

Principals

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To the Honorable Mayor and
Members of City Council
City of Albion, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Albion, Michigan (the City) for the year ended December 31, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 7, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

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 Note A to the financial statements. As described in Note O to the financial statements, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*, during the year ended December 31, 2015. Accordingly, the cumulative effects of the accounting changes are reported in the applicable financial statements. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements 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 governmental activities, business-type activities, Sewer Fund, Water Fund, and the aggregate discretely presented component units financial statements were:

Management's calculation of current and noncurrent compensated absence payments is based on an estimate of the percentage of employees' use of compensated absences. We evaluated the key factors and assumptions used to develop the historical percentages for current and noncurrent compensated absence payments in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's calculation of depreciation expense for the current period is based on an estimate of the useful lives of the capital assets. We evaluated the key factors and assumptions used to develop the useful lives for the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

The most sensitive estimate affecting the financial statements of the governmental activities and the General Fund was:

Management's calculation of the allowance for uncollectible accounts related to the income tax receivable is based on historical collection trends. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

The most sensitive estimate affecting the financial statements of the governmental activities was:

Management's calculation of the net post-employment obligation and net pension asset is calculated based on actuarial studies which utilized certain actuarial assumptions. We evaluated the key factors and assumptions used to develop the calculations of the net post-employment benefit obligation and net pension asset in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

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 the following uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Governmental activities and aggregate remaining fund information - One (1) potential misstatement for a total overstated net position of \$47,709.

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 auditor's 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 June 14, 2016.

Management Consultations with Other Independent 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 auditor's 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.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, budgetary comparison schedules, and pension system and other post-employment benefit system schedules, which are required supplementary information (RSI) 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.

We were engaged to report on the Other Supplementary Information, as identified in the table of contents, 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.

Restriction on Use

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

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

June 14, 2016

**City of Albion
Calhoun County, Michigan**

FINANCIAL STATEMENTS

December 31, 2015

City of Albion
Calhoun County, Michigan
December 31, 2015

CITY COUNCIL AND ADMINISTRATION

Joseph Domingo	Mayor
Maurice Barnes, Jr.	Council member
Lenn Reid	Council member
Garrett Brown	Council member
Rebecca Decker	Council member
Cheryl Krause	Council member
Andrew French	Council member
Sheryl Mitchell	City Manager
Tom Mead	City Treasurer/ Finance Director
Jill Domingo	Clerk

City of Albion

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Albion, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Albion, Michigan (the City) as of and for the year ended December 31, 2015, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Albion Housing Commission, which represents 88 percent, 90 percent, and 69 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Albion Housing Commission, is based solely on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Albion, Michigan, as of December 31, 2015, 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.

Changes in Accounting Principles

As discussed in Note O to the financial statements, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, during the year. As a result, the financial statements now recognize the City's unfunded (funded) defined pension benefit obligation as a liability (asset) for the first time and more comprehensively and comparably measures the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). Our opinion is not modified with respect to this matter.

Also as discussed in Note O to the financial statements, the City implemented GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*, during the year. As a result, the City recognized a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability (asset). Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2016, on our consideration of the City of Albion, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Albion's internal control over financial reporting and compliance.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

June 14, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2015

This discussion and analysis is intended to provide an overview of the City's financial condition for the year ended December 31, 2015, as well as an analysis of what this financial condition means for the future financial operations of the City. The information provided in this discussion and analysis should be reviewed in conjunction with the audit information provided in the audit of the City's 2015 fiscal year.

Government-Wide Financial Statements

Under GASB 34 government-wide financial statements have been added to the financial reporting with the intent of providing a broad overview of the City's finances. The government-wide statements are presented on a full accrual basis of accounting, similar to a private business. This means revenues are accounted for when they are earned and expenses are accounted for when incurred, regardless of when the actual cash is received or disbursed. Two government-wide statements are provided. One government-wide statement, the Statement of Net Position, presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference shown as net position. Over time, increases or decreases in the City's net position may be an indicator of whether the City's financial health is improving or deteriorating. However, other factors both financial and non-financial should be considered in assessing the overall financial health of the City.

The second government-wide statement, the Statement of Activities, provides information on how the government-wide net position changed during the fiscal year. All changes in net position are reported based on the period for which the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in the statements for some items that will only result in cash flows in future financial periods, such as uncollected taxes and earned but unused employee annual leave.

In the Statement of Net Position and the Statement of Activities, we report the following kinds of activities:

- Governmental Activities - Most of the City's basic services are reported here, including, but not limited to, police, fire, general administration, parks and recreation, public works, and major and local streets. Taxes, charges for services and intergovernmental revenue primarily fund these services.
- Business-type Activities - These activities operate like private business. The City charges fees to recover the cost of the services provided. The City's water and sewer activities are reported here.
- Component Units - Component units are legally separate organizations for which the City Council appoints a majority of the organizations board and there is a degree of financial accountability to the City. Discretely presented component units for the City of Albion are the Downtown Development Authority (DDA), the Economic Development Corporation (EDC), and the Tax Increment Finance Authority (TIFA).

Following the government-wide financial statements will be Governmental Fund Financial Statements. While the government-wide financial statements are presented on a full accrual basis of accounting, the Governmental Fund Financial Statements are presented on a modified accrual basis of accounting.

The differences between the full accrual basis and modified accrual basis of accounting are primarily related to inclusion of capital assets and recognition of certain receivables and long-term liabilities in the Government-wide Statement of Net Position, which are not included in the Governmental Funds Balance Sheet. Also, there is a difference related to the timing of reporting capital outlays and debt principal repayment in the Governmental Funds Financial Statements and a difference in the timing of the recognition of certain revenues and expenditures such as bond proceeds, accrued interest, and accrued employee leave time in the Governmental Funds Financial Statements versus the Government-wide Statements. (See following table)

City of Albion

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2015

Item Description	Government-Wide Statements	Government Fund Statements
Capital Assets	Depreciation reported	Depreciation not reported
Capital Outlay	Capital asset	Reported as expenditure
Internal Service Fund (Equip. Pool)	Government activity	Proprietary fund
Long-term liability (sick leave)	Liability	Actual expenditures
Bond proceeds	Liability	Other financing source

Fund Financial Statements

The Fund Financial Statements provide detailed information about the most significant funds (activities); not the City as a whole. A Fund is a fiscal and accounting entity with a self-balancing set of accounts that the City uses to keep track of specific sources of funding and spending for a particular purpose. GASB 34 defines these significant funds as "major funds" which are reported separately as part of the Fund Financial Statements portion of the audit.

The Major funds for the City of Albion include the General Fund, Albion Trust, Solid Waste, Sidewalk Program, MDOT Street Reconstruction, Sewer, and Water. All other funds will be classified as non-major funds and are reported in aggregate by the applicable fund type. All of the funds of the City of Albion can be divided into three categories; governmental funds, proprietary funds and fiduciary funds.

Governmental Funds - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. The City of Albion maintains several individual governmental funds. These funds are presented in the Balance Sheet under Governmental Fund Types under the categories of General Fund, Special Revenue Funds, Debt Service Funds, and Capital Project Funds.

Proprietary Funds - When the City charges customers for the services it provides, these services are generally reported in Proprietary Funds. The City of Albion uses two types of proprietary funds. Enterprise Funds are used to report the activities for the water and sewer operations. The Internal Service Fund is used to report the activities for the equipment pool operations.

Fiduciary Funds - The City of Albion is the trustee, or fiduciary, for the following funds: Public Safety Officers' Pension and the Retiree Health Care. All of the City's fiduciary funds are reported in a separate statement of Fiduciary Net Position. The government-wide statements exclude the fiduciary fund activities and balances because these assets are not available to the City of Albion to fund its operations.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the detail provided in the government-wide and fund financial statements.

Other Information

Following the basic financial statements is additional required supplementary information, which further explains and supports the information in the financial statements. Other supplementary information includes combining financial statements for non-major governmental funds, component unit funds, and schedules of outstanding debt.

City of Albion

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2015

Government-Wide (City as a Whole) Financial Analysis

The Statement of Net Position provides information that can be helpful in evaluating the City's financial condition. The net position and changes over time can provide an indication of whether the City's financial health is improving or deteriorating. However, it should be noted that other factors both economic and non-economic could affect the City's financial health.

The largest portion of the City's net position is invested in capital assets (streets, buildings, land, equipment, and utility systems). These assets are used to provide services to residents in the community and therefore these assets are not available to pay operating expenses, etc. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the funds needed to repay current City debt must be provided from other sources, since the capital assets themselves cannot be used to cover these liabilities.

Net Position as December 31, 2015 and 2014

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Current and Other Assets	\$ 14,104,696	\$ 15,437,062	\$ 2,020,372	\$ 1,897,411	\$ 16,125,068	\$ 17,334,473
Capital Assets	10,575,724	9,981,315	8,501,495	8,896,554	19,077,219	18,877,869
Total Assets	24,680,420	25,418,377	10,521,867	10,793,965	35,202,287	36,212,342
Deferred Outflows of Resources	1,805,660	-	-	-	1,805,660	-
Current Liabilities	986,069	956,573	288,780	223,345	1,274,849	1,179,918
Noncurrent Liabilities	2,572,567	2,917,588	232,961	376,754	2,805,528	3,294,342
Total Liabilities	3,558,636	3,874,161	521,741	600,099	4,080,377	4,474,260
Deferred Inflows of Resources	258,979	-	-	-	258,979	-
Net Position						
Net investment in Capital Assets						
Assets	7,982,595	7,012,016	8,201,495	8,451,554	16,184,090	15,463,570
Restricted	11,863,953	3,141,517	61,990	61,990	11,925,943	3,203,507
Unrestricted	2,821,917	11,390,683	1,736,641	1,680,322	4,558,558	13,071,005
Total Net Position	\$ 22,668,465	\$ 21,544,216	\$ 10,000,126	\$ 10,193,866	\$ 32,668,591	\$ 31,738,082

This 2014 governmental activities balances in this table has been restated to reflect the restatement in net position as described in Note P. The total net position for Governmental Activities increased by \$1,075,109, due to decreases in public safety and public works expenses as compared to the PY. The total net position for business-type activities decreased by \$193,270 mainly as a result of operating losses in the Water and Sewer funds.

