>	<u>(93,172)</u>	<u>3,463,300</u>
<b>Total fund balances</b>	<u>6,786,046</u>	<u>2,911,643</u>	<u>917,265</u>	<u>1,094,468</u>	<u>11,709,422</u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<u><u>\$ 9,248,060</u></u>	<u><u>\$ 3,019,367</u></u>	<u><u>\$ 917,265</u></u>	<u><u>\$ 1,533,392</u></u>	<u><u>\$ 14,718,084</u></u>

See Accompanying Notes to the Financial Statements

**City of Highland Park**  
**Governmental Funds**  
**Reconciliation of Fund Balances of Governmental Funds**  
**to Net Position of Governmental Activities**  
**June 30, 2022**

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<b>Total fund balances for governmental funds</b>	\$ 11,709,422
Total net position for governmental activities in the statement of net position is different because:	
Capital assets net of accumulated depreciation used in governmental activities are not financial resources and therefore are not reported in the funds.	22,795,030
Capital assets not being depreciated used in governmental activities are not financial resources and therefore are not reported in the funds.	575,170
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	96,219
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(46,074)
Compensated absences	(183,323)
Claims and judgments	(365,000)
Deferred outflows (inflows) of resources.	
Deferred inflows of resources resulting from total OPEB liability	(633,222)
Deferred outflows of resources resulting from net pension liability	193,533
Deferred outflows of resources resulting from total OPEB liability	57,242
Long-term liabilities applicable to governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.	
Long-term debt	(7,233,202)
Net pension liability	(30,966,993)
Total OPEB liability	<u>(3,212,078)</u>
<b>Net position of governmental activities</b>	<u><u>\$ (7,213,276)</u></u>

See Accompanying Notes to the Financial Statements

**City of Highland Park**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2022**

	General	Special Revenue Funds Major Streets Fund	Pension Levy Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Taxes	\$ 7,884,312	\$ -	\$ 2,961,502	\$ 472,818	\$ 11,318,632
Licenses and permits	211,047	-	-	402,368	613,415
Federal grants	12,778	-	-	95,739	108,517
State-shared revenue	2,826,875	-	-	-	2,826,875
Other state grants	392,899	1,098,716	448,940	1,442,562	3,383,117
Charges for services	54,144	-	-	-	54,144
Fines and forfeitures	708,080	-	-	-	708,080
Interest income	751	309	59	124	1,243
Rental income	12,000	-	-	-	12,000
Other revenue	309,662	3,693	-	57,078	370,433
Total revenues	<u>12,412,548</u>	<u>1,102,718</u>	<u>3,410,501</u>	<u>2,470,689</u>	<u>19,396,456</u>
<b>Expenditures</b>					
Current					
General government	3,336,011	-	601,771	56,400	3,994,182
Public safety	4,619,509	-	2,800,000	393,415	7,812,924
Public works	2,306,429	620,259	-	496,784	3,423,472
Health and welfare	-	-	-	46,117	46,117
Community and economic development	801,602	-	-	26,709	828,311
Recreation and culture	73,333	-	-	62,506	135,839
Other functions	328,034	-	-	-	328,034
Capital outlay	-	-	-	896,583	896,583
Debt service					
Principal retirement	656,601	-	-	315,000	971,601
Interest and fiscal charges	38,896	-	-	261,313	300,209
Total expenditures	<u>12,160,415</u>	<u>620,259</u>	<u>3,401,771</u>	<u>2,554,827</u>	<u>18,737,272</u>
Excess (deficiency) of revenues over expenditures	<u>252,133</u>	<u>482,459</u>	<u>8,730</u>	<u>(84,138)</u>	<u>659,184</u>

See Accompanying Notes to the Financial Statements

**City of Highland Park**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2022**

	General	Special Revenue Funds Major Streets Fund	Pension Levy Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Other Financing Sources (Uses)</b>					
Transfers in	\$ -	\$ -	\$ -	\$ 469,545	\$ 469,545
Transfers out	(107,321)	(450,000)	-	-	(557,321)
Insurance recoveries	701,538	-	-	-	701,538
Total other financing sources and uses	<u>594,217</u>	<u>(450,000)</u>	<u>-</u>	<u>469,545</u>	<u>613,762</u>
Net change in fund balances	846,350	32,459	8,730	385,407	1,272,946
Fund balances - beginning of year	<u>5,939,696</u>	<u>2,879,184</u>	<u>908,535</u>	<u>709,061</u>	<u>10,436,476</u>
Fund balances - end of year	<u><u>\$ 6,786,046</u></u>	<u><u>\$ 2,911,643</u></u>	<u><u>\$ 917,265</u></u>	<u><u>\$ 1,094,468</u></u>	<u><u>\$ 11,709,422</u></u>

See Accompanying Notes to the Financial Statements

**City of Highland Park**  
**Governmental Funds**  
**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, 2022**

<b>Net change in fund balances - total governmental funds</b>	<b>\$ 1,272,946</b>
Total change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(1,148,170)
Capital outlay	1,421,498
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Grants	(93,650)
Expenses are recorded when incurred in the statement of activities.	
Accrued interest	10,572
Compensated absences	3,030
Claims and judgments	(235,000)
The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.	
Net change in net pension liability	5,320,904
Net change in the deferred outflow of resources related to the net pension liability	28,196
The statement of net position reports the total OPEB liability and deferred outflows of resources and deferred inflows related to the total OPEB liability and pension expense. However, the amount recorded on the governmental funds equals actual OPEB contributions.	
Net change in total OPEB liability	84,120
Net change in the deferred inflow of resources related to the total OPEB liability	633,223
Net change in the deferred outflow of resources related to the total OPEB liability	(205,938)
Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.	
Repayments of long-term debt	971,601
<b>Change in net position of governmental activities</b>	<b><u>\$ 8,063,332</u></b>

See Accompanying Notes to the Financial Statements

**City of Highland Park**  
**Proprietary Funds**  
**Statement of Net Position**  
**June 30, 2022**

	Enterprise Funds		
	Water and Sewer	FIA Building	Total
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 387	\$ 60	\$ 447
Receivables			
Customers	2,194,460	-	2,194,460
Due from other units of government	724,172	-	724,172
Inventories	7,810	-	7,810
Prepaid items	241,419	-	241,419
Total current assets	<u>3,168,248</u>	<u>60</u>	<u>3,168,308</u>
Noncurrent assets			
Restricted assets			
Cash and cash equivalents	2,116,249	-	2,116,249
Capital assets, net of accumulated depreciation	9,386,521	5,678,025	15,064,546
Capital assets not being depreciated	13,093,841	-	13,093,841
Total noncurrent assets	<u>24,596,611</u>	<u>5,678,025</u>	<u>30,274,636</u>
Total assets	<u>27,764,859</u>	<u>5,678,085</u>	<u>33,442,944</u>

See Accompanying Notes to the Financial Statements

**City of Highland Park**  
**Proprietary Funds**  
**Statement of Net Position**  
**June 30, 2022**

	Enterprise Funds		
	Water and Sewer	FIA Building	Total
<b>Liabilities</b>			
Current liabilities			
Accounts payable	\$ 1,649,897	\$ 60	\$ 1,649,957
Accrued and other liabilities	67,430	-	67,430
Current portion of noncurrent liabilities	310,000	-	310,000
Total current liabilities	2,027,327	60	2,027,387
Noncurrent liabilities			
Advances from other funds	2,446,377	-	2,446,377
Long-term debt net of current portion	13,436,854	-	13,436,854
Total noncurrent liabilities	15,883,231	-	15,883,231
Total liabilities	17,910,558	60	17,910,618
<b>Net Position</b>			
Net investment in capital assets	8,733,508	5,678,025	14,411,533
Restricted for			
Debt service	2,116,249	-	2,116,249
Unrestricted	(995,456)	-	(995,456)
Total net position	\$ 9,854,301	\$ 5,678,025	\$ 15,532,326

See Accompanying Notes to the Financial Statements



**City of Highland Park**  
**Proprietary Funds**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**For the Year Ended June 30, 2022**

	Enterprise Funds		
	Water and Sewer	FIA Building	Total
<b>Operating revenue</b>			
Customer fees	\$ 7,642,002	\$ -	\$ 7,642,002
Permits	1,600	-	1,600
Total operating revenue	<u>7,643,602</u>	<u>-</u>	<u>7,643,602</u>
<b>Operating expenses</b>			
Supplies	51,161	4,736	55,897
Contractual services	7,334,379	8,626	7,343,005
Utilities	19,243	-	19,243
Repairs and maintenance	12,440	5,382	17,822
Other expenses	2,725,120	113,116	2,838,236
Depreciation	540,277	237,644	777,921
Total operating expenses	<u>10,682,620</u>	<u>369,504</u>	<u>11,052,124</u>
Operating income (loss)	<u>(3,039,018)</u>	<u>(369,504)</u>	<u>(3,408,522)</u>
<b>Nonoperating revenue (expenses)</b>			
State grant	5,540,010	-	5,540,010
Interest income	747	1	748
Interest expense	(251,313)	-	(251,313)
Total nonoperating revenues (expenses)	<u>5,289,444</u>	<u>1</u>	<u>5,289,445</u>
Income (loss) before transfers in	2,250,426	(369,503)	1,880,923
Transfers in	<u>-</u>	<u>87,776</u>	<u>87,776</u>
Change in net position	2,250,426	(281,727)	1,968,699
Net position - beginning of year	<u>7,603,875</u>	<u>5,959,752</u>	<u>13,563,627</u>
Net position - end of year	<u>\$ 9,854,301</u>	<u>\$ 5,678,025</u>	<u>\$ 15,532,326</u>

See Accompanying Notes to the Financial Statements

**City of Highland Park**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2022**

	Enterprise Funds		
	Water and Sewer	FIA Building	Total
<b>Cash flows from operating activities</b>			
Receipts from customers	\$ 8,586,735	\$ -	\$ 8,586,735
Payments to suppliers	(9,625,305)	(147,205)	(9,772,510)
Net cash provided (used) by operating activities	(1,038,570)	(147,205)	(1,185,775)
<b>Cash flows from noncapital financing activities</b>			
State grant	5,540,010	-	5,540,010
<b>Cash flows from capital and related financing activities</b>			
Proceeds from capital debt	4,018,253	-	4,018,253
Purchases/construction of capital assets	(8,131,984)	-	(8,131,984)
Principal and interest paid on long-term debt	(506,313)	-	(506,313)
Net cash used by capital and related financing activities	(4,620,044)	-	(4,620,044)
<b>Cash flows from investing activities</b>			
Interest received	747	1	748
Net increase (decrease) in cash and cash equivalents	230,569	(59,428)	171,141
Cash and cash equivalents - beginning of year	1,886,067	59,488	1,945,555
Cash and cash equivalents - end of year	\$ 2,116,636	\$ 60	\$ 2,116,696

See Accompanying Notes to the Financial Statements

**City of Highland Park**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2022**

	Enterprise Funds		
	Water and Sewer	FIA Building	Total
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>			
Operating income (loss)	\$ (3,039,018)	\$ (369,504)	\$ (3,408,522)
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation and amortization expense	540,277	237,644	777,921
Changes in assets and liabilities			
Receivables (net)	1,469,975	-	1,469,975
Due from other units of government	(526,842)	-	(526,842)
Inventories	25,955	-	25,955
Prepaid items	1,300,595	-	1,300,595
Accounts payable	(839,360)	(15,345)	(854,705)
Accrued and other liabilities	29,848	-	29,848
Net cash provided (used) by operating activities	<u>\$ (1,038,570)</u>	<u>\$ (147,205)</u>	<u>\$ (1,185,775)</u>
<b>Reconciliation to the statement of net position</b>			
Cash and cash equivalents	\$ 387	\$ 60	\$ 447
Restricted cash and cash equivalents	2,116,249	-	2,116,249
Cash and cash equivalents per cash flows	<u>\$ 2,116,636</u>	<u>\$ 60</u>	<u>\$ 2,116,696</u>