City of Albion

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2015

Changes in Net Position for the Fiscal Year Ended December 31, 2015 and 2014

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Revenues						
Program Revenues						
Charges for Services	\$ 1,066,546	\$ 985,880	\$ 1,959,687	\$ 2,004,350	\$ 3,026,233	\$ 2,990,230
Grants and Contributions	1,755,013	1,933,077	403,358	-	2,158,371	1,933,077
General Revenues						
Property Taxes	1,635,184	1,558,176	-	-	1,635,184	1,558,176
Income Taxes	925,010	979,477	-	-	925,010	979,477
State Shared Revenues	1,024,400	1,020,273	-	-	1,024,400	1,020,273
Investment Earnings	62,085	64,747	6,546	4,210	68,631	68,957
Miscellaneous	246,086	630,989	24,011	65,222	270,097	696,211
Transfers	164,239	164,739	(164,239)	(164,739)	-0-	-0-
Total Revenues	\$ 6,878,563	\$ 7,337,358	\$ 2,229,363	\$ 1,909,043	\$ 9,107,926	\$ 9,246,401
Expenses						
General Government	\$ 1,068,358	\$ 1,249,645	\$ -	\$ -	\$ 1,068,358	\$ 1,249,645
Public Safety	1,599,730	1,929,994	-	-	1,599,730	1,929,994
Public Works	1,739,604	1,827,001	-	-	1,739,604	1,827,001
Health and Welfare	9,129	33,181	-	-	9,129	33,181
Community and Econ. Development	755,376	735,189	-	-	755,376	735,189
Recreation and Cultural	470,518	432,640	-	-	470,518	432,640
Interest on Long Term Debt	111,599	133,148	-	-	111,599	133,148
Other	-	-	2,423,103	2,081,713	2,423,103	2,081,713
Total Expenses	5,754,314	6,340,798	2,423,103	2,081,713	8,177,417	8,422,511
Change in Net Position	1,124,249	996,560	(193,740)	(172,670)	930,509	823,890
Restated Net Position- Beginning	21,544,216	9,699,711	10,193,866	10,366,536	20,066,247	19,696,768
Net Position Ending	\$ 22,668,465	\$ 10,696,271	\$ 10,000,126	\$ 10,193,866	\$ 32,668,591	\$ 20,890,137

(Note: the 2014 column is prior to the implementation of GASB Statement No. 68, which was effective for fiscal years beginning after June 15, 2014.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2015

Governmental Activities

Revenues:

The three largest revenue sources under the governmental activities category are operating grants and contributions at 26%, property taxes at 23% and charges for services at 16%. For 2015, overall governmental revenues were down about 6%. Contributing to this was a decline in Income Tax revenues of just over \$54,000, a decline in grant revenue of \$178,000, and a decline in miscellaneous revenues of almost \$385,000. The decline in income tax revenue is partially due to fewer filers as the population continues to decline and people move away out of the City. Grant revenue reflected a decline due to the unusually large grant received in 2014 for the new fire truck, with nothing coming close to matching this in 2015. The miscellaneous revenues reflected a decline due to some unusually large reimbursements received in 2014 and not in 2015.

Expenses:

The largest governmental activities expense item is Public Works at 30% of total expenses. The next largest expense item is Public Safety at 28% of total expenses. Total expenses decreased by about \$586,484 from approximately \$6.3 million in 2014 to approximately \$5.7 million in 2015. In a continuing effort to maintain a balanced budget, the City strives to reduce expenses in almost every category. The City will continue to diligently monitor expenses and look for cost savings for its taxpayers.

Business-Type Activities

The Statement of Net Position shows that for business-type activities as of December 31, 2015, there was a total net position of \$10,000,126, which represents a decrease of \$193,740 from the prior year. The Statement of Net Position is significantly affected by the recording of depreciation expense. For utility funds, the City's charter requires that rates be "...fixed as to at least meet all the costs of such utility, including depreciation". Therefore, the City's utility funds record depreciation even if revenues are not sufficient to fund depreciation for the fiscal year. More detail about the Business-Type Activities is provided in a later section.

Financial Analysis of the City's Major Funds

General Fund:

The General Fund is the primary operating fund of the City of Albion. As of December 31, 2015, the General Fund had a nonspendable fund balance of \$226,782, an assigned fund balance of \$41,345 and an unassigned fund balance of \$894,130. Total fund balance had an increase of \$88,914 from the fund balance on December 31, 2014.

From a budgetary standpoint, General Fund budgeted revenues and other financing sources were greater than actual revenues by \$2,388 and expenditures and other financing uses came in under budget by \$82,157.

Albion Trust Fund:

The Albion Trust Fund is used to account for funding for City improvements as a whole and to set dollars aside for the Maple Grove Apartment Facility Bonds. The fund balance decreased as the result of current year activity by \$115,898. Fund balance for this fund was \$1,086,150 at year-end.

Solid Waste:

Fund balance decreased by \$64,279 during the year. The Solid Waste fund balance was \$39,214 as of December 31, 2015.

City of Albion

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2015

Sidewalk Program:

Fund balance increased by \$46,871 during the year. The Sidewalk Program fund balance was \$266,464 as of December 31, 2015.

MDOT Street Reconstruction:

Fund balance increased by \$136,638 during the year. The MDOT Street Reconstruction fund balance was \$141,105 as of December 31, 2015.

Sewer:

The City operates a wastewater treatment plant and collection system that serves the City and a small portion of a neighboring township. For the last several years, the City has increased rates; however, the system has not been able to cover all of its operating costs, including depreciation. Net position for the sewer system decreased by \$118,441 to a December 31, 2015, level of \$4,563,363. The majority of these assets are invested in facilities and equipment. The City recognizes that additional rate increases will be required, and in fact, increased rates have been established for 2016. The City has received a sizable grant that will cover the cost of a rate study. The City intends to have this study conducted in the very near future to determine what level the rates should be set at, and to determine if the current rate structure is maximizing revenues.

Water:

The City operates a water treatment plant and distribution system that serves the City and a small portion of the neighboring townships. For the last several years, the City has increased rates; however, the City had operating loss of \$66,260 in the current year. Net position for the water system decreased by \$75,299 to a December 31, 2015, level of \$5,436,763. As stated above in the Sewer analysis, the City intends to conduct a rate study in the very near future to determine the appropriate fees and rates to charge. In addition, the City is also exploring some grants in an effort to obtain funding for some major infrastructure maintenance. One of the top priorities is to have the City's water tower repainted and serviced to not only extend its life, but also to ensure we continue to provide clean, safe drinking water for the residents.

Capital Assets and Debt Administration

At the end of the year, the City had invested \$10,575,724 and \$8,501,495 (net of accumulated depreciation) for governmental and business-type capital assets respectively. Depreciation charges for the fiscal year totaled \$554,656 for the governmental activities and \$449,334 for the business-type activities. The following chart provides more detail on these capital assets.

	Governmental Activities	Business- Type Activities	Total
Land and construction in progress	\$ 789,922	\$ 93,700	\$ 883,622
Buildings and improvements, net	4,122,007	5,079,983	9,201,990
Infrastructure, net	4,502,114	-	4,502,114
Vehicles and equipment, net	1,161,681	123,707	1,285,388
Sewer system, net	-	1,453,534	1,453,534
Water system, net	-	1,750,571	1,750,571
Capital Assets, net	<u>\$ 10,575,724</u>	<u>\$ 8,501,495</u>	<u>\$ 19,077,219</u>

City of Albion

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2015

Long-term Debt:

As of December 31, 2015, the City had the following bond debt outstanding:

Primary Government

	<u>Jan. 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Dec. 31, 2015</u>
Governmental Activities				
General Obligation Bonds	\$ 1,525,000	\$ -	\$ (120,000)	\$ 1,405,000
Refunding Bonds	400,000	-	(130,000)	270,000
Installment Purchase Agreement	18,284	-	(18,284)	-
EPA Liability	85,871	-	(5,482)	80,389
Building Authority Bonds	900,000	-	(80,000)	820,000
Land contract	126,015	-	(27,886)	98,129
Compensated Absences	252,680	181,306	(147,169)	286,817
	<u>3,307,850</u>	<u>181,306</u>	<u>(528,821)</u>	<u>2,960,335</u>
Business-type Activities				
Revenue Refunding Bonds	445,000	-	(145,000)	300,000
Compensated Absences	107,972	56,201	(49,554)	114,619
	<u>552,972</u>	<u>56,201</u>	<u>(194,554)</u>	<u>414,619</u>
Total Primary Government	<u>\$ 3,860,822</u>	<u>\$ 237,507</u>	<u>\$ (723,375)</u>	<u>\$ 3,374,954</u>

As of December 31, 2015, the City had total outstanding debt for governmental activities (including compensated absences) of \$2,960,335. For business-type activities, the outstanding debt (including compensated absences) was \$414,619 as of December 31, 2015. As a result of the significant cost for issuing bonds, the City for the past several years has used an installment purchase process to purchase land, buildings, and equipment. These obligations are reflected in the chart showing the City's outstanding debt.

Economic Factors and Next Year's Budget

In 2008, because of the approved special millage to fund the new Albion District Library, the City lowered its operating millage to 10.3802 mills. In 2014, the City raised the general operating millage by 0.0934 mills to a total of 11.9736 mills where it remained for 2015. In addition, the City has several special millages that have been approved by the voters. For 2015 these were:

- a. Water plant bonds - 1.52 mills
- b. Street reconstruction - 3.00 mills
- c. Recreation - 1.50 mills

Additionally, the City levies 2.0 mills for solid waste under existing state statute (this will increase to 3.0 mills for 2016). Thus, the 2015 total City millage levy was 19.9936 mills. Because of its effort to cut costs, the City was able to operate within budget during 2015. However, there are continued concerns with declining taxable values within the City and as the State has passed legislation to eliminate personal property taxes. Additionally, the City has experienced a sharp decline in its income taxes as well. These factors, combined with a continuation in the rising costs of insurance, utilities and other major expenses is cause for concern. As stated earlier, the City will diligently monitor its expenses and look for alternative sources of revenues, such as recovery fees, etc. wherever possible. The direction of the State economy combined with future legislation will be key components in the City's success over the next several years.

City of Albion

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2015

In the area of expenses, the City currently has contracts with all of its four unions, which do not expire until December 31, 2017.

Just like other employers, the City has struggled with significant increases in the cost for medical insurance for its employees.' Fortunately, for 2015 the City was able to keep healthcare costs relatively stable by making minor modifications to its plan. The result was a modest 3.5% increase over 2014. However, there continues to be significant concerns about the future costs of health insurance for the City's employees. The Affordable Care Act will likely require the City to make major changes in this area in the future. The City is still learning about some of these changes at this time.

The City continues to pursue grants to assist with capital projects, as well as activities that can spur economic development and job creation in the City. As a result of the special voted millage (the current 3.0 mill annual levy was renewed in 2015 for another 5 years) for street reconstruction, the City is able to have an active street reconstruction program each year. Because of this special Street millage, and with the assistance of some State grants over \$680,000 was spent on improving City streets in 2015.

In 2008, the City implemented a special assessment process for the repair and replacement of city sidewalks. This process and construction is expected to last for 10 years. (There will be 2 years remaining on this program after 2015). Because of this program, just over \$109,000 in sidewalk repairs were completed in 2015.

Of significant importance is the announcement that a new hotel and conference center will be built in downtown Albion. Construction is scheduled to start in August of 2016. Additionally the City recently saw the construction and opening of a new auto parts store, a new fast food restaurant and a state-of-the-art dialysis center. One of the downtowns larger buildings is currently undergoing a major renovation to provide office and conference space for Albion College. In addition, some sizable expansions were recently completed at some of the major businesses in and around the Albion area. This certainly appears to reflect an economic upswing for Albion. We are hopeful that this economic growth will continue, and that the City as a whole will prosper in the years to come.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the accountability for the money it receives. If there are questions about this report, or a need for additional information, contact the City Manager or the City Treasurer at (517) 629-5535.

BASIC FINANCIAL STATEMENTS

City of Albion

STATEMENT OF NET POSITION

December 31, 2015

	Primary Government		Total	Component Units
	Governmental Activities	Business-type Activities		
ASSETS				
Current assets				
Cash and cash equivalents	\$ 3,230,640	\$ 753,488	\$ 3,984,128	\$ 319,547
Cash and cash equivalents - restricted	-	61,990	61,990	-
Investments	1,535,807	-	1,535,807	328,403
Receivables	657,699	602,396	1,260,095	94,510
Due from other governmental units	188,143	55,477	243,620	98,567
Inventories	37,146	9,904	47,050	-
Prepays	248,879	17,635	266,514	16,874
Internal balances	(120,000)	120,000	-0-	-
Total current assets	5,778,314	1,620,890	7,399,204	857,901
Noncurrent assets				
Investments	-	399,482	399,482	-
Due from other governmental units	35,856	-	35,856	-
Net pension asset	8,290,526	-	8,290,526	-
Capital assets not being depreciated	789,922	93,700	883,622	205,799
Capital assets, net of accumulated depreciation	9,785,802	8,407,795	18,193,597	3,762,476
Total noncurrent assets	18,902,106	8,900,977	27,803,083	3,968,275
TOTAL ASSETS	24,680,420	10,521,867	35,202,287	4,826,176
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pensions	1,805,660	-	1,805,660	55,748
LIABILITIES				
Current liabilities				
Accounts payable	296,892	76,104	372,996	73,653
Accrued wages	65,915	27,627	93,542	-
Accrued liabilities	108,308	3,391	111,699	65,036
Due to other governmental units	7,286	-	7,286	35,856
Accrued interest payable	29,688	-	29,688	1,372
Unearned revenue	4,795	-	4,795	34,111
Current portion of compensated absences	116,005	36,658	152,663	17,010
Current portion of long-term debt	357,180	145,000	502,180	4,070
Total current liabilities	986,069	288,780	1,274,849	231,108
Noncurrent liabilities				
Net OPEB obligation	85,417	-	85,417	-
Net pension liability	-	-	-0-	161,589
Noncurrent portion of compensated absences	170,812	77,961	248,773	75,388
Noncurrent portion of long-term debt	2,316,338	155,000	2,471,338	24,142
Total noncurrent liabilities	2,572,567	232,961	2,805,528	261,119
TOTAL LIABILITIES	3,558,636	521,741	4,080,377	492,227
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pensions	258,979	-	258,979	-
NET POSITION				
Net investment in capital assets	7,982,595	8,201,495	16,184,090	3,968,275
Restricted for:				
Nonexpendable				
Perpetual care	215,000	-	215,000	-
Expendable				
Pension Trust	8,290,526			
Debt service	60,023	61,990	122,013	-
Streets and highways	861,510	-	861,510	-
Sidewalks	252,064	-	252,064	-
Perpetual care	42,691	-	42,691	-
Community and economic development	2,028,663	-	2,028,663	41,841
Solid waste	39,214	-	39,214	-
Law enforcement	74,262	-	74,262	-
Unrestricted	2,821,917	1,736,641	12,849,084	379,581
TOTAL NET POSITION	\$ 22,668,465	\$ 10,000,126	\$ 32,668,591	\$ 4,389,697

See accompanying notes to financial statements.

City of Albion

STATEMENT OF ACTIVITIES

Year Ended December 31, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 1,068,358	\$ 555,927	\$ 69,399	\$ -	\$ (443,032)	\$ -	\$ (443,032)	\$ -
Public safety	1,599,730	50,161	56,742	-	(1,492,827)	-	(1,492,827)	-
Public works	1,739,604	163,424	792,453	-	(783,727)	-	(783,727)	-
Health and welfare	9,129	-	-	-	(9,129)	-	(9,129)	-
Community and economic development	755,376	283,491	814,078	-	342,193	-	342,193	-
Recreation and cultural	470,518	13,543	22,341	-	(434,634)	-	(434,634)	-
Interest on long-term debt	111,599	-	-	-	(111,599)	-	(111,599)	-
Total governmental activities	5,754,314	1,066,546	1,755,013	-0-	(2,932,755)	-0-	(2,932,755)	-0-
Business-type activities								
Sewer system	1,493,642	1,125,809	397,002	-	-	29,169	29,169	-
Water system	929,461	833,878	6,356	-	-	(89,227)	(89,227)	-
Total business-type activities	2,423,103	1,959,687	403,358	-0-	-0-	(60,058)	(60,058)	-0-
Total primary government	\$ 8,177,417	\$ 3,026,233	\$ 2,158,371	\$ -0-	(2,932,755)	(60,058)	(2,992,813)	-0-
Component units								
Economic Development Corporation	\$ 377,664	\$ 117,999	\$ 259,337	\$ -	-	-	-0-	(328)
Downtown Development Authority	88,720	-	-	-	-	-	-0-	(88,720)
Tax Increment Finance Authority	170,492	-	-	-	-	-	-0-	(170,492)
Albion Housing Commission	1,475,912	419,045	732,391	254,445	-	-	-0-	(70,031)
Total component units	\$ 2,112,788	\$ 537,044	\$ 991,728	\$ 254,445	-0-	-0-	-0-	(329,571)
General revenues								
Property taxes					1,635,184	-	1,635,184	240,702
Income taxes					925,010	-	925,010	-
State shared revenue					1,024,400	-	1,024,400	-
Investment earnings					62,085	6,546	68,631	3,693
Miscellaneous					246,086	24,011	270,097	18,950
Transfers					164,239	(164,239)	-0-	-
Total general revenues and transfers					4,057,004	(133,682)	3,923,322	263,345
Change in net position					1,124,249	(193,740)	930,509	(66,226)
Restated net position, beginning of the year					21,544,216	10,193,866	31,738,082	4,455,923
Net position, end of the year					\$ 22,668,465	\$ 10,000,126	\$ 32,668,591	\$ 4,389,697

See accompanying notes to financial statements.

City of Albion
Governmental Funds
BALANCE SHEET
December 31, 2015

	General	Special Revenue	
		Albion Trust	Solid Waste
ASSETS			
Cash and cash equivalents	\$ 777,147	\$ -	\$ 55,077
Investments	149,885	1,086,150	99,817
Receivables			
Interest	-	-	-
Accounts	74,161	-	2,722
Taxes	138,410	-	10,267
Loans	-	-	-
Due from other governmental units	3,121	-	-
Prepays	226,782	-	-
Inventories	-	-	-
TOTAL ASSETS	\$ 1,369,506	\$ 1,086,150	\$ 167,883
LIABILITIES			
Accounts payable	\$ 67,707	\$ -	\$ -
Accrued liabilities	66,511	-	1,744
Accrued wages	63,928	-	-
Due to other funds	-	-	120,000
Due to other governmental units	-	-	-
Unearned revenue	-	-	-
TOTAL LIABILITIES	198,146	-0-	121,744
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	9,103	-	6,925
FUND BALANCES			
Nonspendable	226,782	-	-
Restricted	-	1,086,150	39,214
Assigned	41,345	-	-
Unassigned	894,130	-	-
TOTAL FUND BALANCES	1,162,257	1,086,150	39,214
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 1,369,506	\$ 1,086,150	\$ 167,883

See accompanying notes to financial statements.

Capital Projects			
Sidewalk Program	MDOT Street Reconstruction	Nonmajor Governmental Funds	Total Governmental Funds
\$ 338,871	\$ 143,756	\$ 1,821,868	\$ 3,136,719
-	-	199,955	1,535,807
-	-	4,026	4,026
-	-	5,379	82,262
5,363	-	26,227	180,267
-	-	390,995	390,995
-	-	220,878	223,999
-	-	14,904	241,686
14,400	-	13,979	28,379
<u>\$ 358,634</u>	<u>\$ 143,756</u>	<u>\$ 2,698,211</u>	<u>\$ 5,824,140</u>
\$ 92,170	\$ 2,320	\$ 43,763	\$ 205,960
-	-	40,053	108,308
-	-	-	63,928
-	-	-	120,000
-	331	6,955	7,286
-	-	4,795	4,795
92,170	2,651	95,566	510,277
-	-	62,329	78,357
14,400	-	670,734	911,916
252,064	141,105	1,869,582	3,388,115
-	-	-	41,345
-	-	-	894,130
<u>266,464</u>	<u>141,105</u>	<u>2,540,316</u>	<u>5,235,506</u>
<u>\$ 358,634</u>	<u>\$ 143,756</u>	<u>\$ 2,698,211</u>	<u>\$ 5,824,140</u>

City of Albion

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

December 31, 2015

Total fund balances - governmental funds \$ 5,235,506

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 15,605,036	
Accumulated depreciation is	<u>(5,222,953)</u>	
Capital assets, net		10,382,083

Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Funds are included in the governmental activities in the Government-wide Statement of Net Position.