See Accompanying Notes to the Financial Statements

**City of Highland Park**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Position**  
**June 30, 2022**

	<u>December 31, 2021</u>	
	Pension and Other Employee Benefit Trust Funds	Custodial Funds
<b>Assets</b>		
Cash and cash equivalents	\$ 5,402,282	\$ 366,138
Investments		
Fixed income	14,650	-
Receivables	-	202,527
Total assets	<u>5,416,932</u>	<u>568,665</u>
<b>Liabilities</b>		
Accounts payable	-	84,887
Accrued and other liabilities	-	207,198
Due to other units of government	-	276,580
Total liabilities	<u>-</u>	<u>568,665</u>
<b>Net Position</b>		
Restricted for pensions	<u>\$ 5,416,932</u>	<u>\$ -</u>

See Accompanying Notes to the Financial Statements

**City of Highland Park**  
**Fiduciary Funds**  
**Statement of Changes in Fiduciary Net Position**  
**For the Year Ended June 30, 2022**

	January 1, 2021 through December 31, 2021	
	Pension and Other Employee Benefit Trust Funds	Custodial Funds
<b>Additions</b>		
Contributions		
Employer	\$ 3,530,000	\$ -
Members	25,813	-
Total contributions	3,555,813	-
Investment earnings		
Interest, dividends and other	75	-
Property tax collections for other governments	-	4,164,713
Fines and forfeitures	-	561,897
Total additions	3,555,888	4,726,610
<b>Deductions</b>		
Benefits paid to participants or beneficiaries	2,916,589	-
Administrative expense	11,147	-
Payments of property tax to other governments	-	4,164,713
Payments of fines and fees to other governments	-	561,897
	2,927,736	4,726,610
Change in net position	628,152	-
Net position - beginning of year	4,788,780	-
Net position - end of year	\$ 5,416,932	\$ -

See Accompanying Notes to the Financial Statements

**City of Highland Park**  
**Notes to the Financial Statements**  
**June 30, 2022**

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**Note 1 - Summary of Significant Accounting Policies**

**Reporting Entity**

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 Mayor, the five-member City Council, elected Clerk and elected 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 accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the City's operations. Each 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 –** The component unit column in the government-wide financial statements include the financial data of the City's Tax Increment Financing Authority (TIFA). This unit is reported in a separate column to emphasize that it is legally separate from the City. The TIFA is responsible for certain revitalization projects and activities in the City. The members of the TIFA's governing board are appointed by City Council.

**Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 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 revenues are reported instead as *general revenues*.

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 and fiduciary fund financial statements. Revenues are 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 revenues 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.

**City of Highland Park**  
**Notes to the Financial Statements**  
**June 30, 2022**

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Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

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.

The Major Streets Fund accounts for the maintenance and improvement activities for streets designated as "major" within the City. Funding is primarily through state-shared gas and weight taxes.

The Pension Levy Judgment Fund accounts for the pension judgment levy activity.

The City reports the following major proprietary funds:

The Water and Sewer Fund accounts for the activities of the water and sewage collection system. All activities necessary to provide such services are accounted for in this fund including, but not limited to, administration, operations, maintenance, billing, and collection.

The FIA Building Fund accounts for the activities of the Building Authority, whose sole function is to oversee the acquisition/construction of the City's public buildings.

Additionally, the City reports the following:

The Nonmajor Special Revenue Funds account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulatory provisions or administrative requirements.

The Debt Service Fund account for the accumulation of resources for, and payment of governmental activities principal, interest and related costs.

Pension and Other Employee Benefit Trust Funds account for the accumulation of resources to be used for retirement payments to eligible employees. The pension trust funds are reported as of the previous December.

The Custodial Funds accounts for property tax and other payments collected on behalf of other units and individuals.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's water and sewer function and various other functions of the City. Elimination of these charges would distort

**City of Highland Park**  
**Notes to the Financial Statements**  
**June 30, 2022**

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the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Fund are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. The principal operating revenue of the FIA Building Fund is rental income. Operating expenses for the Water and Sewer Fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. Operating expenses for the FIA Building Fund include contractual services, repairs and maintenance and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Assets, Liabilities, and Net Position or Fund Balances**

Deposits and investments – Cash and cash equivalents are considered to be 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. Certificate of deposits are stated at cost which approximates 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 a lending/borrowing arrangement outstanding at the end of the fiscal year is referred to as “advances to/from other

funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown net of an allowance for uncollectible amounts of \$4,520,802. Property taxes are levied on each July 1<sup>st</sup> and December 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

The 2021 taxable valuation of the City totaled \$132,461,158 on which ad valorem taxes consisted of 19.3703 mills for operating purposes, 2.9055 mills for rubbish services, 3.2586 mills for 2004 Bonds, 21.8667 mills for pension judgments, and 0.0858 for 2014 State of Michigan Emergency Loan or 2008 Bonds. This resulted in \$6.10 million for operating expenses, rubbish, and judgments, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

Loan receivable – the TIFA has an outstanding long-term loan receivable of \$3,808,630 from a commercial developer related to property located within the City. The developer is required to repay the loan as net profits are earned.

Inventories and prepaid items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

Restricted assets – The revenue bonds of the General Fund and Water and Sewer Fund as well as 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



**City of Highland Park**  
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cash and cash equivalents 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, and 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 and \$5,000 for all other capital assets and an estimated useful life in excess of one years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the City values these capital assets at the estimated acquisition value of the item at the date of its donation.

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

Buildings 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

Deferred outflows of resources – A deferred outflow of resources is a consumption of net assets by the City that is applicable to a future reporting period. The City reports deferred outflows of resources as a result of pension earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next

four years and included in pension expense. Changes in assumptions and experience differences relating to the net pension liability or total OPEB liability are deferred and amortized over the expected remaining services lives of the employees and retirees in the plan. The City also reported deferred outflows of resources for pension contributions made after the measurement date. This amount will reduce net pension liability in the following year. Deferred amounts on bond refundings are included in the government-wide financial statements. The amounts represent the difference between the reacquisition price and the net carrying amount of the prior debt.

Compensated absences – It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, or paid out within 60 days of year end, for example, as a result of employee resignations and retirements.

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, 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 on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**City of Highland Park**  
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**Pensions** – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position the City's retirement systems and additions to/deductions from the systems' fiduciary net position have been determined on the same basis as they are reported to the systems. 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 (OPEB)** – For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's OPEB system and additions to/deductions from the City's OPEB system's fiduciary net position have been determined on the same basis as they are reported by OPEB system. For this purpose, the OPEB system recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

**Deferred inflows of resources** – A deferred inflow of resources is an acquisition of net assets the City that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. The City may report deferred inflows of resources as a result of pension earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension expense. Changes in assumptions and experience differences relating to the net pension liability and total OPEB liability are deferred and amortized over the expected remaining services lives of the employees and retirees in the plan.

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

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

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

Committed – amounts constrained for use imposed by the City's highest level of decision-making, its City Council. A fund balance commitment may be established, modified, or rescinded by a resolution of the City Council.

Assigned – amounts intended to be used for specific purposes, as determined by the City Council or individual who is authorized by resolution to approved by the City Council to make assignments. Residual amounts in governmental funds other than the General Fund are automatically assigned by their nature.

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

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

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

**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, deferred outflows, liabilities, deferred inflows and disclosure of contingent assets and liabilities at the date of

**City of Highland Park**  
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the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

**Adoption of New Accounting Standards**

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. It requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reporting in a business-type activity or enterprise fund. Interest cost incurred before the end of a construction period should be recognized as an expenditure for financial statements prepared using the current financial resources measurement.

**Upcoming Accounting and Reporting Changes**

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services;

and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. This statement is effective for the year ending June 30, 2023.

Statement No. 96, *Subscription-Based Information Technology Arrangements*, is based on the standards established in Statement No. 87 *Leases*. This statement (1) defines a SBITA as a contract that conveys control of the right to use a SBITA vendor's IT software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction (2) requires governments with SBITAs to recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability, and (3) provides guidance related to outlays other than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA. This statement is effective for the year ending June 30, 2023.

Statement No. 100, *Accounting Changes and Error Corrections* improves the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. More understandable, reliable, relevant, consistent and comparable information will be provided to financial statement users for making decisions or assessing accountability. Additionally, the display and note disclosure requirements will result in more consistent, decision useful, understandable and comprehensive information for users about accounting changes and error corrections. This statement is effective for the year ending June 30, 2024.

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. That objective

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is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement is effective for the year ending June 30, 2025.

The City is evaluating the impact that the above GASB statements will have on its financial reporting.

**Note 2 - Stewardship, Compliance, and Accountability**

**Budgetary Information**

The City is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). 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. Budgetary control is exercised at the department level in the General Fund and at the fund level for all other budgeted funds. All annual appropriations lapse at fiscal year-end.

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 Major to determine the adjustments needed 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.

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

**Excess of Expenditures Over Appropriations**

During the year, the City incurred expenditures that were in excess of the amounts budgeted for various purposes as described below:

	Appropriations	Actual	Budget Variance
General Fund			
General government			
Supervisor	\$ 200,200	\$ 202,541	\$ 2,341
Judgments	-	279,244	279,244
Attorney	402,800	420,593	17,793
Community and economic development			
Planning	539,714	801,602	261,888
Transfers out	13,785	107,321	93,536

**Fund Deficits**

The City has an accumulated fund balance deficit in the JAG Fund in the amount \$35,442, and in the Federal Grants Fund in the amount of \$57,730 as of June 30, 2022. The deficits in the JAG and Federal Grants Funds are fully covered by deferred inflows of resources and do not require a deficit elimination plan be submitted to the State of Michigan.

**Note 3 - Deposits and Investments**

At year end the City's deposits and investments were reported in the financial statements in the following categories:

	Cash and Cash Equivalents	Investments	Restricted Cash and Cash Equivalents	Total
Governmental activities	\$ 8,550,472	\$ 108,014	\$ 636,237	\$ 9,294,723
Business-type activities	447	-	2,116,249	2,116,696
Total	8,550,919	108,014	2,752,486	11,411,419
Fiduciary funds	5,768,420	14,650	-	5,783,070
Component unit	675,729	-	-	675,729
Total	<u>\$ 14,995,068</u>	<u>\$ 122,664</u>	<u>\$ 2,752,486</u>	<u>\$ 17,870,218</u>

# City of Highland Park

## Notes to the Financial Statements

### June 30, 2022

The breakdown between deposits and investments is as follows:

	Primary Government	Fiduciary Funds	Component Unit	Total
Bank deposits (checking and savings accounts, money markets and certificates of deposit)	\$ 11,258,339	\$ 5,782,859	\$ 675,729	\$ 17,716,927
Investments in securities, mutual funds and similar vehicles	151,680	-	-	151,680
Petty cash and cash on hand	1,400	211	-	1,611
	<u>\$ 11,411,419</u>	<u>\$ 5,783,070</u>	<u>\$ 675,729</u>	<u>\$ 17,870,218</u>

As of year-end, the City had the following investments:

Investment	Fair Value	Maturities	Rating	Rating Organization
Annuity contract	\$ 108,014	N/A	N/A	N/A
Mutual funds	43,666	N/A	N/A	N/A
Total	<u>\$ 151,680</u>			

**Interest rate risk** – The City does not have a formal investment policy to manage its exposure to fair value losses from changes in interest rates, except that commercial paper can only be purchased with a 270-day maturity or less.

**Credit risk** – State statutes and the City's investment policy authorize the City to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States. United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the City Council, in accordance with Public Act 196 of 1997, is in accordance with statutory authority.

**Concentration of credit risk** – The City's policy is to diversify by security type and institution in order to limit potential losses on individual securities so that individual losses do not exceed the income generated from the remainder of the portfolio.