207,703

Long-term receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds. These consist of:

Unavailable revenue		78,357
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Some assets are not current financial resources and therefore are not reported as assets in the governmental funds. These amounts consist of:

Net pension asset		8,290,526
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Governmental funds report actual pension expenditures for the fiscal year, whereas the governmental activities will recognize the net pension liability as of the measurement date. Pension contributions subsequent to the measurement date will be deferred in the statement of net position. In addition, resources related to changes of assumptions, differences between expected and actual experience, and differences between projected and actual pension plan investment earnings will be deferred over time in the government-wide financial statements. These amounts consist of:

Deferred outflows of resources related to pensions	1,805,660	
Deferred inflows of resources related to pensions	<u>(258,979)</u>	
		1,546,681

Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. Long-term liabilities at year-end consist of:

Direct City obligations	(2,673,518)	
Accrued interest payable	(29,688)	
Net other post-employment benefits obligation	(85,417)	
Compensated absences	<u>(283,768)</u>	
		<u>(3,072,391)</u>

Net position of governmental activities \$ 22,668,465

City of Albion

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended December 31, 2015

	General	Special Revenue	
		Albion Trust	Solid Waste
REVENUES			
Taxes	\$ 1,956,176	\$ -	\$ 142,367
Licenses and permits	155,149	-	-
Intergovernmental	1,135,997	-	6,282
Charges for services	253,755	-	-
Fines and forfeits	26,618	-	-
Interest and rents	6,553	34,112	1,576
Other	111,293	-	2,887
TOTAL REVENUES	3,645,541	34,112	153,112
EXPENDITURES			
Current			
General government	883,080	-	-
Public safety	2,031,054	-	-
Public works	236,385	-	210,891
Health and welfare	7,445	-	-
Community and economic development	-	10	-
Recreation and cultural	252,854	-	-
Other	114,432	-	-
Debt service	-	-	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	3,525,250	10	210,891
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	120,291	34,102	(57,779)
OTHER FINANCING SOURCES (USES)			
Transfers in	22,000	-	-
Transfers out	(53,377)	(150,000)	(6,500)
TOTAL OTHER FINANCING SOURCES (USES)	(31,377)	(150,000)	(6,500)
NET CHANGE IN FUND BALANCES	88,914	(115,898)	(64,279)
Fund balances, beginning of year	1,073,343	1,202,048	103,493
Fund balances, end of year	<u>\$ 1,162,257</u>	<u>\$ 1,086,150</u>	<u>\$ 39,214</u>

See accompanying notes to financial statements.

Capital Projects			
Sidewalk Program	MDOT Street Reconstruction	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 494,661	\$ 2,593,204
-	-	-	155,149
-	584,940	1,052,009	2,779,228
-	-	32,747	286,502
-	-	49,433	76,051
1,662	-	303,365	347,268
154,551	-	185,285	454,016
156,213	584,940	2,117,500	6,691,418
-	-	-	883,080
-	-	75,019	2,106,073
95,217	-	677,730	1,220,223
-	-	-	7,445
-	-	547,712	547,722
-	-	129,472	382,326
-	-	87,320	201,752
-	-	477,872	477,872
-	681,073	12,258	693,331
95,217	681,073	2,007,383	6,519,824
60,996	(96,133)	110,117	171,594
-	232,771	577,790	832,561
(14,125)	-	(426,055)	(650,057)
(14,125)	232,771	151,735	182,504
46,871	136,638	261,852	354,098
219,593	4,467	2,278,464	4,881,408
\$ 266,464	\$ 141,105	\$ 2,540,316	\$ 5,235,506

City of Albion

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended December 31, 2015

Net change in fund balances - total governmental funds \$ 354,098

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 1,149,065	
Depreciation expense	<u>(508,185)</u>	
Excess of capital outlay over depreciation expense		640,880

Internal service funds are used by management to charge the costs of certain activities to individual funds.		8,777
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unavailable revenue	22,906	
(Decrease) in net pension asset	<u>(1,771,345)</u>	
		(1,748,439)

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net position. In the current year, these amounts consist of:

Long-term debt principal retirements		363,368
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Increase in deferred outflows of resources	1,805,660	
(Increase) in deferred inflows of resources	(258,979)	
Decrease in accrued interest payable	2,905	
(Increase) in other post-employment benefits obligation	(12,933)	
(Increase) in accrued compensated absences	<u>(31,088)</u>	
		<u>1,505,565</u>

Change in net position of governmental activities \$ 1,124,249

City of Albion

Proprietary Funds

STATEMENT OF NET POSITION

December 31, 2015

	Business-type Activities			Governmental Activities
	Sewer	Water	Total	Internal Service
ASSETS				
Current assets				
Cash and cash equivalents	\$ 243,973	\$ 509,515	\$ 753,488	\$ 93,921
Cash and cash equivalents - restricted	-	61,990	61,990	-
Receivables	340,774	261,622	602,396	149
Due from other funds	-	120,000	120,000	-
Due from other governmental units	55,477	-	55,477	-
Inventories	6,388	3,516	9,904	8,767
Prepays	12,530	5,105	17,635	7,193
Total current assets	659,142	961,748	1,620,890	110,030
Noncurrent assets				
Investments	-	399,482	399,482	-
Capital assets not being depreciated	-	93,700	93,700	-
Capital assets, net of accumulated depreciation	4,066,646	4,341,149	8,407,795	193,641
Total noncurrent assets	4,066,646	4,834,331	8,900,977	193,641
TOTAL ASSETS	4,725,788	5,796,079	10,521,867	303,671
LIABILITIES				
Current liabilities				
Accounts payable	68,940	7,164	76,104	90,932
Accrued wages	16,927	10,700	27,627	1,987
Accrued liabilities	1,197	2,194	3,391	-
Current portion of compensated absences	23,351	13,307	36,658	1,244
Current portion of long-term debt	-	145,000	145,000	-
Total current liabilities	110,415	178,365	288,780	94,163
Noncurrent liabilities				
Noncurrent portion of compensated absences	52,010	25,951	77,961	1,805
Noncurrent portion of long-term debt	-	155,000	155,000	-
Total noncurrent liabilities	52,010	180,951	232,961	1,805
TOTAL LIABILITIES	162,425	359,316	521,741	95,968
NET POSITION				
Net investment in capital assets	4,066,646	4,134,849	8,201,495	193,641
Restricted for debt service	-	61,990	61,990	-
Unrestricted	496,717	1,239,924	1,736,641	14,062
TOTAL NET POSITION	\$ 4,563,363	\$ 5,436,763	\$ 10,000,126	\$ 207,703

See accompanying notes to financial statements.

City of Albion

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year Ended December 31, 2015

	Business-type Activities			Governmental Activities
	Sewer	Water	Total	Internal Service
OPERATING REVENUES				
Charges for services	\$ 1,125,809	\$ 833,878	\$ 1,959,687	\$ 281,517
Other	3,944	20,067	24,011	2,604
TOTAL OPERATING REVENUES	1,129,753	853,945	1,983,698	284,121
OPERATING EXPENSES				
Salaries and wages	339,226	219,783	559,009	46,764
Fringe benefits	180,041	121,336	301,377	25,816
Contractual services	445,693	63,854	509,547	5,358
Supplies	88,971	129,633	218,604	87,795
Utilities	125,490	98,980	224,470	16,977
Insurance and bonds	24,338	10,540	34,878	15,090
Administrative services	39,892	39,850	79,742	10,900
Building and equipment rental	6,931	21,035	27,966	202
Other	6,440	2,480	8,920	1,181
Depreciation	236,620	212,714	449,334	46,471
TOTAL OPERATING EXPENSES	1,493,642	920,205	2,413,847	256,554
OPERATING INCOME (LOSS)	(363,889)	(66,260)	(430,149)	27,567
NONOPERATING REVENUES (EXPENSES)				
Interest earned	946	5,712	6,658	426
Grants	397,002	6,356	403,358	-
(Loss) on investments	-	(112)	(112)	-
Interest expense and fees	-	(9,256)	(9,256)	(951)
TOTAL NONOPERATING REVENUES (EXPENSES)	397,948	2,700	400,648	(525)
INCOME (LOSS) BEFORE TRANSFERS	34,059	(63,560)	(29,501)	27,042
TRANSFERS				
Transfers out	(152,500)	(11,739)	(164,239)	(18,265)
TOTAL NET TRANSFERS	(152,500)	(11,739)	(164,239)	(18,265)
CHANGE IN NET POSITION	(118,441)	(75,299)	(193,740)	8,777
Net position, beginning of year	4,681,804	5,512,062	10,193,866	198,926
Net position, end of year	\$ 4,563,363	\$ 5,436,763	\$ 10,000,126	\$ 207,703

See accompanying notes to financial statements.

City of Albion

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended December 31, 2015

	Business-type Activities			Governmental
	Sewer	Water	Total	Activities Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 1,125,354	\$ 834,039	\$ 1,959,393	\$ 283,972
Cash paid to suppliers	(741,562)	(484,270)	(1,225,832)	(139,648)
Cash paid for employee benefits/wages	(529,499)	(320,180)	(849,679)	(69,781)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(145,707)	29,589	(116,118)	74,543
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Payments of borrowing	-	(145,000)	(145,000)	(18,284)
State grants	397,002	6,356	403,358	-
Purchase of capital assets	(25,604)	(28,671)	(54,275)	-
Interest expense and fees	-	(9,256)	(9,256)	(951)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	371,398	(176,571)	194,827	(19,235)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers out	(152,500)	(11,739)	(164,239)	(18,265)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest earned	946	5,712	6,658	426
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	74,137	(153,009)	(78,872)	37,469
Cash and cash equivalents, beginning of year	169,836	724,514	894,350	56,452
Cash and cash equivalents, end of year	<u>\$ 243,973</u>	<u>\$ 571,505</u>	<u>\$ 815,478</u>	<u>\$ 93,921</u>

See accompanying notes to financial statements.

City of Albion

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended December 31, 2015

	Business-type Activities			Governmental
	Sewer	Water	Total	Internal Service
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ (363,889)	\$ (66,260)	\$ (430,149)	\$ 27,567
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	236,620	212,714	449,334	46,471
(Increase) decrease in:				
Accounts receivable	(4,399)	(19,906)	(24,305)	(149)
Due from other funds	-	(120,000)	(120,000)	-
Due from other governmental units	(55,477)	-	(55,477)	-
Inventories	(4,273)	2,523	(1,750)	(611)
Prepays	(722)	330	(392)	704
Increase (decrease) in:				
Accounts payable	56,686	(751)	55,935	(2,238)
Accrued wages	1,551	2,509	4,060	(250)
Due to other funds	(21)	-	(21)	-
Compensated absences	(11,783)	18,430	6,647	3,049
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (145,707)	\$ 29,589	\$ (116,118)	\$ 74,543

City of Albion

Fiduciary Funds

STATEMENT OF NET POSITION

December 31, 2015

	<u>Agency</u>	<u>Pension and Employee Benefit Trusts</u>
ASSETS		
Cash and cash equivalents	\$ 827,227	\$ 487,374
Investments	-	20,011,610
Interest receivable	-	74,024
	<u> </u>	<u> </u>
TOTAL ASSETS	<u><u>\$ 827,227</u></u>	20,573,008
LIABILITIES		
Due to County	\$ 10,044	-
Due to State	16,098	-
Due to schools	8,439	-
Due to others	792,646	-
	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u><u>\$ 827,227</u></u>	<u> </u> -0-
NET POSITION		
Held in trust for pension and employee benefits		<u><u>\$ 20,573,008</u></u>

See accompanying notes to financial statements.

City of Albion

Fiduciary Funds

STATEMENT OF CHANGES IN NET POSITION

Year Ended December 31, 2015

	<u>Pension and Employee Benefit Trusts</u>
ADDITIONS	
Investment income	
Net investment income	\$ (522,692)
Contributions	<u>39,001</u>
TOTAL ADDITIONS	(483,691)
DEDUCTIONS	
Benefit payments	<u>671,096</u>
CHANGE IN NET POSITION	(1,154,787)
Net position, beginning of year	<u>21,727,795</u>
Net position, end of year	<u><u>\$ 20,573,008</u></u>

City of Albion

Component Units

COMBINING STATEMENT OF NET POSITION

December 31, 2015

	Economic Development Corporation	Downtown Development Authority	Tax Increment Finance Authority
ASSETS			
Current assets			
Cash	\$ 31,620	\$ 18,329	\$ 68,735
Investments	-	-	-
Receivables	2,316	767	89,381
Due from other governmental units	85,129	13,438	-
Prepays	-	627	-
Total current assets	119,065	33,161	158,116
Noncurrent assets			
Capital assets not being depreciated	26,655	-	160,000
Capital assets, net of accumulated depreciation	10,400	55,750	-
Total noncurrent assets	37,055	55,750	160,000
TOTAL ASSETS	156,120	88,911	318,116
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	-	-	-
LIABILITIES			
Current liabilities			
Accounts payable	9,628	1,000	82
Accrued liabilities	2,458	-	5,770
Due to other governmental units	35,856	-	-
Accrued interest payable	1,372	-	-
Unearned revenue	29,282	-	-
Current portion of compensated absences	-	-	9,472
Current portion of long-term debt	4,070	-	-
Total current liabilities	82,666	1,000	15,324
Noncurrent liabilities			
Net pension liability	-	-	-
Noncurrent portion of compensated absences	-	-	15,081
Noncurrent portion of long-term debt	24,142	-	-
Total noncurrent liabilities	24,142	-0-	15,081
TOTAL LIABILITIES	106,808	1,000	30,405
NET POSITION			
Net investment in capital assets	37,055	55,750	160,000
Restricted for community and economic development	41,841	-	-
Unrestricted	(29,584)	32,161	127,711
TOTAL NET POSITION	\$ 49,312	\$ 87,911	\$ 287,711

Sept. 30, 2015

<u>Albion Housing Commission</u>	<u>Total Component Units</u>
\$ 200,863	\$ 319,547
328,403	328,403
2,046	94,510
-	98,567
<u>16,247</u>	<u>16,874</u>
547,559	857,901
19,144	205,799
<u>3,696,326</u>	<u>3,762,476</u>
<u>3,715,470</u>	<u>3,968,275</u>
4,263,029	4,826,176
55,748	55,748
62,943	73,653
56,808	65,036
-	35,856
-	1,372
4,829	34,111
7,538	17,010
<u>-</u>	<u>4,070</u>
132,118	231,108
161,589	161,589
60,307	75,388
<u>-</u>	<u>24,142</u>
<u>221,896</u>	<u>261,119</u>
<u>354,014</u>	<u>492,227</u>
3,715,470	3,968,275
-	41,841
<u>249,293</u>	<u>379,581</u>
<u>\$ 3,964,763</u>	<u>\$ 4,389,697</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Albion is located in Calhoun County, Michigan and has a population of approximately 8,616. The City of Albion operates with a City Manager/Council form of government and provides services to its residents in many areas including general government, law enforcement, highways and streets, human services, and utilities services.

The City has six (6) City Council members who are elected for overlapping four (4) year terms. The Council elects one (1) of its members to serve as Mayor Pro-Tem. A Mayor is elected at large for a two (2) year term. The Council appoints the City Manager and City Attorney.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to city governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; these financial statements present the financial activities of the City of Albion (primary government) and its component units. Blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City.

The inclusion of the activities of various agencies is based on the financial accountability of the primary government, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management's, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

2. Blended Component Units

The Albion Building Authority is a five (5) member board governed by the City Council. One member of the board must be a resident of the Maple Grove Apartments. Its purpose under State Statute is to manage, maintain, develop, and acquire property for the City. It is reported in the Special Revenue Fund category.

The Albion Trust is governed by a three (3) member board appointed by current board members or by the City. Its purposes include construction of senior citizen facilities, supporting the debt of the Senior Citizen Facility, and other betterments to the City. It is reported in the Special Revenue Fund category.

The Albion Public Safety Officers' Pension Trust is governed by a five (5) member pension board that includes two (2) individuals chosen by the Mayor and the City Council. Its purpose is to operate the retirement system. It is reported in the Fiduciary Fund category.

3. Discretely Presented Component Units

The component units are reported in a separate column to emphasize that, while legally separate, the City remains financially accountable for these entities or the nature and significance of the relationship between the entities and the City is such that exclusion of the entities would render the financial statements misleading or incomplete.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Discretely Presented Component Units - continued

The financial statements contain the following discretely presented component units:

- a. Economic Development Corporation - The Economic Development Corporation (EDC) was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City so as to provide needed services and facilities of such enterprises to the residents of the City. The EDC is governed jointly by a nine (9) member board with the Tax Increment Finance Authority. The financial statements of the EDC are included in the City's financial statements and are not audited separately.
- b. Downtown Development Authority - The Downtown Development Authority (DDA) was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The DDA's governing body, which consists of 9-12 members, is selected by the Mayor and City Council. In addition, the DDA's budget is subject to approval by the City Council. The financial statements of the DDA are included in the City's financial statements and are not audited separately.
- c. Tax Increment Finance Authority - The Tax Increment Finance Authority (TIFA) was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City so as to provide needed services and facilities of such enterprises to the residents of the City. The TIFA is governed jointly by a nine (9) member board with the Economic Development Corporation. The TIFA also acts as an agent for the Revolving Loan Fund, which is included as a Special Revenue Fund of the City. The financial statements of the TIFA are included in the City's financial statements and are not audited separately.
- d. Albion Housing Commission - The Albion Housing Commission (the Commission) was established by City Council to provide low rent housing. The Commission's governing body, which consists of five (5) members, is selected by the Mayor and City Council. The financial activity has been included as part of the City's financial statements. The financial statements of the Commission are audited separately and are available by contacting the Commission at 1300 Cooper Street, Albion, Michigan 49224.

4. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the government-wide financial statements) present information for the primary government and its component units as a whole. All nonfiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide financial statements). For the most part, interfund activity has been eliminated in the preparation of these statements. 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.

The statement of activities presents the direct functional expenses of the primary government and its component units and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS

The fund financial statements present the City's individual major funds and aggregated nonmajor funds. 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 the major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

- a. The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Albion Trust Fund is used to provide grant dollars for City improvements as a whole and to set dollars aside for the Maple Grove Apartment Facility.
- c. The Solid Waste Fund is used to account for revenues relating to trash collections, and disposal services to the public.
- d. The Sidewalks Program Fund is a capital projects fund which is used to account for sidewalk repair and replacement activity.
- e. The MDOT Street Reconstruction Fund is a capital projects fund which is used to account for funds provided by MDOT for street improvements.

The City reports the following major enterprise funds:

- a. The Sewer Fund is used to account for the operations required to provide sewer services to the general public. The costs (expenses, including depreciation) are financed or recovered primarily through user charges.
- b. The Water Fund is used to account for the operations required to provide water services to the general public. The costs (expenses, including depreciation) are financed or recovered primarily through user charges.

Additionally, the City reports an internal service fund to account for the management of equipment pool services provided to other departments on a cost reimbursement basis.

The City also reports agency funds to account for assets held by the City as the trustee or as the agent for others. Agency Funds are, by nature, custodial; therefore, operation results are not measured.

The City also reports pension trust funds to account for the activities of the Public Safety Officers' Pension, a defined-benefit pension plan, which accumulates resources for retirement benefit payments to qualified employees and the activities of the Retiree Health Care Fund, which accumulates resources for post-employment health care benefits to qualified employees.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Measurement Focus

The government-wide, proprietary, and non-agency fiduciary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide financial statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

There is no measurement focus for Agency Funds since assets equal liabilities.

6. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental and similar trust funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as receivable and unavailable revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary and similar trust funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

If/when, both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

7. Budgets and Budgetary Accounting

The General and major Special Revenue Fund budgets shown as required supplementary information were prepared on the same modified accrual basis used to reflect actual results. The City employs the following procedures in establishing the budgetary data reflected in the financial statements.

- a. Six weeks prior to December 31, the City Manager submits to City Council the proposed operating budgets for the fiscal year commencing the following January 1. The operating budgets include proposed expenditures and resources to finance them.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

7. Budgets and Budgetary Accounting - continued

- b. A Public Hearing is conducted to obtain taxpayers' comments.
- c. On or before the second regular council meeting in December, the budget is legally enacted through passage of a resolution.
- d. The budget is legally adopted at the total expenditure level for the General Fund and Special Revenue Funds; however, they are maintained at the account level for control purposes.
- e. The City does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. Appropriations unused at December 31 are not carried forward to the following fiscal year.
- f. Budgeted amounts are reported as originally adopted or amended by the City Council during the year. Individual amendments were appropriately approved by the City Council as required.

8. Cash and Cash Equivalents

Cash and cash equivalents consist of checking, savings, money market, certificates of deposit with a maturity from date of purchase of 90 days or less, and pooled investment fund accounts. The cash equivalents are recorded at cost, which approximates market value.

9. Investments

Investments consist of certificates of deposit, Municipal Securities, Corporate Bonds and Notes, and Michigan CLASS funds with original maturities of greater than 90 days. Investments are recorded at market value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

10. Due from Other Governmental Units

Due from other governmental units consists of amounts due from the State of Michigan and amounts due from component units for various payments and grants and accounts receivable for charges for services provided to local governmental units.

11. Receivables

Receivables consist of amounts due related to charges for services, interest receivable, and other amounts owed to the City at year-end.