**Custodial credit risk - deposits** – In the case of deposits, this is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City does not have a policy for custodial credit risk. As of year-end, \$16,630,140 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Custodial credit risk – investments** – For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The following investment securities were uninsured and unregistered and held in the following manner:

Investment Type	Carrying Value	How Held
Annuity Contract with Nationwide	\$ 108,014	By counterparty in the City's name
Mutual funds	43,666	By counterparty in the City's name
Total	<u>\$ 151,680</u>	

The General Employees Retirement System, the Policemen and Firemen Retirement System, and the Public Safety Retirement System 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 business, certain state and local government obligations, and certain other specified investment vehicles. The City's internal policy limits the investment of the pension systems to those same types allowable for the City in general.

# City of Highland Park

## Notes to the Financial Statements

### June 30, 2022

#### Note 4 - Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of June 30, 2022:

- Mutual funds of \$43,666 are valued based on actively traded markets (Level 1 inputs).
- 
- Properties held for sale of \$145,700 is valued based on expected sales prices of similar properties (Level 2 inputs).
- Annuity installment contracts of \$108,014 are stated at contract value (Level 3 inputs).

#### Note 5 - Capital Assets

Capital assets activity of the primary government for the current year is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 575,170	\$ -	\$ -	\$ 575,170
Construction-in-progress	39,661	38,808	78,469	-
Total capital assets not being depreciated	<u>614,831</u>	<u>38,808</u>	<u>78,469</u>	<u>575,170</u>
Capital assets being depreciated				
Land improvements	562,290	-	-	562,290
Infrastructure	43,432,073	223,158	-	43,655,231
Buildings and improvements	4,769,793	275,219	-	5,045,012
Machinery and equipment	2,070,764	962,782	-	3,033,546
Street lights and traffic signals	6,367,015	-	-	6,367,015
Total capital assets being depreciated	<u>57,201,935</u>	<u>1,461,159</u>	<u>-</u>	<u>58,663,094</u>
Less accumulated depreciation for				
Land improvements	479,416	12,750	-	492,166
Infrastructure	24,394,731	790,606	-	25,185,337
Buildings and improvements	2,047,646	97,682	-	2,145,328
Machinery and equipment	1,502,783	239,509	-	1,742,292
Street lights and traffic signals	6,295,318	7,623	-	6,302,941
Total accumulated depreciation	<u>34,719,894</u>	<u>1,148,170</u>	<u>-</u>	<u>35,868,064</u>
Net capital assets being depreciated	<u>22,482,041</u>	<u>312,989</u>	<u>-</u>	<u>22,795,030</u>
Governmental activities capital assets, net	<u>\$ 23,096,872</u>	<u>\$ 351,797</u>	<u>\$ 78,469</u>	<u>\$ 23,370,200</u>
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land	\$ 349,112	\$ -	\$ -	\$ 349,112
Construction-in-progress	4,612,745	8,131,984	-	12,744,729
Total capital assets not being depreciated	<u>4,961,857</u>	<u>8,131,984</u>	<u>-</u>	<u>13,093,841</u>
Capital assets being depreciated				
Land improvements	148,948	-	-	148,948
Water and sewer lines	28,523,399	-	-	28,523,399
Buildings and improvements	12,693,983	-	-	12,693,983
Machinery and equipment	1,248,246	-	-	1,248,246
Total capital assets being depreciated	<u>42,614,576</u>	<u>-</u>	<u>-</u>	<u>42,614,576</u>
Less accumulated depreciation for				
Land improvements	68,750	5,157	-	73,907
Water and sewer lines	19,554,583	472,708	-	20,027,291
Buildings and improvements	6,778,314	237,644	-	7,015,958
Machinery and equipment	370,462	62,412	-	432,874
Total accumulated depreciation	<u>26,772,109</u>	<u>777,921</u>	<u>-</u>	<u>27,550,030</u>
Net capital assets being depreciated	<u>15,842,467</u>	<u>(777,921)</u>	<u>-</u>	<u>15,064,546</u>
Business-type capital assets, net	<u>\$ 20,804,324</u>	<u>\$ 7,354,063</u>	<u>\$ -</u>	<u>\$ 28,158,387</u>

**City of Highland Park**  
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Capital assets activity of the component unit for the current year is as follows:

**Component Unit**

Capital assets not being depreciated				
Land	\$ 17,100	\$ -	\$ -	\$ 17,100
Capital assets being depreciated				
Buildings and improvements	186,582	-	-	186,582
Less accumulated depreciation for				
Buildings and improvements	39,145	6,061	-	45,206
Net capital assets being depreciated	147,437	(6,061)	-	141,376
Component unit capital assets, net	\$ 164,537	\$ (6,061)	\$ -	\$ 158,476

**Construction Commitments**

The City has the following active construction projects within the Water and Sewer Fund as of June 30, 2022:

Contractor	Contract Amount	Spent to Date	Remaining Commitment
Bricco Excavating	\$ 10,212,381	\$ 7,206,703	\$ 3,005,678
Metro Consulting	132,000	67,680	64,320
Inland Water	476,044	10,350	465,694
Total	\$ 10,820,425	\$ 7,284,733	\$ 3,535,692

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

**Governmental activities**

General government	\$ 27,593
Public safety	255,831
Public works	824,853
Recreation and culture	39,893
Total governmental activities	1,148,170

**Business-type activities**

Water and sewer	540,277
FIA Building	237,644
Total business-type activities	777,921

Total primary government \$ 1,926,091

Component unit \$ 6,061

**City of Highland Park**  
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**Note 6 - Interfund Receivables, Payables, and Transfers**

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor governmental funds in the aggregate	\$ 99,900

**Advances due to/from other funds**

Receivable Fund	Payable Fund	Amount
General Fund	Water and Sewer Fund	\$ 2,446,377

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

The details for interfund transfers are as follows:

Funds Transferred From	Funds Transferred To	Amount
Major Streets Fund	Nonmajor governmental funds in the aggregate	\$ 450,000
General Fund	Nonmajor governmental funds in the aggregate	19,545
General Fund	FIA Building Fund	87,776
		<u>\$ 557,321</u>

Transfers are used to move unrestricted general fund revenues to finance various programs that the City must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs. Transfers from major streets funds were necessary to transfer funds to the local streets fund, a nonmajor governmental fund.



**City of Highland Park**  
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**Note 7 - Long-Term Debt**

The City issues bonds to provide for the acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the City. Installment purchase agreements are also general obligations of the City. Other long-term obligations include compensated absences. Compensated absences are typically liquidated by the General Fund.

Long-term debt activity is summarized as follows:

	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities</b>									
Bonds and notes payable									
General obligation bonds									
2003B Fiscal Stability Bond	\$ 2,225,000	2024	6.00%	\$160,000 - \$170,000	\$ 480,000	-	150,000	330,000	160,000
2004A & B Fiscal Stability Bond	5,305,000	2034	5.80% - 6.00%	220,000 - 415,000	3,900,000	-	210,000	3,690,000	220,000
Subtotal					<u>4,380,000</u>	<u>-</u>	<u>360,000</u>	<u>4,020,000</u>	<u>380,000</u>
Notes from direct borrowings and direct placements									
Southeast Michigan Regional Energy Office	109,705	2024	0.00%	6,601	19,803	-	6,601	13,202	6,601
2003 Emergency Loan Note	1,000,000	2022	4.00%	100,000	100,000	-	100,000	-	-
2006 Emergency Loan Note	1,000,000	2026	4.00%	100,000	500,000	-	100,000	400,000	100,000
2008 Emergency Loan Note	3,000,000	2027	4.00%	300,000	1,800,000	-	300,000	1,500,000	300,000
2014 Emergency Loan Note	3,000,000	2033	2.45%	65,000 - 135,000	1,405,000	-	105,000	1,300,000	110,000
Subtotal					<u>3,824,803</u>	<u>-</u>	<u>611,601</u>	<u>3,213,202</u>	<u>516,601</u>
Compensated absences					186,353	121,189	124,219	183,323	183,323
Total governmental activities					<u>\$ 8,391,156</u>	<u>\$ 121,189</u>	<u>\$ 1,095,820</u>	<u>\$ 7,416,525</u>	<u>\$ 1,079,924</u>
<b>Business-type activities</b>									
Bonds and notes payable									
General obligation bonds									
1999 Revenue Bonds	\$ 6,000,000	2030	2.50%	\$240,000 - \$280,000	\$ 2,319,898	\$ -	\$ 235,000	\$ 2,084,898	\$ 240,000
2018 Revenue Bonds	6,000,000	2049	2.00%	5,000 - 230,000	4,595,000	-	5,000	4,590,000	50,000
2020A Capital Improvement Bonds	496,044	2051	2.25%	5,000 - 62,000	496,044	11,702	5,000	502,746	5,000
2020B Capital Improvement Bonds	302,900	2051	2.00%	5,000 - 21,750	302,900	27,835	5,000	325,735	5,000
2020 Waterworks Bonds	2,269,759	2051	2.00%	5,000 - 211,500	2,269,759	1,312,160	5,000	3,576,919	5,000
DWSRF 2020	5,335,650	2061	1.88%	5,000 - 201,000	-	2,666,556	-	2,666,556	5,000
Total business-type activities					<u>\$ 9,983,601</u>	<u>\$ 4,018,253</u>	<u>\$ 255,000</u>	<u>\$ 13,746,854</u>	<u>\$ 310,000</u>

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Annual debt service requirements to maturity for the above obligations is as follows:

Year Ending June 30,	Governmental Activities				Business-type Activities	
	Bonds		Notes from Direct Borrowings and Direct Placements		Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 380,000	\$ 234,766	\$ 516,601	\$ 106,514	\$ 310,000	\$ 273,311
2024	405,000	211,996	521,601	87,926	315,000	272,787
2025	245,000	193,030	515,000	68,926	465,000	262,713
2026	260,000	178,576	520,000	50,062	515,000	250,781
2027	275,000	163,236	420,000	31,123	585,000	239,099
2028-2032	1,650,000	550,210	655,000	48,761	2,689,898	1,002,973
2033-2037	805,000	73,200	65,000	801	2,350,000	757,186
2038-2042	-	-	-	-	2,830,000	492,631
2043-2047	-	-	-	-	3,105,000	219,146
2048-2052	-	-	-	-	2,425,250	20,556
2053-2057	-	-	-	-	910,000	-
2058-2061	-	-	-	-	790,650	-
	<u>\$ 4,020,000</u>	<u>\$ 1,605,014</u>	<u>\$ 3,213,202</u>	<u>\$ 394,113</u>	<u>17,290,798</u>	<u>\$ 3,791,183</u>
Less undrawn maturities					(3,543,944)	
					<u>\$ 13,746,854</u>	

**City of Highland Park**  
**Notes to the Financial Statements**  
**June 30, 2022**

**Note 8 - Net Investments in Capital Assets**

The composition of net investment in capital assets as of June 30, 2022, was as follows:

	Governmental Activities	Business-type Activities	Component Unit
Capital assets			
Capital assets not being depreciated	\$ 575,170	\$ 13,093,841	\$ 17,100
Capital assets - net of accumulated depreciation	22,795,030	15,064,546	141,376
Related Debt			
Government obligation bonds	(1,900,000)	(13,746,854)	-
Other bonds	(13,202)	-	-
Net investment in capital assets	<u>\$ 21,456,998</u>	<u>\$ 14,411,533</u>	<u>\$ 158,476</u>

**Note 9 - Restricted Assets**

Restricted assets of \$2,752,486 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.

**Note 10 - 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.

General liability – The City purchases insurance coverage through commercial carriers for general and auto liability, auto physical damage, and property loss claims.

Workers' compensation – The City was self-insured for workers' compensation claims until June 30, 2017, at which point it purchased workers' compensation insurance from the Michigan Municipal League. This liability is typically liquidated by the General Fund. 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:

	2022	2021
Estimated liability - beginning of year	\$ 130,000	\$ 150,000
Estimated claims incurred - including changes in estimates	273,270	51,653
Claim payments	(38,270)	(71,653)
Estimated liability - end of year	<u>\$ 365,000</u>	<u>\$ 130,000</u>

**Note 11 - Employee Retirement and Benefit Systems**

**Defined Benefit Pension Plans**

Summarized below is the City's net pension liability and deferred outflows of resources:

Retirement System	Net Pension Liability	Deferred Outflows of Resources	Pension Expense
General employees	\$ 2,609,787	\$ 38,557	\$ (256,730)
Policemen and firemen	607,971	54,561	(258,559)
Public safety	27,749,235	100,415	(1,303,811)
Total	<u>\$ 30,966,993</u>	<u>\$ 193,533</u>	<u>\$ (1,819,100)</u>

**City of Highland Park**  
**Notes to the Financial Statements**  
**June 30, 2022**

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**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 contribution plan. Members who elected to join the defined contribution plan were refunded their contributions and were allowed to enroll in that plan. The system also provides retirement, disability, and death benefits to plan members and their beneficiaries. The plan does not issue a separate report. At December 31, 2021, the date of the most recent actuarial valuation, membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	36
Inactive employees entitled to, but not yet receiving benefits	<u>1</u>
	<u>37</u>

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 employers 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.

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.

Investment rate of return – The investment policy of the Employer is determined based on the goals and objectives of the Plan and the risk tolerance of the Employer. As new information regarding the economic environment becomes available the investment policy may need to be revised. Asset allocations fluctuate due to market performance; however, the targeted asset allocation is as described below. The Employer's objective in selecting the expected long-term investment rate of return is to estimate the single rate of return that reflects the historical returns, future expectations for each asset class, and the asset mix of the plan assets.

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Cash	<u>100.00%</u>	<u>0.00%</u>

Net pension liability – The City has chosen to use December 31, 2021 as its measurement date for the net pension liability. The June 30, 2022 reported net pension liability was determined using a measure of the total pension liability and the pension plan net position as of December 31, 2021. The June 30, 2022 total pension liability was determined by an actuarial valuation performed as of December 31, 2021.

**City of Highland Park**  
**Notes to the Financial Statements**  
**June 30, 2022**

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

**Total Pension Liability**

Interest on the total pension liability	\$ 77,634
Experience differences	(267,789)
Changes in assumptions	(67,260)
Benefit payments and refunds	(466,737)
Net change in total pension liability	(724,152)
Total pension liability - beginning	4,255,836
Total pension liability - ending (a)	<u>\$ 3,531,684</u>

**Plan Fiduciary Net Position**

Employer contributions	\$ 610,000
Pension plan net investment income (loss)	(848)
Benefit payments and refunds	(466,737)
Pension plan administrative expense	(2,816)
Net change in plan fiduciary net position	139,599
Plan fiduciary net position - beginning	782,298
Plan fiduciary net position - ending (b)	<u>\$ 921,897</u>

Net pension liability (a-b) \$ 2,609,787

Plan fiduciary net position as a percentage of total pension liability 26.10%

Covered payroll N/A\*

Net pension liability as a percentage of covered payroll N/A\*

\*Payroll is not a part of the calculation of this benefit

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions – For the year ended June 30, 2022, the City recognized pension expense of \$(256,730). At June 30, 2022, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Total to Amortize
Net difference between projected and actual earning on plan investments	<u>\$ 38,557</u>	<u>\$ 38,557</u>

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

Year ended June 30,	
2023	\$ 14,552
2024	12,228
2025	8,317
2026	3,460
	<u>\$ 38,557</u>

Actuarial methods and assumptions – The actuarially determined contribution was determined as part of an actuarial valuation at December 31, 2021, using the entry age actuarial cost method. Significant actuarial assumptions used include 0.0 percent investment rate of return. The unfunded actuarial liability is being amortized as a level dollar on a closed basis. The remaining amortization period is 6 years. The Mortality rate is based on the Pub-2010 mortality tables.

Discount rate – The discount rate is the single rate that reflects (1) the long-term expected rate of return on pension plan investments that are expected to be used to finance the payment of benefits, to the extent that the pension plan's fiduciary net position is projected to be sufficient to make projected benefit payments and pension plan assets are expected to be invested using a strategy to achieve that return, and (2)

**City of Highland Park**  
**Notes to the Financial Statements**  
**June 30, 2022**

a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another scale), to the extent that the conditions for use of the long-term expected rate of return are not met. The discount rate used was 2.25% which was an increase from 1.93% used in the prior year.

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 2.25 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 or 1-percentage-point higher than the current rate:

Current Discount		
1% Decrease	Rate	1% Increase
<u>\$ 2,872,084</u>	<u>\$ 2,609,787</u>	<u>\$ 2,379,675</u>

**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 plan covers public safety employees of the City. This plan was closed as of November 1985 to new hires; active members at the 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. The plan does not issue a separate report. At December 31, 2021, the date of the most recent actuarial valuation, membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits 31

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 employers 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.

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.

Investment rate of return – The investment policy of the Employer is determined based on the goals and objectives of the Plan and the risk tolerance of the Employer. As new information regarding the economic environment becomes available the investment policy may need to be revised. Asset allocations fluctuate due to market performance; however, the targeted asset allocation is as described below. The Employer's objective in selecting the expected long-term investment rate of return is to estimate the single rate of return that reflects the historical returns, future expectations for each asset class, and the asset mix of the plan assets.

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Cash	<u>100.00%</u>	<u>0.00%</u>

Net pension liability – The City has chosen to use December 31, 2021 as its measurement date for the net pension liability. The June 30, 2022 reported net pension liability was determined using a measure of the total pension liability and the pension plan net position as of December 31, 2021. The June 30, 2022 total pension liability was determined by an actuarial valuation performed as of December 31, 2021.

**City of Highland Park**  
**Notes to the Financial Statements**  
**June 30, 2022**

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

**Total Pension Liability**

Interest on the total pension liability	\$ 53,232
Experience differences	(276,821)
Changes in assumptions	(28,752)
Benefit payments and refunds	<u>(432,856)</u>
Net change in total pension liability	(685,197)
Total pension liability - beginning	<u>2,974,555</u>
Total pension liability - ending (a)	<u><u>\$ 2,289,358</u></u>

**Plan Fiduciary Net Position**

Employer contributions	\$ 615,000
Pension plan net investment income (loss)	(717)
Benefit payments and refunds	(432,856)
Pension plan administrative expense	<u>(2,816)</u>
Net change in plan fiduciary net position	178,611
Plan fiduciary net position - beginning	<u>1,502,776</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 1,681,387</u></u>

Net pension liability (a-b)	<u><u>\$ 607,971</u></u>
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Plan fiduciary net position as a percentage of total pension liability	73.44%
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Covered payroll	N/A*
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Net pension liability as a percentage of covered payroll	N/A*
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\*Payroll is not a part of the calculation of this benefit

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions – For the year ended June 30, 2022, the City recognized pension expense of \$(258,559). At June 30, 2022, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Total to Amortize
Net difference between projected and actual earnings on plan investments	<u>\$ 54,561</u>	<u>\$ 54,561</u>

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

Year ended June 30,	
2023	\$ 19,242
2024	15,432
2025	13,597
2026	<u>6,290</u>
	<u><u>\$ 54,561</u></u>

Actuarial methods and assumptions – The actuarially determined contribution was determined as part of an actuarial valuation at December 31, 2021, using the entry age actuarial cost method. Significant actuarial assumptions used include 0.0 percent investment rate of return. The unfunded actuarial liability is being amortized as a level dollar on a closed basis. The remaining amortization period is 3 years. The Mortality rate is based on the Pub-2010 mortality tables.

Discount rate – The discount rate is the single rate that reflects (1) the long-term expected rate of return on pension plan investments that are expected to be used to finance the payment of benefits, to the extent that the pension plan's fiduciary net position is projected to be sufficient to make projected benefit payments and pension plan assets are expected to be invested using a strategy to achieve that return, and (2)

**City of Highland Park**  
**Notes to the Financial Statements**  
**June 30, 2022**

a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another scale), to the extent that the conditions for use of the long-term expected rate of return are not met. The discount rate used was 2.25% which was an increase from 1.93% used in the prior year.

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 2.25 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 or 1-percentage-point higher than the current rate:

Current Discount		
1% Decrease	Rate	1% Increase
<u>\$ 728,414</u>	<u>\$ 607,971</u>	<u>\$ 499,065</u>

**Public Safety Retirement Plan**

Plan description – The City of Highland Park Public Safety Retirement System is a single-employer defined benefit pension plan; this plan covers public safety employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The plan does not issue a separate report. At December 31, 2021, the date of the most recent actuarial valuation, membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	57
Inactive employees entitled to, but not yet receiving benefits	2
Active employees	<u>3</u>
	<u>62</u>

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 employers 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.

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.

Investment rate of return – The investment policy of the Employer is determined based on the goals and objectives of the Plan and the risk tolerance of the Employer. As new information regarding the economic environment becomes available the investment policy may need to be revised. Asset allocations fluctuate due to market performance; however, the targeted asset allocation is as described below. The Employer's objective in selecting the expected long-term investment rate of return is to estimate the single rate of return that reflects the historical returns, future expectations for each asset class, and the asset mix of the plan assets.

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Cash	<u>100.00%</u>	<u>0.00%</u>

Net pension liability – The City has chosen to use December 31, 2021 as its measurement date for the net pension liability. The June 30, 2022 reported net pension liability was determined using a measure of the total pension liability and the pension plan net position as of December 31, 2021. The June 30, 2022 total pension liability was determined by an actuarial valuation performed as of December 31, 2021.



**City of Highland Park**  
**Notes to the Financial Statements**  
**June 30, 2022**

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

**Total Pension Liability**

Service cost	\$ 107,945
Interest on the total pension liability	635,852
Experience differences	(968,384)
Changes in assumptions	(1,041,821)
Benefit payments and refunds	(2,016,996)
Net change in total pension liability	(3,283,404)
Total pension liability - beginning	33,846,288
Total pension liability - ending (a)	<u>\$ 30,562,884</u>

**Plan Fiduciary Net Position**

Employer contributions	\$ 2,305,000
Employee contributions	25,813
Pension plan net investment income (loss)	(744)
Benefit payments and refunds	(2,016,996)
Pension plan administrative expense	(3,132)
Net change in plan fiduciary net position	309,941
Plan fiduciary net position - beginning	2,503,708
Plan fiduciary net position - ending (b)	<u>\$ 2,813,649</u>

Net pension liability (a-b) \$ 27,749,235

Plan fiduciary net position as a percentage of total pension liability 9.21%

Covered payroll \$ 222,543

Net pension liability as a percentage of covered payroll 12,469.16%

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions – For the year ended June 30, 2022, the City recognized pension expense of \$(1,303,811). At June 30, 2022, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Total to Amortize
Net difference between projected and actual earning on plan investments	<u>\$ 100,415</u>	<u>\$ 100,415</u>

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

Year ended June 30,	
2023	\$ 35,430
2024	31,298
2025	23,274
2026	10,413
	<u>\$ 100,415</u>

Actuarial methods and assumptions – The actuarially determined contribution was determined as part of an actuarial valuation at December 31, 2021, using the entry age actuarial cost method. Significant actuarial assumptions used include 0.0 percent investment rate of return. The unfunded actuarial liability is being amortized as a level dollar on a closed basis. The remaining amortization period is 16 years. The mortality rate is based on the Pub-2010 mortality tables.

Discount rate – The discount rate is the single rate that reflects (1) the long-term expected rate of return on pension plan investments that are expected to be used to finance the payment of benefits, to the extent that the pension plan's fiduciary net position is projected to be sufficient to make projected benefit payments and pension plan assets are expected to be invested using a strategy to achieve that return, and (2)

**City of Highland Park**  
**Notes to the Financial Statements**  
**June 30, 2022**

a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another scale), to the extent that the conditions for use of the long-term expected rate of return are not met. The discount rate used was 2.25% which was an increase from 1.93% used in the prior year.