12. Property Tax

The City of Albion bills and collects its own property taxes and also taxes for other governmental units. The City's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph:

Property taxes are levied by the City of Albion on July 1 and are payable without penalty through August 10. The July 1 levy is composed of the City's millage, delinquent assessments, and State Education Tax. All real property taxes not paid to the City by February 28 are turned over to the Calhoun County Treasurer for collection. The Calhoun County Treasurer purchases the receivables of all taxing districts on any delinquent real property taxes. Delinquent personal property taxes receivable are retained by the City for subsequent collection.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

12. Property Tax - continued

The City is permitted by charter to levy taxes up to 12.50 mills (\$12.50 per \$1,000 of taxable valuation) for general governmental services other than the payment of Debt Service Fund expenditures. For the year ended December 31, 2015, the City levied 11.9736 mills per \$1,000 of taxable valuation for general governmental services. In addition, the City levied 3.0000 mills for street maintenance, 2.0000 mills for solid waste services, 1.5200 mills for debt service payments, and 1.5000 mills for recreational services. The total taxable value for the 2015 levy for property within the City was \$90,482,882.

13. Income Tax Revenues

In accordance with GASB Statement No. 22, *Accounting for Taxpayer - Assessed Tax Revenues in Governmental Funds*, the City has recognized taxpayer-assessed taxes, net of estimated refunds, as revenue in the accounting period in which they become susceptible to accrual (i.e., measurable and available to finance expenditures of the fiscal period). The City has calculated this amount based on the income tax collections made within 60 days after year end that relate to the prior years. Estimated refunds of these amounts are considered to be immaterial.

14. Inventories

Inventories are valued at cost. Cost is determined using the first-in, first-out method. Inventory consists of expendable supplies held for consumption. Inventories are capitalized under the consumption method, whereby expenditures are capitalized as inventory until used. Reported inventories in governmental funds are equally offset by nonspendable fund balance, which indicates that they do not constitute "available expendable resources" even though they are a component of net current assets.

15. Prepays

Prepaid expenditures in the governmental funds, such as insurance premiums, which are expected to be written off within the next fiscal year, are included in net current assets. Reported prepaid expenditures are equally offset by nonspendable fund balance, which indicates they do not constitute "available spendable resources" even though they are a component of net current assets.

16. Compensated Absences

City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation days according to contract or personnel policies. In the event of termination by retirement or death, an employee is paid for accumulated sick days according to contract or personnel policies.

17. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

The Internal Service Fund (Equipment Pool) records charges for services provided to various City departments and funds as operating revenue. All City funds record these payments as operating expenditures/expenses.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

18. Capital Assets

Capital assets are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental, business-type, and component unit activities columns, respectively. Capital assets are those with an initial individual cost of \$5,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	5 - 50 years
Equipment and furniture	3 - 50 years
Infrastructure - streets and bridges	10 - 30 years
Vehicles	5 - 15 years
Sewer system	20 - 50 years
Water system	10 - 50 years

19. Long-term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as noncurrent.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

20. Restricted Net Position

Restrictions of net position shown in the government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes.

21. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of financial position or balance sheet will, when applicable, report separate sections for deferred outflows of resources and deferred inflows of resources. *Deferred outflows of resources*, a separate financial statement element, represents a consumption of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. *Deferred inflows of resources*, a separate financial statement element, represents an acquisition of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

21. Deferred Outflows/Inflows of Resources - continued

The City has several items that qualify for reporting in these categories. These items correspond to the City's net pension asset and are related to differences between expected and actual experience, changes in assumptions, differences between projected and actual pension plan investment earnings, and contributions made subsequent to the measurement date. These amounts are deferred and recognized as an outflow or inflow of resources in the period to which they apply. The City has also recorded deferred inflows of resources in the fund financial statements. Governmental funds report unavailable revenues resulting from property taxes that have been levied on July 1 to support the current year's budget, and from intergovernmental revenue from the State of Michigan. Amounts not collected within sixty (60) days after year-end are considered unavailable revenue in the fund financial statements.

22. Unearned Revenue

The City reports unearned revenue in connection with resources that have been received, but not yet earned.

23. Net Pension Asset

The net pension asset is deemed to be a noncurrent asset and is recognized on the City's government-wide financial statements.

24. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

The City deposits consist of a common checking account and various savings, money market, checking, and pooled investment fund accounts maintained by individual funds and are reported as cash, cash equivalents, and investments in the financial statements.

In accordance with Michigan Compiled Laws, the City is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers' acceptances of United States banks.

City of Albion

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

- f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Deposits

As of December 31, 2015, the carrying amounts and bank balances for each type of bank account are as follows:

<u>ACCOUNT TYPE</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
PRIMARY GOVERNMENT		
Checking and savings	\$ 3,838,417	\$ 3,951,603
Certificates of deposit	<u>1,200,503</u>	<u>1,200,503</u>
Total Primary Government	5,038,920	5,152,106
FIDUCIARY FUNDS		
Checking	904,091	856,382
COMPONENT UNITS		
Checking and savings	319,302	319,302
Certificates of deposit	<u>328,403</u>	<u>328,403</u>
Total Component Units	<u>647,705</u>	<u>647,705</u>
TOTAL REPORTING ENTITY	<u><u>\$ 6,590,716</u></u>	<u><u>\$ 6,656,193</u></u>

The primary government and component units' cash and cash equivalents captions on the basic financial statements include \$377 and \$245, respectively, of imprest cash.

Deposits of the City are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the City. As of December 31, 2015, the City accounts were insured by the FDIC for \$1,720,289 and the amount of \$4,935,904 was uninsured and uncollateralized.

Investments

As of December 31, 2015, the carrying amounts and market values for each investment are as follows:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Weighted Average Maturity</u>
PRIMARY GOVERNMENT			
Federal National Mortgage Association	\$ 24,880	\$ 24,880	2.93 years
Municipal Investments	465,000	465,000	N/A
Federal Home Loan Mortgage Corp.	24,799	24,799	2.99 years
Federal Farm Credit Bureau	50,001	50,001	2.95 years
Michigan CLASS	315,489	315,489	N/A
International Bank Bonds	<u>61,941</u>	<u>61,941</u>	3.29 years
Total Primary Government	942,110	942,110	

City of Albion

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Investments - continued

<u>INVESTMENT TYPE - CONTINUED</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Weighted Average Maturity</u>
FIDUCIARY FUNDS			
Federal National Mortgage Association	\$ 35,137	\$ 35,137	17.64 years
Federal Home Loan Mortgage Corp.	1,048,462	1,048,462	8.07 years
Governmental National Mortgage Association	564,011	564,011	42.98 years
Michigan CLASS	25,813	25,813	N/A
U.S. Treasury Obligations	1,630,340	1,630,340	22.95 years
Corporate Bonds and Notes	5,994,029	5,994,029	10.40 years
Common Equity Securities	10,070,804	10,070,804	N/A
Fixed Income Mutual Funds	668,310	668,310	N/A
Uncategorized pooled investment funds	385,214	385,214	N/A
Total Fiduciary Funds	<u>20,422,120</u>	<u>20,422,120</u>	
TOTAL REPORTING ENTITY	<u>\$ 21,364,230</u>	<u>\$ 21,364,230</u>	

As of December 31, 2015, the credit ratings for the City of Albion's investments are as follows:

<u>Standard and Poor's Rating</u>	<u>Carrying Amount</u>	<u>Market Value</u>
PRIMARY GOVERNMENT		
AAA	\$ 377,430	\$ 377,430
AA+	99,680	99,680
Not Rated	<u>465,000</u>	<u>465,000</u>
Total Primary Government	942,110	942,110
FIDUCIARY FUNDS		
AAA	1,021,106	1,021,106
AA	2,001,368	2,001,368
A	2,940,785	2,940,785
BBB	4,737,932	4,737,932
BB	81,688	81,688
Not Rated	<u>9,639,241</u>	<u>9,639,241</u>
Total Fiduciary Funds	<u>20,422,120</u>	<u>20,422,120</u>
TOTAL REPORTING ENTITY	<u>\$ 21,364,230</u>	<u>\$ 21,364,230</u>

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of December 31, 2015, rating information on the City's investments is presented above.

City of Albion

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Interest rate risk

The City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the City's cash requirements.

Concentration of credit risk

The City will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the City's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk

The City will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities authorized by the Council and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the City will do business in accordance with Council approved policy.

The cash, cash equivalents, and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the basic financial statements, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of December 31, 2015:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 3,984,128	\$ 319,547	\$ 1,314,601	\$ 5,618,276
Cash and cash equivalents - restricted	61,990	-	-	61,990
Investments - current	1,535,807	328,403	20,011,610	21,875,820
Investments - noncurrent	399,482	-	-	399,482
	<u>\$ 5,981,407</u>	<u>\$ 647,950</u>	<u>\$ 21,326,211</u>	<u>\$ 27,955,568</u>

NOTE C: CASH AND CASH EQUIVALENTS - RESTRICTED

The following summarizes the restricted cash and cash equivalents as of December 31, 2015:

	<u>Bond Reserve</u>
Enterprise Funds	<u>\$ 61,990</u>

City of Albion

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE D: INTERFUND RECEIVABLES AND PAYABLES

The following schedule details primary government and component unit interfund receivables and payables at December 31, 2015:

PRIMARY GOVERNMENT	
Due to Water Fund from:	
Solid Waste Fund	<u>\$ 120,000</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

NOTE E: INTERFUND TRANSFERS

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds and business-type funds have been eliminated.

Transfers to General Fund from:	
Nonmajor governmental funds	<u>\$ 22,000</u>
Transfers to nonmajor governmental funds from:	
General Fund	\$ 53,377
Albion Trust Fund	150,000
Solid Waste Fund	6,500
Sidewalk Program Fund	14,125
Nonmajor governmental funds	171,284
Sewer Fund	152,500
Water Fund	11,739
Internal Service Fund	<u>18,265</u>
	<u>\$ 577,790</u>
Transfers to MDOT Street Reconstruction Fund from:	
Nonmajor governmental funds	<u>\$ 232,771</u>

Transfers are used to: (1) fund current operations; (2) cover bond and other debt payments.