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 2.25 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 or 1-percentage-point higher than the current rate:

	Current Discount	
1% Decrease	Rate	1% Increase
<u>\$ 31,526,068</u>	<u>\$ 27,749,235</u>	<u>\$ 24,610,701</u>

**Note 12 - Other Postemployment Benefits**

Plan description – The City provides retiree healthcare benefits to eligible employees and their spouses upon retirement. This is a single employer defined benefit plan administered by the City and it does not issue a separate report.

Benefits provided – The Plan provides a maximum benefit to current active employees of a \$120 stipend per month if they attain 10 years of full-time service with the City. Nine litigant retirees and family members are eligible for a 100% paid City benefit plan specific to these litigants. Six litigant retirees and family members are eligible for an 80% paid City benefit plan specific to these litigants.

Employees covered by benefit terms – At July 1, 2021, the date of the most recent actuarial valuation, plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	56
Inactive employees entitled to, but not yet receiving benefits	12
Active employees	<u>50</u>
	<u>118</u>

Contributions – Contribution requirements are set by the City Council or through litigation.

Actuarial assumptions – The total OPEB liability was determined by an actuarial valuation as of July 1, 2021, using the following actuarial assumptions, applied to all periods included in the measurement.

Investment rate of return	2.18%
Healthcare cost trend rates	6.25% in 2021, grading down to 5.75% uniformly over 2 years, and then following the Getzen model thereafter. No trend applied to those receiving or assumed to receive the \$120 opt out.

Mortality rates were based on the SOP RP-2014 Healthy Annuitant Mortality tables adjusted backward to 2006 using Scale MP-2014 and projected with Scale MP-2020 and the SOA RP-2014 Disabled Annuitant Mortality tables adjusted backward to 2006 using MP-2014 and projected with Scale MP-2020.

Discount rate – The discount rate is the single rate that reflects (1) the long-term expected rate of return on pension plan investments that are expected to be used to finance the payment of benefits, to the extent that the OPEB plan's fiduciary net position is projected to be sufficient to make projected benefit payments and OPEB plan assets are expected to be invested using a strategy to achieve that return, and (2) a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or

**City of Highland Park**  
**Notes to the Financial Statements**  
**June 30, 2022**

equivalent quality on another scale), to the extent that the conditions for use of the long-term expected rate of return are not met. The discount rate used was 2.18%.

Total OPEB liability – The City has chosen to use June 30, 2022 as its measurement date for the total OPEB liability. The June 30, 2022 total OPEB liability was determined by an actuarial valuation performed as of July 1, 2021.

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

**Total OPEB Liability**

Service cost	\$ 35,874
Interest	68,529
Benefit payments	<u>(188,523)</u>
Net change in total OPEB liability	(84,120)
Total OPEB liability - beginning	<u>3,296,198</u>
Total OPEB liability - ending (a)	<u><u>\$ 3,212,078</u></u>

Sensitivity of the total OPEB liability to changes in the discount rate – The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (1.18%) or 1% higher (3.18%) than the current discount rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Total OPEB liability	<u>\$ 3,604,466</u>	<u>\$ 3,212,078</u>	<u>\$ 2,885,199</u>

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates – The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if were calculated

using healthcare cost trend rates that are 1% lower (5.25%) or 1% higher (7.25%) than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Total OPEB liability	<u>\$ 3,015,446</u>	<u>\$ 3,212,078</u>	<u>\$ 3,441,175</u>

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB – For the year ended June 30, 2022 the employer recognized OPEB expense of \$(322,882). The employer reported deferred outflows and inflows related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Total to Amortize</u>
Differences in experience	\$ -	\$ (633,222)	\$ (633,222)
Differences in assumptions	57,242	-	57,242
Total	<u>\$ 57,242</u>	<u>\$ (633,222)</u>	<u>\$ (575,980)</u>

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

<u>Year ended June 30,</u>	
2023	<u>\$ (575,980)</u>

**City of Highland Park**  
**Notes to the Financial Statements**  
**June 30, 2022**

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**Note 13 - 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 the current or prior activities of the City.

The City of Highland Park is in litigation with the City of Detroit and the Great Lakes Water Authority concerning alleged unpaid water and sewer bills. On February 26, 2021, the City of Highland Park received final judgment vacating a 2015 partial judgment and awarding the City of Highland Park \$1 million in overpayments. On August 18, 2022 the Court of Appeals reversed this decision and issued judgment against the City of Highland Park for approximately \$24 million. This has since been appealed to the Michigan Supreme Court and awaits decision. The City intends to vigorously defend this case.

**Note 14 - Joint Ownership of Assets**

The cities 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 from the intake pipe 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.

**City of Highland Park**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2022**

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
<b>Revenues</b>				
Taxes				
Property taxes	\$ 2,435,000	\$ 2,917,241	\$ 2,854,283	\$ (62,958)
Other taxes	50,000	50,000	108,240	58,240
Penalties and interest	80,000	100,000	132,244	32,244
Administration fee	90,000	104,427	104,349	(78)
Income tax	3,400,000	3,600,000	4,685,196	1,085,196
Licenses and permits	245,000	245,000	211,047	(33,953)
Federal grants	575,000	75,000	12,778	(62,222)
State-shared revenue	2,700,000	2,812,246	2,826,875	14,629
State grants	306,024	389,904	392,899	2,995
Charges for services	50,000	50,000	54,144	4,144
Fines and forfeitures	860,000	910,000	708,080	(201,920)
Interest income	1,000	1,123	751	(372)
Rental income	12,000	12,000	12,000	-
Other revenue	177,500	222,500	309,662	87,162
Insurance recoveries	-	701,538	701,538	-
Total revenues	10,981,524	12,190,979	13,114,086	923,107
<b>Expenditures</b>				
General government				
Governing body	137,500	257,500	206,998	(50,502)
Supervisor	174,800	200,200	202,541	2,341
Manager	118,150	118,150	115,855	(2,295)
District court	741,406	750,406	698,100	(52,306)
Accounting	319,950	269,950	231,836	(38,114)
Data processing	252,000	273,000	255,896	(17,104)
Income tax	190,250	190,250	190,096	(154)

**City of Highland Park**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2022**

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Judgments	\$ -	\$ -	\$ 279,244	\$ 279,244
Clerk	257,872	227,872	172,597	(55,275)
Audit	95,000	80,000	61,942	(18,058)
Purchasing	265,850	287,850	207,421	(80,429)
Treasurer	178,382	178,382	169,506	(8,876)
Assessor	154,800	134,800	123,386	(11,414)
Attorney	340,800	402,800	420,593	17,793
Total general government	<u>3,226,760</u>	<u>3,371,160</u>	<u>3,336,011</u>	<u>(35,149)</u>
Public safety				
Police	3,029,630	3,029,630	2,850,566	(179,064)
Fire department	1,770,980	1,810,980	1,749,716	(61,264)
Building inspection department	30,700	45,700	19,227	(26,473)
Total public safety	<u>4,831,310</u>	<u>4,886,310</u>	<u>4,619,509</u>	<u>(266,801)</u>
Public works				
Department of public works	1,466,701	2,206,206	1,938,496	(267,710)
Refuse collection	362,500	378,500	367,933	(10,567)
Total public works	<u>1,829,201</u>	<u>2,584,706</u>	<u>2,306,429</u>	<u>(278,277)</u>
Community and economic development				
Planning	<u>146,364</u>	<u>539,714</u>	<u>801,602</u>	<u>261,888</u>

**City of Highland Park**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2022**

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Recreation and culture				
Parks and recreation	\$ 95,550	\$ 80,550	\$ 73,333	\$ (7,217)
Library	20,000	5,000	-	(5,000)
Total recreation and culture	<u>115,550</u>	<u>85,550</u>	<u>73,333</u>	<u>(12,217)</u>
Other functions				
Unallocated employee fringe benefits	<u>317,000</u>	<u>373,000</u>	<u>328,034</u>	<u>(44,966)</u>
Capital outlay	<u>40,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt service				
Principal retirement	780,300	656,604	656,601	(3)
Interest and fiscal charges	<u>-</u>	<u>38,896</u>	<u>38,896</u>	<u>-</u>
Total debt service	<u>780,300</u>	<u>695,500</u>	<u>695,497</u>	<u>(3)</u>
Transfers out	<u>353,785</u>	<u>13,785</u>	<u>107,321</u>	<u>93,536</u>
Total expenditures	<u>11,640,270</u>	<u>12,549,725</u>	<u>12,267,736</u>	<u>(281,989)</u>
Net change in fund balance	(658,746)	(358,746)	846,350	1,205,096
Fund balance - beginning of year	<u>5,939,696</u>	<u>5,939,696</u>	<u>5,939,696</u>	<u>-</u>
Fund balance - end of year	<u>\$ 5,280,950</u>	<u>\$ 5,580,950</u>	<u>\$ 6,786,046</u>	<u>\$ 1,205,096</u>

**City of Highland Park**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Major Streets Fund**  
**For the Year Ended June 30, 2022**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Other state grants	\$ 945,000	\$ 945,000	\$ 1,098,716	\$ 153,716
Interest income	1,000	1,000	309	(691)
Other revenue	-	-	3,693	3,693
Total revenues	<u>946,000</u>	<u>946,000</u>	<u>1,102,718</u>	<u>156,718</u>
<b>Expenditures</b>				
Current				
Public works	2,340,499	2,041,950	620,259	(1,421,691)
Transfers out	-	450,000	450,000	-
Total expenditures	<u>2,340,499</u>	<u>2,491,950</u>	<u>1,070,259</u>	<u>(1,421,691)</u>
Net change in fund balance	(1,394,499)	(1,545,950)	32,459	1,578,409
Fund balance - beginning of year	<u>2,879,184</u>	<u>2,879,184</u>	<u>2,879,184</u>	<u>-</u>
Fund balance - end of year	<u>\$ 1,484,685</u>	<u>\$ 1,333,234</u>	<u>\$ 2,911,643</u>	<u>\$ 1,578,409</u>



**City of Highland Park**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Pension Levy Fund**  
**For the Year Ended June 30, 2022**

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
<b>Revenues</b>				
Taxes	\$ 2,800,000	\$ 2,750,000	\$ 2,961,502	\$ 211,502
Other state grants	250,000	448,940	448,940	-
Total revenues	<u>3,050,000</u>	<u>3,198,940</u>	<u>3,410,501</u>	<u>211,561</u>
<b>Expenditures</b>				
Current				
General government	600,000	603,940	601,771	(2,169)
Public safety	2,700,000	2,800,000	2,800,000	-
Total expenditures	<u>3,300,000</u>	<u>3,403,940</u>	<u>3,401,771</u>	<u>(2,169)</u>
Net change in fund balance	(250,000)	(205,000)	8,730	213,730
Fund balance - beginning of year	<u>908,535</u>	<u>908,535</u>	<u>908,535</u>	<u>-</u>
Fund balance - end of year	<u><u>\$ 658,535</u></u>	<u><u>\$ 703,535</u></u>	<u><u>\$ 917,265</u></u>	<u><u>\$ 213,730</u></u>

**City of Highland Park**  
**Required Supplementary Information**  
**General Employees Retirement System**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**June 30, 2022**

Plan year ended December 31,	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>								
Interest on the total pension liability	\$ 77,634	\$ 132,496	\$ 172,690	\$ 171,016	\$ 217,743	\$ 211,230	\$ 230,012	\$ 400,778
Experience differences	(267,789)	-	(530,471)	-	(338,725)	352,277	-	(3,582)
Changes in assumptions	(67,260)	325,559	227,976	(192,854)	163,461	243,107	-	1,358,571
Benefit payments and refunds	(466,737)	(533,018)	(567,240)	(589,144)	(577,197)	(683,994)	(791,248)	(879,104)
Net change in total pension liability	(724,152)	(74,963)	(697,045)	(610,982)	(534,718)	122,620	(561,236)	876,663
Total pension liability - beginning	4,255,836	4,330,799	5,027,844	5,638,826	6,173,544	6,050,924	6,612,160	5,735,497
Total pension liability - ending (a)	<u>\$ 3,531,684</u>	<u>\$ 4,255,836</u>	<u>\$ 4,330,799</u>	<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>
<b>Plan Fiduciary Net Position</b>								
Employer contributions	\$ 610,000	\$ 620,000	\$ 914,300	\$ 620,000	\$ 697,316	\$ 641,642	\$ 192,711	\$ -
Pension plan net investment income (loss)	(848)	-	108	-	1,186	121	1,554	1,697
Benefit payments and refunds	(466,737)	(533,018)	(567,240)	(589,144)	(577,197)	(683,994)	(791,248)	(879,104)
Pension plan administrative expense	(2,816)	(12,031)	(13,257)	(9,125)	(525)	(350)	(421)	(708,340)
Net change in plan fiduciary net position	139,599	74,951	333,911	21,731	120,780	(42,581)	(597,404)	(1,585,747)
Plan fiduciary net position - beginning	782,298	707,347	373,436	351,705	230,925	273,506	870,910	2,456,657
Plan fiduciary net position - ending (b)	<u>\$ 921,897</u>	<u>\$ 782,298</u>	<u>\$ 707,347</u>	<u>\$ 373,436</u>	<u>\$ 351,705</u>	<u>\$ 230,925</u>	<u>\$ 273,506</u>	<u>\$ 870,910</u>
Net pension liability (a-b)	<u>\$ 2,609,787</u>	<u>\$ 3,473,538</u>	<u>\$ 3,623,452</u>	<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 total pension liability	26.10%	18.38%	16.33%	7.43%	6.24%	3.74%	4.52%	13.17%
Covered payroll	N/A*	N/A*	N/A*	N/A*	N/A*	N/A*	N/A*	N/A*
Net pension liability as a percentage of covered payroll	N/A*	N/A*	N/A*	N/A*	N/A*	N/A*	N/A*	N/A*

Note: GASB Statement No. 67 was implemented for the fiscal year ended June 30, 2014 and does not require retroactive implementation.

Data will be added as information is available until 10 years of such data is available.

\*Payroll is not a part of the calculation of this benefit

**City of Highland Park**  
**Required Supplementary Information**  
**General Employees Retirement System**  
**Schedule of Employer Contributions**  
**June 30, 2022**

Fiscal Year Ended June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	\$ 470,000	\$ 7,000	\$ 463,000	\$ -	N/A*
2015	723,000	-	723,000	-	N/A*
2016	756,000	192,711	563,289	-	N/A*
2017	872,000	701,807	170,193	-	N/A*
2018	759,552	620,000	139,552	-	N/A*
2019	616,447	617,000	(553)	-	N/A*
2020	513,623	567,300	(53,677)	-	N/A*
2021	513,623	620,000	(106,377)	-	N/A*
2022	464,684	610,000	(145,316)	-	N/A*

Notes: Actuarially determined contribution amounts are calculated as of December 31 each year, which is 6 months prior to the beginning of the fiscal year in which contributions are reported. The actuarially determined contribution (ADC) included in this schedule is calculated as the normal cost payment plus the amortized portion of the unfunded actuarial accrued liability.

\*Payroll is not a part of the calculation of this benefit

**Methods and assumptions used to determine contribution rates:**

Actuarial cost method	Individual entry-age
Amortization method	Level-dollar closed
Remaining amortization period	6 years
Asset valuation method	Market value
Investment rate of return	0.00%
Retirement age	Earlier of 30 years of service, 60 with 5 years of service, or 55 with 25 years of service
Mortality	Pub-2010 mortality tables

**City of Highland Park**  
**Required Supplementary Information**  
**General Employees Retirement System**  
**Schedule of Investment Returns**

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Fiscal Year Ended June 30,	Annual Return % *
2014	0.08%
2015	0.08%
2016	0.08%
2017	0.08%
2018	0.80%
2019	0.80%
2020	0.02%
2021	0.00%
2022	-0.10%

\* Annual money-weighted rate of return, net of investment expenses

GASB Statement No. 67 was implemented for the fiscal year ended June 30, 2014 and does not require retroactive implementation.  
Data will be added as information is available until 10 years of such data is available.

**City of Highland Park**  
**Required Supplementary Information**  
**Policemen and Firemen Retirement System**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**June 30, 2022**

Plan year ended December 31,	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>								
Interest on the total pension liability	\$ 53,232	\$ 95,303	\$ 114,552	\$ 116,620	\$ 151,918	\$ 133,551	\$ 151,408	\$ 301,245
Experience differences	(276,821)	-	(89,377)	-	(155,019)	632,596	-	(4,270)
Changes in assumptions	(28,752)	183,018	230,153	(91,966)	53,616	272,789	-	542,149
Benefit payments and refunds	(432,856)	(454,360)	(503,555)	(540,401)	(483,699)	(601,356)	(666,707)	(746,632)
Net change in total pension liability	(685,197)	(176,039)	(248,227)	(515,747)	(433,184)	437,580	(515,299)	92,492
Total pension liability - beginning	2,974,555	3,150,594	3,398,821	3,914,568	4,347,752	3,910,172	4,425,471	4,332,979
Total pension liability - ending (a)	<u>\$ 2,289,358</u>	<u>\$ 2,974,555</u>	<u>\$ 3,150,594</u>	<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>
<b>Plan Fiduciary Net Position</b>								
Employer contributions	\$ 615,000	\$ 1,230,000	\$ 874,000	\$ 590,000	\$ 513,117	\$ 655,015	\$ 666,707	\$ 746,632
Pension plan net investment income (loss)	(717)	-	10,801	(7,567)	15,243	3,204	(2,587)	3,692
Benefit payments and refunds	(432,856)	(454,360)	(503,555)	(540,401)	(483,699)	(601,356)	(666,707)	(746,632)
Pension plan administrative expense	(2,816)	(11,194)	(13,257)	(11,192)	(647)	(1,646)	(1,933)	(1,939)
Net change in plan fiduciary net position	178,611	764,446	367,989	30,840	44,014	55,217	(4,520)	1,753
Plan fiduciary net position - beginning	1,502,776	738,330	370,341	339,501	295,487	240,270	244,790	243,037
Plan fiduciary net position - ending (b)	<u>\$ 1,681,387</u>	<u>\$ 1,502,776</u>	<u>\$ 738,330</u>	<u>\$ 370,341</u>	<u>\$ 339,501</u>	<u>\$ 295,487</u>	<u>\$ 240,270</u>	<u>\$ 244,790</u>
Net pension liability (a-b)	<u>\$ 607,971</u>	<u>\$ 1,471,779</u>	<u>\$ 2,412,264</u>	<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 total pension liability	73.44%	50.52%	23.43%	10.90%	8.67%	6.80%	6.14%	5.53%
Covered payroll	N/A*	N/A*	N/A*	N/A*	N/A*	N/A*	N/A*	N/A*
Net pension liability as a percentage of covered payroll	N/A*	N/A*	N/A*	N/A*	N/A*	N/A*	N/A*	N/A*

Note: GASB Statement No. 67 was implemented for the fiscal year ended June 30, 2014 and does not require retroactive implementation.

Data will be added as information is available until 10 years of such data is available.

\*Payroll is not a part of the calculation of this benefit

**City of Highland Park**  
**Required Supplementary Information**  
**Policemen and Firemen Retirement System**  
**Schedule of Employer Contributions**  
**June 30, 2022**

Fiscal Year Ended June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	\$ 577,000	\$ 415,000	\$ 162,000	\$ -	N/A*
2015	608,000	747,000	(139,000)	-	N/A*
2016	635,000	667,000	(32,000)	-	N/A*
2017	594,000	620,976	(26,976)	-	N/A*
2018	513,596	535,000	(21,404)	-	N/A*
2019	569,191	570,000	(809)	-	N/A*
2020	522,268	594,000	(71,732)	-	N/A*
2021	522,268	1,230,000	(707,732)	-	N/A*
2022	209,514	615,000	(405,486)	-	N/A*

Notes: Actuarially determined contribution amounts are calculated as of December 31 each year, which is 6 months prior to the beginning of the fiscal year in which contributions are reported. The actuarially determined contribution (ADC) included in this schedule is calculated as the normal cost payment plus the amortized portion of the unfunded actuarial accrued liability.

\*Payroll is not a part of the calculation of this benefit

**Methods and assumptions used to determine contribution rates:**

Actuarial cost method	Individual entry-age
Amortization method	Level-dollar closed
Remaining amortization period	3 years
Asset valuation method	Market value
Investment rate of return	0.00%
Retirement age	50 with 25 years of service or 60 with 10 years of service.
Mortality	Pub-2010 mortality tables

**City of Highland Park**  
**Required Supplementary Information**  
**Policemen and Firemen Retirement System**  
**Schedule of Investment Returns**

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Fiscal Year Ended June 30,	Annual Return % *
2014	1.53%
2015	1.53%
2016	1.53%
2017	1.53%
2018	1.53%
2019	1.50%
2020	1.97%
2021	0.00%
2022	-0.05%

\* Annual money-weighted rate of return, net of investment expenses

GASB Statement No. 67 was implemented for the fiscal year ended June 30, 2014 and does not require retroactive implementation.  
Data will be added as information is available until 10 years of such data is available.

**City of Highland Park**  
**Required Supplementary Information**  
**Public Safety Retirement System**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**June 30, 2022**

Plan year ended December 31,	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>								
Service cost	\$ 107,945	\$ 63,879	\$ 103,995	\$ 93,550	\$ 96,627	\$ 121,305	\$ 121,330	\$ 20,946
Interest on the total pension liability	635,852	961,502	1,031,161	986,354	1,137,552	1,042,099	1,075,429	1,548,695
Experience differences	(968,384)	-	576,378	-	(786,051)	1,821,882	-	33,870
Changes in assumptions	(1,041,821)	4,350,058	1,509,984	(1,577,245)	1,613,748	1,772,167	-	9,005,264
Benefit payments and refunds	(2,016,996)	(1,918,440)	(2,113,696)	(1,902,401)	(2,227,903)	(2,150,084)	(2,045,072)	(2,139,906)
Net change in total pension liability	(3,283,404)	3,456,999	1,107,822	(2,399,742)	(166,027)	2,607,369	(848,313)	8,468,869
Total pension liability - beginning	33,846,288	30,389,289	29,281,467	31,681,209	31,847,236	29,239,867	30,088,180	21,619,311
Total pension liability - ending (a)	<u>\$ 30,562,884</u>	<u>\$ 33,846,288</u>	<u>\$ 30,389,289</u>	<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>
<b>Plan Fiduciary Net Position</b>								
Employer contributions	\$ 2,305,000	\$ 2,973,000	\$ 2,738,700	\$ 2,138,000	\$ 2,079,332	\$ 2,324,898	\$ 2,301,059	\$ 38,681
Employee contributions	25,813	20,345	54,525	26,940	22,736	31,769	(5,127)	-
Pension plan net investment income (loss)	(744)	34	305	166	675	8,818	(5,986)	28,795
Benefit payments and refunds	(2,016,996)	(1,918,440)	(2,113,696)	(1,902,401)	(2,227,903)	(2,150,084)	(2,045,072)	(2,139,906)
Pension plan administrative expense	(3,132)	(14,776)	(13,957)	(9,500)	(3,000)	(3,693)	25,153	(6,105,570)
Net change in plan fiduciary net position	309,941	1,060,163	665,877	253,205	(128,160)	211,708	270,027	(8,178,000)
Plan fiduciary net position - beginning	2,503,708	1,443,545	777,668	524,463	652,623	440,915	170,888	8,348,888
Plan fiduciary net position - ending (b)	<u>\$ 2,813,649</u>	<u>\$ 2,503,708</u>	<u>\$ 1,443,545</u>	<u>\$ 777,668</u>	<u>\$ 524,463</u>	<u>\$ 652,623</u>	<u>\$ 440,915</u>	<u>\$ 170,888</u>
Net pension liability (a-b)	<u>\$ 27,749,235</u>	<u>\$ 31,342,580</u>	<u>\$ 28,945,744</u>	<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 total pension liability	9.21%	7.40%	4.75%	2.66%	1.66%	2.05%	1.51%	0.57%
Covered payroll	\$ 222,543	\$ 261,893	\$ 253,036	\$ 1,966,272	\$ 272,004	\$ 594,000	\$ 405,000	\$ 388,000
Net pension liability as a percentage of covered payroll	12,469.16%	11,967.70%	11,439.38%	1,449.64%	11,454.52%	5,251.62%	7,110.85%	7,710.64%

Note: GASB Statement No. 67 was implemented for the fiscal year ended June 30, 2014 and does not require retroactive implementation.  
Data will be added as information is available until 10 years of such data is available.