City of Albion

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE F: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015, was as follows:

PRIMARY GOVERNMENT

	Restated Balance Jan. 1, 2015	Additions	Deletions	Balance Dec. 31, 2015
Governmental activities				
Capital assets not being depreciated				
Land	\$ 457,705	\$ -	\$ -	\$ 457,705
Construction in progress	47,761	284,456	-	332,217
Subtotal	505,466	284,456	-0-	789,922
Capital assets being depreciated				
Buildings and improvements	6,402,597	-	-	6,402,597
Infrastructure	5,430,128	790,416	-	6,220,544
Equipment and furniture	1,030,965	-	-	1,030,965
Vehicles	2,615,834	74,193	-	2,690,027
Subtotal	15,479,524	864,609	-0-	16,344,133
Less accumulated depreciation for:				
Buildings and improvements	(2,114,743)	(165,847)	-	(2,280,590)
Infrastructure	(1,477,747)	(240,683)	-	(1,718,430)
Equipment and furniture	(941,693)	(17,838)	-	(959,531)
Vehicles	(1,469,492)	(130,288)	-	(1,599,780)
Subtotal	(6,003,675)	(554,656)	-0-	(6,558,331)
Net capital assets being depreciated	9,475,849	309,953	-0-	9,785,802
Capital assets, net	<u>\$ 9,981,315</u>	<u>\$ 594,409</u>	<u>\$ -0-</u>	<u>\$ 10,575,724</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 45,852
Public safety	180,582
Public works	243,018
Community and economic development	83,604
Recreation and cultural	1,600
	<u>1,600</u>
Total depreciation expense	<u>\$ 554,656</u>

City of Albion

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE F: CAPITAL ASSETS - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

	Balance Jan. 1, 2015	Additions	Deletions	Balance Dec. 31, 2015
Business-type activities				
Capital assets not being depreciated				
Land	\$ 93,700	\$ -	\$ -	\$ 93,700
Capital assets being depreciated				
Buildings and improvements	11,222,852	-	-	11,222,852
Equipment	1,043,619	5,700	-	1,049,319
Water system	4,551,609	22,971	-	4,574,580
Sewer system	2,255,491	25,604	-	2,281,095
Vehicles	461,515	-	-	461,515
Subtotal	19,535,086	54,275	-0-	19,589,361
Less accumulated depreciation for:				
Buildings and improvements	(5,871,926)	(270,943)	-	(6,142,869)
Equipment	(949,929)	(18,518)	-	(968,447)
Water system	(2,714,559)	(109,450)	-	(2,824,009)
Sewer system	(787,982)	(39,579)	-	(827,561)
Vehicles	(407,836)	(10,844)	-	(418,680)
Subtotal	(10,732,232)	(449,334)	-0-	(11,181,566)
Net capital assets being depreciated	8,802,854	(395,059)	-0-	8,407,795
Capital assets, net	<u>\$ 8,896,554</u>	<u>\$ (395,059)</u>	<u>\$ -0-</u>	<u>\$ 8,501,495</u>

Depreciation expense was charged to the following business-type activities:

Sewer	\$ 236,620
Water	212,714
Total depreciation expense	<u>\$ 449,334</u>

City of Albion

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE F: CAPITAL ASSETS - CONTINUED

COMPONENT UNITS

	Restated Balance Jan. 1, 2015	Additions	Deletions	Balance Dec. 31, 2015
Component unit - EDC				
Capital assets not being depreciated				
Land	\$ 26,655	\$ -	\$ -	\$ 26,655
Capital assets being depreciated				
Buildings	20,000	-	-	20,000
Less accumulated depreciation for:				
Buildings	(8,800)	(800)	-	(9,600)
Net capital assets being depreciated	<u>11,200</u>	<u>(800)</u>	<u>-0-</u>	<u>10,400</u>
Capital assets, net	<u>\$ 37,855</u>	<u>\$ (800)</u>	<u>\$ -0-</u>	<u>\$ 37,055</u>
Component unit - DDA				
Capital assets being depreciated				
Buildings	\$ 61,588	\$ -	\$ -	\$ 61,588
Infrastructure	557,494	-	-	557,494
Subtotal	619,082	-0-	-0-	619,082
Less accumulated depreciation for:				
Buildings	(61,588)	-	-	(61,588)
Infrastructure	(445,995)	(55,749)	-	(501,744)
Subtotal	<u>(507,583)</u>	<u>(55,749)</u>	<u>-0-</u>	<u>(563,332)</u>
Capital assets, net	<u>\$ 111,499</u>	<u>\$ (55,749)</u>	<u>\$ -0-</u>	<u>\$ 55,750</u>
Component unit - TIFA				
Capital assets not being depreciated				
Land	<u>\$ 160,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 160,000</u>
Component unit - Housing Commission				
Capital assets not being depreciated	\$ 19,144	\$ -	\$ -	\$ 19,144
Capital assets being depreciated	14,386,715	299,354	(14,768)	14,671,301
Less accumulated depreciation:	<u>(10,640,679)</u>	<u>(348,082)</u>	<u>13,786</u>	<u>(10,974,975)</u>
Net capital assets being depreciated	<u>3,746,036</u>	<u>(48,728)</u>	<u>(982)</u>	<u>3,696,326</u>
Capital assets, net	<u>\$ 3,765,180</u>	<u>\$ (48,728)</u>	<u>\$ (982)</u>	<u>\$ 3,715,470</u>

City of Albion

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE G: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the City for the year ended December 31, 2015.

	Balance Jan. 1, 2015	Additions	Reductions	Balance Dec. 31, 2015	Amounts Due Within One Year
PRIMARY GOVERNMENT					
Governmental activities					
2010 General Obligation Bonds	\$ 1,525,000	\$ -	\$ (120,000)	\$ 1,405,000	\$ 125,000
2013 Refunding Bonds	400,000	-	(130,000)	270,000	130,000
Installment purchase agreement	18,284	-	(18,284)	-0-	-
EPA landfill liability	85,871	-	(5,482)	80,389	5,124
Building Authority bonds	900,000	-	(80,000)	820,000	85,000
Land contracts	126,015	-	(27,886)	98,129	12,056
Compensated absences	252,680	181,306	(147,169)	286,817	116,005
	<u>3,307,850</u>	<u>181,306</u>	<u>(528,821)</u>	<u>2,960,335</u>	<u>473,185</u>
Business-type activities					
2013 Revenue Refunding Bonds	445,000	-	(145,000)	300,000	145,000
Compensated absences	107,972	56,201	(49,554)	114,619	36,658
	<u>552,972</u>	<u>56,201</u>	<u>(194,554)</u>	<u>414,619</u>	<u>181,658</u>
TOTAL PRIMARY GOVERNMENT	3,860,822	237,507	(723,375)	3,374,954	654,843
COMPONENT UNITS					
Economic Development Corporation					
ABA loan	32,089	-	(3,877)	28,212	4,070
Tax Increment Finance Authority					
Compensated absences	19,451	15,327	(10,225)	24,553	9,472
Albion Housing Commission					
Compensated absences	61,579	13,650	(7,384)	67,845	7,538
TOTAL COMPONENT UNITS	113,119	28,977	(21,486)	120,610	21,080
TOTAL REPORTING ENTITY	\$ 3,973,941	\$ 266,484	\$ (744,861)	\$ 3,495,564	\$ 675,923

Significant details regarding outstanding long-term debt (including current portion) are presented below:

PRIMARY GOVERNMENT

2010 General Obligation Limited Tax Bonds Payable

\$2,000,000 General Obligation Limited Tax Bonds Series 2010 dated December 9, 2010, due in annual installments ranging from \$125,000 to \$165,000 through October 1, 2025, with interest ranging from 3.00 to 4.63 percent, payable semi-annually.

\$ 1,405,000

City of Albion

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE G: LONG-TERM DEBT - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

EPA Landfill Liability

The City is liable for half the operations and maintenance costs for the landfill cleanup, with annual installments ranging from \$2,040 to \$40,567 through 2028.

\$ 80,389

2013 General Obligation Unlimited Tax Refunding Bonds Payable

\$640,000 General Obligation Unlimited Tax Refunding Bonds Series 2013 dated February 5, 2013, due in annual installments ranging from \$130,000 to \$140,000 through October 1, 2017, with interest of 2.08 percent, payable semi-annually.

\$ 270,000

2013 Revenue Refunding Bonds

\$620,000 Revenue Bonds dated February 5, 2013, due in annual installments ranging from \$145,000 to \$155,000 through October 1, 2017, with interest of 2.08 percent, payable semi-annually.

\$ 300,000

Land Contracts

\$207,000 Land contract dated June 30, 2006, due in annual installments ranging from \$5,750 to \$14,396 through July 1, 2023, with interest at 3.0 percent, payable annually.

\$ 98,129

Building Authority Bonds

\$700,000 Building Authority Bonds dated January 15, 2009, due in annual installments ranging from \$30,000 to \$65,000 through October 1, 2028, with interest ranging from 4.75 to 6.25 percent, payable semi-annually.

\$ 590,000

\$500,000 Building Authority Bonds dated July 17, 2009, due in annual installments ranging from \$55,000 to \$60,000 through April 1, 2019, with interest ranging from 4.5 to 5.0 percent, payable semi-annually.

230,000

\$ 820,000

Advance Refunding - Prior

On February 5, 2013, the City defeased the 1997 General Obligation Bonds which are due and payable October 1, 2014 through October 1, 2017. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The City issued General Obligation 2013 Refunding Bonds in the amount of \$640,000 to provide resources to fund the escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. At December 31, 2015, bonds due and payable October 1, 2016 through October 1, 2017 for the 1997 General Obligation Bonds in the amount of \$270,000 are considered defeased.

City of Albion

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE G: LONG-TERM DEBT - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

Advance Refunding - Prior - continued

On February 5, 2013, the City defeased the 1997 Water Supply and Sewage Disposal System Revenue Bonds which are due and payable October 1, 2014 through October 1, 2017. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The City issued 2013 Water Supply and Sewage Disposal System Revenue Refunding Bonds in the amount of \$620,000 to provide resources to fund the escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. At December 31, 2015, bonds due and payable October 1, 2016 through October 1, 2017 for the 1997 Water Supply and Sewage Disposal System Revenue Bonds in the amount of \$300,000 are considered defeased.

Compensated Absences

Individual employees have vested rights upon termination of employment to receive payments for unused sick and vacation. The dollar amounts of these vested rights include related payroll taxes, which have been accrued on the government-wide financial statements. The total liability amounted to \$493,834 at December 31, 2015. Of this amount, \$286,817, \$114,619, and \$92,398 are shown as accrued liabilities within the governmental activities, business-type activities, and component units, respectively, in accordance with criteria disclosed in Note A.