**City of Highland Park**  
**Required Supplementary Information**  
**Public Safety Retirement System**  
**Schedule of Employer Contributions**  
**June 30, 2022**

Fiscal Year Ended June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	\$ 623,000	\$ -	\$ 623,000	\$ 1,727,000	- %
2015	3,249,000	-	3,249,000	388,000	- %
2016	3,395,000	2,301,000	1,094,000	405,000	568.15%
2017	4,032,000	2,123,028	1,908,972	384,361	552.35%
2018	4,290,473	2,079,332	2,211,141	272,004	764.45%
2019	2,195,113	2,200,000	(4,887)	1,966,272	111.89%
2020	2,161,429	2,311,700	(150,271)	217,000	1,065.30%
2021	2,161,279	2,973,000	(811,721)	261,893	1,135.20%
2022	2,126,905	2,305,000	(178,095)	222,543	1,035.75%

Notes: Actuarially determined contribution amounts are calculated as of December 31 each year, which is 6 months prior to the beginning of the fiscal year in which contributions are reported. The actuarially determined contribution (ADC) included in this schedule is calculated as the normal cost payment plus the amortized portion of the unfunded actuarial accrued liability.

**Methods and assumptions used to determine contribution rates:**

Actuarial cost method	Individual entry-age
Amortization method	Level-dollar closed
Remaining amortization period	16 years
Asset valuation method	Market value
Salary increases	3.50%
Investment rate of return	0.00%
Retirement age	50 with 25 years of service or 60 with 10 years of service
Mortality	Pub-2010 mortality tables

**City of Highland Park**  
**Required Supplementary Information**  
**Public Safety Retirement System**  
**Schedule of Investment Returns**

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Fiscal Year Ended June 30,	Annual Return % *
2014	0.39%
2015	0.39%
2016	0.39%
2017	0.39%
2018	0.39%
2019	0.40%
2020	0.03%
2021	0.00%
2022	-0.03%

\* Annual money-weighted rate of return, net of investment expenses

GASB Statement No. 67 was implemented for the fiscal year ended June 30, 2014 and does not require retroactive implementation.  
Data will be added as information is available until 10 years of such data is available.

**City of Highland Park**  
**Required Supplementary Information**  
**Other Post Employment Benefits**  
**Schedule of Changes in Total OPEB Liability and Related Ratios**  
**June 30, 2022**

Plan year ended June 30,	2022	2021	2020	2019	2018
<b>Total OPEB Liability</b>					
Service cost	\$ 35,874	\$ 64,290	\$ 62,545	\$ 573	\$ 47,699
Interest	68,529	136,372	123,630	162,969	184,645
Experience differences	-	(1,899,668)	446,090	(1,778,859)	-
Changes in assumptions	-	171,726	-	345,821	-
Benefit payments	(188,523)	(177,433)	(202,455)	(243,237)	(307,209)
Net change in total OPEB liability	(84,120)	(1,704,713)	429,810	(1,512,733)	(74,865)
Total OPEB liability - beginning	3,296,198	5,000,911	4,571,101	6,083,834	6,158,699
Total OPEB liability - ending (a)	\$ 3,212,078	\$ 3,296,198	\$ 5,000,911	\$ 4,571,101	\$ 6,083,834
Plan fiduciary net position as a percentage of total OPEB liability	- %	- %	- %	- %	- %
Covered employee payroll	N/A*	N/A*	N/A*	N/A*	N/A*
Total OPEB liability as a percentage of covered employee payroll	N/A*	N/A*	N/A*	N/A*	N/A*

Note: GASB Statement No. 75 was implemented for the fiscal year ended June 30, 2018 and does not require retroactive implementation.

Data will be added as information is available until 10 years of such data is available.

\*Payroll is not a part of the calculation of this benefit.

**City of Highland Park**  
**Required Supplementary Information**  
**Other Post Employment Benefits**  
**Schedule of Employer Contributions**  
**June 30, 2022**

Fiscal Year Ending June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Actual Contribution as a % of Covered Payroll
2018	\$ 557,966	\$ 307,209	\$ 250,757	N/A*	N/A*
2019	473,446	243,237	230,209	N/A*	N/A*
2020	322,622	202,455	120,167	N/A*	N/A*
2021	310,054	177,433	132,621	N/A*	N/A*
2022	185,487	188,523	(3,036)	N/A*	N/A*

**Notes to Schedule of Contributions**

Valuation date:

July 1, 2021

Notes:

Actuarially determined contribution amounts are calculated as of July 1, which is 12 months prior to the beginning of the fiscal year in which contributions are reported. The actuarially determined contribution (ADC) included in this schedule is calculated as the normal cost payment plus the amortized portion of the unfunded actuarial accrued liability. Payroll is not a part of the calculation.

\*Payroll is not a part of the calculation of this benefit.

**Methods and assumptions used to determine contribution rates:**

Actuarial cost method	Entry age
Remaining amortization period	30 years open
Asset valuation method	N/A
Healthcare cost trend rates	6.25% in 2021, grading down to 5.75% uniformly over 2 years, and then following the Getzen model thereafter
Investment rate of return	2.18%
Mortality	MP-2020 Mortality tables

**City of Highland Park**  
**Other Supplementary Information**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2022**

	Special Revenue Funds							Debt Service Funds		Total Nonmajor Governmental Funds
	Local Streets	Building Department	JAG	Federal Grants	CDBG	Indigent Defense	Drug Forfeiture	2014 Emergency Loan Debt Service	2004 A & B Fiscal Stability Debt Service	
<b>Assets</b>										
Cash and cash equivalents	\$ 533,793	\$ 75,502	\$ -	\$ -	\$ -	\$ 76,035	\$ 16,114	\$ 121,600	\$ 261,405	\$ 1,084,449
Receivables										
Due from other units of government	42,984	-	35,442	61,323	20,000	-	-	-	45,628	205,377
Restricted assets										
Cash and cash equivalents	-	-	-	-	-	-	-	96,925	146,641	243,566
Total assets	<u>\$ 576,777</u>	<u>\$ 75,502</u>	<u>\$ 35,442</u>	<u>\$ 61,323</u>	<u>\$ 20,000</u>	<u>\$ 76,035</u>	<u>\$ 16,114</u>	<u>\$ 218,525</u>	<u>\$ 453,674</u>	<u>\$ 1,533,392</u>
<b>Liabilities</b>										
Accounts payable	\$ 148,744	\$ 4,208	\$ 12,980	\$ 3,593	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 169,525
Accrued and other liabilities	-	-	-	292	-	220	-	-	-	512
Due to other funds	-	-	22,462	57,438	20,000	-	-	-	-	99,900
Unearned revenue	-	-	-	-	-	75,815	-	-	-	75,815
Total liabilities	<u>148,744</u>	<u>4,208</u>	<u>35,442</u>	<u>61,323</u>	<u>20,000</u>	<u>76,035</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>345,752</u>
<b>Deferred Inflows of Resources</b>										
Unavailable revenue	-	-	35,442	57,730	-	-	-	-	-	93,172
<b>Fund Balances</b>										
Restricted for										
Roads	428,033	-	-	-	-	-	-	-	-	428,033
Building department	-	71,294	-	-	-	-	-	-	-	71,294
Ordinance enforcement	-	-	-	-	-	-	16,114	-	-	16,114
Debt service	-	-	-	-	-	-	-	218,525	453,674	672,199
Unassigned (deficit)	-	-	(35,442)	(57,730)	-	-	-	-	-	(93,172)
Total fund balances (deficits)	<u>428,033</u>	<u>71,294</u>	<u>(35,442)</u>	<u>(57,730)</u>	<u>-</u>	<u>-</u>	<u>16,114</u>	<u>218,525</u>	<u>453,674</u>	<u>1,094,468</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 576,777</u>	<u>\$ 75,502</u>	<u>\$ 35,442</u>	<u>\$ 61,323</u>	<u>\$ 20,000</u>	<u>\$ 76,035</u>	<u>\$ 16,114</u>	<u>\$ 218,525</u>	<u>\$ 453,674</u>	<u>\$ 1,533,392</u>

**City of Highland Park**  
**Other Supplementary Information**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2022**

	Special Revenue Funds							Debt Service Funds		Total Nonmajor Governmental Funds
	Local Streets	Building Department	JAG	Federal Grants	CDBG	Indigent Defense	Drug Forfeiture	2014 Emergency Loan Debt Service	2004 A & B Fiscal Stability Debt Service	
<b>Revenues</b>										
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 57,343	\$ 415,475	\$ 472,818
Licenses and permits	-	402,368	-	-	-	-	-	-	-	402,368
Federal grants	-	-	11,308	44,431	40,000	-	-	-	-	95,739
Other state grants	293,394	-	-	1,028,164	-	48,721	-	2,484	69,799	1,442,562
Interest income	13	10	-	-	-	1	2	42	56	124
Other revenue	-	-	-	-	53,350	-	3,728	-	-	57,078
Total revenues	<u>293,407</u>	<u>402,378</u>	<u>11,308</u>	<u>1,072,595</u>	<u>93,350</u>	<u>48,722</u>	<u>3,730</u>	<u>59,869</u>	<u>485,330</u>	<u>2,470,689</u>
<b>Expenditures</b>										
Current										
General government	-	-	-	52,500	-	-	-	3,900	-	56,400
Public safety	-	382,073	11,308	-	-	-	34	-	-	393,415
Public works	496,784	-	-	-	-	-	-	-	-	496,784
Health and welfare	-	-	-	46,117	-	-	-	-	-	46,117
Community and economic development	-	-	-	-	26,709	-	-	-	-	26,709
District court	-	-	-	-	-	62,506	-	-	-	62,506
Capital outlay	-	-	26,273	857,019	13,291	-	-	-	-	896,583
Debt service										
Principal retirement	-	-	-	-	-	-	-	105,000	210,000	315,000
Interest and fiscal charges	-	-	-	-	-	-	-	26,517	234,796	261,313
Total expenditures	<u>496,784</u>	<u>382,073</u>	<u>37,581</u>	<u>955,636</u>	<u>40,000</u>	<u>62,506</u>	<u>34</u>	<u>135,417</u>	<u>444,796</u>	<u>2,554,827</u>
Excess (deficiency) of revenues over expenditures	(203,377)	20,305	(26,273)	116,959	53,350	(13,784)	3,696	(75,548)	40,534	(84,138)
<b>Other Financing Sources (Uses)</b>										
Transfers in	<u>450,000</u>	<u>-</u>	<u>-</u>	<u>5,761</u>	<u>-</u>	<u>13,784</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>469,545</u>
Net change in fund balances	246,623	20,305	(26,273)	122,720	53,350	-	3,696	(75,548)	40,534	385,407
Fund balances (deficits)- beginning of year	<u>181,410</u>	<u>50,989</u>	<u>(9,169)</u>	<u>(180,450)</u>	<u>(53,350)</u>	<u>-</u>	<u>12,418</u>	<u>294,073</u>	<u>413,140</u>	<u>709,061</u>
Fund balances (deficits) - end of year	<u>\$ 428,033</u>	<u>\$ 71,294</u>	<u>\$ (35,442)</u>	<u>\$ (57,730)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,114</u>	<u>\$ 218,525</u>	<u>\$ 453,674</u>	<u>\$ 1,094,468</u>

**City of Highland Park**  
**Other Supplementary Information**  
**Fiduciary Funds**  
**Combining Statement of Fiduciary Net Position**  
**June 30, 2022**

	December 31, 2021						
	Pension and Other Employee Benefit Trust Funds				Custodial Funds		
	General Employees Retirement	Policemen & Firemen Retirement	Public Safety Retirement	Total	Tax Collections	30th District Court	Total
<b>Assets</b>							
Cash and cash equivalents	\$ 921,897	\$ 1,681,386	\$ 2,798,999	\$ 5,402,282	\$ 74,053	\$ 292,085	\$ 366,138
Investments							
Fixed income	-	1	14,649	14,650	-	-	-
Receivables	-	-	-	-	202,527	-	202,527
Total assets	921,897	1,681,387	2,813,648	5,416,932	276,580	292,085	568,665
<b>Liabilities</b>							
Accounts payable	-	-	-	-	-	84,887	84,887
Accrued and other liabilities	-	-	-	-	-	207,198	207,198
Due to other units of government	-	-	-	-	276,580	-	276,580
Total liabilities	-	-	-	-	276,580	292,085	568,665
<b>Net Position</b>							
Restricted for pensions	\$ 921,897	\$ 1,681,387	\$ 2,813,648	\$ 5,416,932	\$ -	\$ -	\$ -

**City of Highland Park**  
**Other Supplementary Information**  
**Fiduciary Funds**  
**Combining Statement of Changes in Fiduciary Net Position**  
**For the Year Ended June 30, 2022**

	January 1, 2021 through December 31, 2021						
	Pension and Other Employee Benefit Trust Funds				Custodial Funds		
	General Employees Retirement	Policemen & Firemen Retirement	Public Safety Retirement	Total	Tax Collections	30th District Court	Total
<b>Additions</b>							
Contributions							
Employer	\$ 610,000	\$ 615,000	\$ 2,305,000	\$ 3,530,000	\$ -	\$ -	\$ -
Members	-	-	25,813	25,813	-	-	-
Total contributions	610,000	615,000	2,330,813	3,555,813	-	-	-
Investment earnings							
Interest, dividends and other	11	30	34	75	-	-	-
Property tax collections for other governments	-	-	-	-	4,164,713	-	4,164,713
Fines and Fees	-	-	-	-	-	561,897	561,897
Total additions	610,011	615,030	2,330,847	3,555,888	4,164,713	561,897	4,726,610
<b>Deductions</b>							
Benefits paid to participants or beneficiaries	466,737	432,856	2,016,996	2,916,589	-	-	-
Administrative expense	3,675	3,562	3,910	11,147	-	-	-
Payments of property tax to other governments	-	-	-	-	4,164,713	-	4,164,713
Payments of fines and fees to other governments	-	-	-	-	-	561,897	561,897
Total deductions	470,412	436,418	2,020,906	2,927,736	4,164,713	561,897	4,726,610
Change in net position	139,599	178,612	309,941	628,152	-	-	-
Net position - beginning of year	782,298	1,502,775	2,503,707	4,788,780	-	-	-
Net position - end of year	\$ 921,897	\$ 1,681,387	\$ 2,813,648	\$ 5,416,932	\$ -	\$ -	\$ -





December 16, 2022

Honorable Mayor and City Council  
City of Highland Park  
Highland Park, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Highland Park (the City) as of and for the year ended June 30, 2022. We are required to communicate certain matters to you in accordance with generally accepted auditing standards that are related to internal control and the audit.

Our communication includes the following:

- I. Auditors' Communication of Significant Matters with Those Charged with Governance
- II. Communication of Internal Control Matters Identified During the Audit
- III. Matters for Management's Consideration

Matters for management's consideration are not required to be communicated but we believe are valuable for management.

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

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

*Yeo & Yeo, P.C.*

Auburn Hills, Michigan

## Appendix I

### Auditors' Communication of Significant Matters with Those Charged with Governance

Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated May 26, 2022. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Matters

##### Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in the footnotes of the financial statements. The City has adopted the following Governmental Accounting Standards Board Statements effective July 1, 2021:

- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. It requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reporting in a business-type activity or enterprise fund. Interest cost incurred before the end of a construction period should be recognized as an expenditure for financial statements prepared using the current financial resources measurement.

We noted no transactions entered into by the City during the year for which there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statement in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City's financial statements were:

- The useful lives of its capital assets. Useful lives are estimated based on the expected length of time during which the asset is able to deliver a given level of service.
- Net pension liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.
- Total OPEB liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.
- Allowance for doubtful accounts. Management's estimate is based on the judgement of collectability and aging of the accounts receivable balances.
- Properties held for sale are estimated based on expected sale price.
- Litigation claims. The estimate is based on amounts provided by the City's attorneys using historical claims and probability of loss.

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

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

- The disclosure of litigation with the Great Lakes Water Authority in Note 13 to the financial statements, which was developed in consultation with the City's attorneys.

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

A significant risk is an identified and assessed risk of material misstatement that, in the auditors' professional judgment, requires special audit consideration. Within our audit, we focused on the following areas.

- Management override of controls
- Improper revenue recognition
- Implementation of new accounting standard
- Significant estimates over litigation
- Rights to loans receivable

### **Accounting Standards**

The Governmental Accounting Standards Board has released additional Statements. Details regarding these Statements are described in the footnotes of the financial statements.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no known misstatements detected as a result of audit procedures that were more than trivial, other than the uncorrected misstatements below.

Management has determined that the effects of the uncorrected misstatements below are immaterial both individually and in the aggregate, to the financial statements taken as a whole. The uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even though, in our judgment, such uncorrected misstatements are immaterial to the financial statements under audit.

- A Nationwide Annuity Contract of \$108,014 is listed as being owned by the City but another party is listed as the annuitant. The annuity contract was issued in 1997. The City has recorded this as an asset and a liability in the General Fund until further research can be conducted to evaluate the propriety of the accounting treatment. This results in an overstatement of assets and liabilities on the governmental activities.
- Attorney fees of \$52,083 for services performed prior to June 30, 2021 were included in fiscal year 2022, which results in an overstatement of beginning net position and expenses on the governmental activities and an overstatement of beginning fund balance and expenditures on the General Fund. In addition, unpaid attorney fees as of June 30, 2022 in the amount of \$39,207 were omitted from the Water & Sewer Fund and business-type activities, which resulted in an understatement of expense and liabilities.

Probable legal settlements of \$72,500, which resulted in understated expenses or expenditures and liabilities in the General Fund and governmental activities.

- GASB Statement No. 87, *Leases*, was not considered material and therefore right-to-use assets and lease liabilities were not recorded. Assets and liabilities were understated in the governmental activities by \$73,023 and in the Water and Sewer Fund and business-type activities by \$66,000. In addition, expenditures in the General Fund and aggregate remaining funds were misclassified by \$22,149 and \$69,600, respectively. All related disclosures have been omitted.

## **Disagreements with Management**

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

## **Management Representations**

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

## **Management's Consultations with Other Accountants**

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

## **Other Audit Findings or Issues**

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

## **Report on Required Supplementary Information**

We applied certain limited procedures to management's discussion and analysis and the remaining required supplementary information (RSI) as described in the table of contents of the financial statements that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

## **Report on Other Supplementary Information**

We were engaged to report on other supplementary information as described in the table of contents of the financial statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We

compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

## **Appendix II**

### **Communication of Internal Control Matters Identified During the Audit**

In planning and performing our audit of the financial statements of the City of Highland Park as of and for the year ended June 30, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Highland Park's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

## **Appendix III**

### **Matters for Management's Consideration**

In planning and performing our audit of the financial statements of the City of Highland Park as of and for the year ended June 30, 2022, we considered the City of Highland Park's internal control over financial reporting (internal control) as a basis for designing audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

However, during our audit we became aware of the following matters for management's consideration that are opportunities for strengthening internal controls or improving compliance with laws and regulations. This letter does not affect our report dated December 16, 2022, on the financial statements of the City of Highland Park.

#### **Annuity Contract**

The City passed on an audit adjustment to remove the asset and liability associated with a Nationwide annuity. The City is listed as the owner of the contract and another party is listed as the annuitant. The contract appears to have been issued in 1997. The City has not further researched this matter and has recorded an asset and a liability for the full amount of the annuity. We recommend that the City research this matter thoroughly to determine the appropriate accounting treatment.

#### **Pension Plan Trusts**

We noted during our review of the pension trusts that the majority of assets are held in cash. The City currently does not have an investment policy for pension trust assets related to the allocation of assets outside of cash. We recommend that the City draft and adopt an investment policy specifically for the pension trusts. By investing in assets other than cash, the City has the opportunity to earn greater investment income, which will help offset the cost of benefit payments to retirees.

#### **Compensated Absences Policy Compliance**

It came to our attention during review of compensated absences that several individuals' balances were less than zero, which should not be allowed per the applicable City policy. We recommend that the City review the listing of compensated absences by employee closely at year end to ensure that no balances are less than zero. We suggest the City put in place procedures to ensure employees cannot accumulate significant negative balances, such as by making employees aware of accrued hours on their paychecks, and that the negative balances be addressed.

#### **Unpaid Social Security Withholdings**

The City has recorded a liability of \$255,000 for unpaid social security taxes and estimated penalties for three employees for periods ranging from December 10, 2002 through December 31, 2017. This was because, for the periods referenced previously, these employees were not members of a pension plan with a Section 218 agreement. Because no Section 218 agreement existed for these employees, social security withholdings were required, and the City was required to make timely payments. We recommend the City take immediate action to contact the Social Security Administration in order to rectify this matter based upon the Social Security Administration's direction.

#### **Property Tax Disbursements**

As part of our audit procedures, we reviewed property tax disbursements made by the City to others to ensure that they were disbursed in a timely manner. Disbursements are required to be made within 10 business days for collections on hand as of the first and fifteenth day of each month. Several of the disbursements we sampled were not made timely within the requirements of the General Property Tax Act. We recommend a process is implemented to ensure timely distributions.

### **Expenditures in Excess of Appropriations**

The City's General Fund had several activities with budget overages at year end. We recommend that expenditures are made only for amounts appropriated and that budgets are adjusted when necessary to maintain compliance with State of Michigan laws. Careful consideration of year end accruals should also be made when approving the final budget amendment.

### **Lack of Required Policies**

As part of our audit, we review policies and procedures to ensure that they are in compliance with the laws and regulations of the State of Michigan. During our review of these policies and procedures, we noted that the City currently does not have an approved policy for credit card purchases or the acceptance of credit cards. We recommend that the City drafts and approves these policies immediately to ensure that they are compliance with state laws and regulations. This will require resolutions by City Council to approve the credit card purchases and acceptance of credit card policies. Further information of the requirements of these resolutions and policies may be found at the following links:

[http://www.legislature.mi.gov/\(S\(unonxqr24uhae343lielxihm\)\)/mileg.aspx?page=getObject&objectName=mcl-Act-266-of-1995](http://www.legislature.mi.gov/(S(unonxqr24uhae343lielxihm))/mileg.aspx?page=getObject&objectName=mcl-Act-266-of-1995)

[http://www.legislature.mi.gov/\(S\(1t3naop2yvckowjtmnxti1zj\)\)/mileg.aspx?page=getObject&objectName=mcl-Act-280-of-1995](http://www.legislature.mi.gov/(S(1t3naop2yvckowjtmnxti1zj))/mileg.aspx?page=getObject&objectName=mcl-Act-280-of-1995)