COMPONENT UNITS - DISCRETELY PRESENTED

ABA Loan

\$57,246 Albion Building Authority Loan to the Economic Development Corporation dated May 23, 2007, due in annual installments ranging from \$4,070 to \$5,720 through January 10, 2021, with interest at 5.0 percent, payable annually. \$ 28,212

The annual requirements to pay the debt principal and interest outstanding for the Bonds and other obligations are as follows:

PRIMARY GOVERNMENT

Year Ending December 31,	2010 General Obligation Limited Tax Bonds		2013 Refunding Bonds	
	Principal	Interest	Principal	Interest
2016	\$ 125,000	\$ 58,600	\$ 130,000	\$ 5,616
2017	125,000	54,850	140,000	2,912
2018	130,000	49,850	-	-
2019	135,000	44,650	-	-
2020	135,000	39,250	-	-
2021-2025	755,000	105,919	-	-
	<u>\$ 1,405,000</u>	<u>\$ 353,119</u>	<u>\$ 270,000</u>	<u>\$ 8,528</u>

City of Albion

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE G: LONG-TERM DEBT - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

Year Ending December 31,	Revenue Bonds			
	Principal		Interest	
2016	\$	145,000	\$	6,240
2017		155,000		3,224
	\$	300,000	\$	9,464

Year Ending December 31,	EPA Landfill Liability		Land Contracts	
	Principal	Interest	Principal	Interest
2016	\$ 5,124	\$ 2,562	\$ 12,056	\$ 2,944
2017	4,789	2,394	12,418	2,582
2018	5,057	2,528	12,790	2,210
2019	3,505	1,753	13,174	1,826
2020	3,276	1,638	13,569	1,431
2021-2025	13,847	6,923	34,122	1,801
2026-2028	44,791	22,395	-	-
	\$ 80,389	\$ 40,193	\$ 98,129	\$ 12,794

Year Ending December 31,	Building Authority Bonds	
	Principal	Interest
2016	\$ 85,000	\$ 43,990
2017	90,000	40,090
2018	95,000	35,603
2019	95,000	30,678
2020	40,000	27,253
2021-2025	235,000	100,125
2026-2028	180,000	23,098
	\$ 820,000	\$ 300,837

COMPONENT UNITS

Year Ending December 31,	ABA Loan	
	Principal	Interest
2016	\$ 4,070	\$ 1,411
2017	4,274	1,207
2018	4,488	993
2019	4,712	769
2020	4,948	533
2021	5,720	286
	\$ 28,212	\$ 5,199

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE H: RETIREMENT PLANS

PRIMARY GOVERNMENT (EXCEPT PUBLIC SAFETY) AND HOUSING COMMISSION

Plan Description

The City participates in the Michigan Municipal Employees Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all eligible full-time employees (other than public safety employees) of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by the City Council and by negotiation with the City's collective bargaining units. The plan requires no contribution from the employees.

Summary of Significant Accounting Policies

For the purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For this purposes, 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.

Benefits Provided

Benefits provided include plans with multipliers ranging from 1.50% to 2.25%.

Vesting period of 6 to 10 years.

Normal retirement age is 60 with early retirement at 55 with 25 years of service or reduced early retirement at 50 with 25 years of service or 55 with 15 years of service.

Final average compensation is calculated based on 5 years. Member contributions are not required.

At the December 31, 2014, valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	108
Inactive employees entitled to but not yet receiving benefits	17
Active employees	<u>27</u>
Total employees covered by MERS	<u><u>152</u></u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE H: RETIREMENT PLANS - CONTINUED

PRIMARY GOVERNMENT (EXCEPT PUBLIC SAFETY) AND HOUSING COMMISSION - CONTINUED

Contributions

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

Employer contributions range from 3.79% to 11.10% based on annual payroll for open divisions.

Net Pension (Asset)

The employer's Net Pension (Asset) was measured as of December 31, 2014, and the total pension liability used to calculate the Net Pension (Asset) was determined by an annual actuarial valuation as of that date. Changes in the net pension asset during the measurement year were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balances at December 31, 2013	\$ 12,923,455	\$ 13,952,956	\$ (1,029,501)
Service Cost	111,241	-	111,241
Interest on Total Pension Liability	1,027,804	-	1,027,804
Employer contributions	-	29,258	(29,258)
Net investment income	-	863,867	(863,867)
Benefit payments, including employee refunds	(1,041,700)	(1,041,700)	-0-
Administrative expense	-	(31,504)	31,504
Other changes	(3)	-	(3)
Net changes	<u>97,342</u>	<u>(180,079)</u>	<u>277,421</u>
Balances as of December 31, 2014	<u>\$ 13,020,797</u>	<u>\$ 13,772,877</u>	<u>\$ (752,080)</u>

City of Albion

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE H: RETIREMENT PLANS - CONTINUED

PRIMARY GOVERNMENT (EXCEPT PUBLIC SAFETY) AND HOUSING COMMISSION - CONTINUED

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

For the year ended December 31, 2015, the employer recognized pension expense of \$111,328. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 195,351
Contributions subsequent to the measurement date*	<u>33,038</u>
Total	<u>\$ 228,389</u>

* The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as an addition in the Net Pension (Asset) for the year ended December 31, 2015.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of the employer contributions to the plan made subsequent to the measurement date (\$33,038), which will impact the net pension asset in fiscal year 2016, rather than pension expense.

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

<u>Year Ending December 31,</u>	<u>Pension Expense</u>
2016	\$ 48,838
2017	48,838
2018	48,838
2019	48,837

Actuarial Assumptions

The total pension liability in the December 31, 2014, annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 3%-4%

Salary increases: 4.5% in the long-term (1%, 2%, and 3% for calendar years 2014, 2015, and 2016, respectively).

Investment rate of return: 8.0%, net of investment expenses, including inflation.

Although no specific price inflation assumptions are needed for the valuation, the 4.5% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE H: RETIREMENT PLANS - CONTINUED

PRIMARY GOVERNMENT (EXCEPT PUBLIC SAFETY) AND HOUSING COMMISSION - CONTINUED

Actuarial Assumptions - continued

Mortality rates used were based on the 1994 Group Annuity Mortality Table of a 50% Male and 50% Female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study in 2008.

Discount Rate

The discount rate used to measure the total pension liability is 8.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers.

Projected Cash Flows

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

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	57.50%	5.02%
Global Fixed Income	20.0%	2.18%
Real Assets	12.5%	4.23%
Diversifying Strategies	10.0%	6.56%

Sensitivity of the Net Position Liability (Asset) to Changes in the Discount Rate

The following presents the Net Pension Liability (Asset) of the employer, calculated using the discount rates 8.25%, as well as what the employer's Net Position Liability (Asset) would be using a discount rate that is 1% lower (7.25%) or 1% higher (9.25%) than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net pension liability (asset)	<u>\$ 453,585</u>	<u>\$ (752,080)</u>	<u>\$ (1,793,031)</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE H: RETIREMENT PLANS - CONTINUED

PUBLIC SAFETY

Plan Description

The City participates in the Public Safety Officers' Pension Fund, a single-employer defined benefit pension plan that covers all eligible full-time public safety employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Public Safety Officers' Pension Fund does not issue a stand-alone financial report.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by the City Council and by negotiation with the City's collective bargaining units. The plan requires a 2% contribution from the employees.

Benefits Provided

Straight life pension equals 2.65% of average final compensation (AFC) times all years of service. AFC is computed on the highest consecutive 36 months of the last 60 months.

Eligibility for retirement is effective after 25 or more years of service or age 60 regardless of service.

At the December 31, 2015 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	31
Inactive employees entitled to but not yet receiving benefits	1
Active employees	<u>18</u>
Total employees covered by MERS	<u><u>50</u></u>

Deferred Retirement

Members are eligible for benefits with 10 years of service. Benefits are computed as service retirement but based upon service, AFC and benefit provisions in effect at termination. Benefit begins at date retirement would have occurred had member remained in employment.

Duty Disability

No age or service requirement for eligibility. Payable upon the total and permanent disability of a member in the line of duty. If disability occurs prior to the age of 55, benefit is 50% of AFC. At age 55, benefit is same as Service Retirement Pension with service credit from date of disability until age 55.

Non-duty Disability

Payable upon the total and permanent disability of a member with 5 or more years of service. Retirement benefits are calculated as regular retirement.

Duty Death before Retirement

No age of service requirement for eligibility. Upon termination of worker's compensation, a benefit equal to the worker's compensation amount shall be paid to the spouse, unmarried children under 18 and dependent parents.

City of Albion

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE H: RETIREMENT PLANS - CONTINUED

PUBLIC SAFETY - CONTINUED

Non-duty Death before Retirement

Members are eligible for benefits with 20 years of service. Retirement benefits are calculated as regular retirement but actuarially reduced in accordance with a 100% joint and survivor election.

Contributions

Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the System's Board of Trustees retains an independent actuary to determine the annual contribution. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The actuarially recommended employer contribution rate for the year ended December 31, 2015, was 0.00% of annual payroll.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balances at December 31, 2014	\$ 12,838,775	\$ 21,672,827	\$ (8,834,052)
Service Cost	310,957	-	310,957
Interest on Total Pension Liability	759,667	-	759,667
Difference between expected and actual experience	(362,571)	-	(362,571)
Changes in assumptions	265,250	-	265,250
Employee contributions	-	39,001	(39,001)
Net investment income	-	(522,893)	522,893
Benefit payments, including employee refunds	(666,290)	(666,290)	-0-
Net changes	307,013	(1,150,182)	1,457,195
Balances at December 31, 2015	<u>\$ 13,145,788</u>	<u>\$ 20,522,645</u>	<u>\$ (7,376,857)</u>

Actuarial Assumptions

The total pension liability was determined based on the annual actuarial valuation as of December 31, 2015. The following actuarial assumptions were applied to compute the total pension liability:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	15 years
Asset valuation method	5 years smoothed market
Inflation	4.00%
Salary increases	8.0%-4.0%, includes inflation
Cost of Living Adjustments	None
Investment rate of return	6.0%, net of pension plan investment expense, including inflation
Mortality rates	RP 2000 Combined Healthy Mortality Table

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE H: RETIREMENT PLANS - CONTINUED

PUBLIC SAFETY - CONTINUED

Discount Rate

The discount rate used to measure the total pension liability was 6.0%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that City Contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the 6.0% discount rate is the single rate of return that, when applied to all projected benefit payments, results in an actuarial present value of projected benefit payments equal to the total of the actuarial present values determined in conformity with GASB Statement 67/68.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. For each major asset class that is included in the pension plan's target asset allocation as of December 31, 2015, these best estimates are summarized in the following table.

<u>Asset Allocation</u>	
<u>Asset Class</u>	<u>Target Allocation</u>
Cash	5.00%
High Yield and Bank Loans	5.00%
Stocks	60.00%
Bonds	30.00%
Total	<u>100.00%</u>

Sensitivity of the Net Pension (Asset) to Changes in the Discount Rate

The following presents the City's net pension (asset), calculated using the discount rate of 6.0%, as well as what the City's net pension (asset) would be if it were calculated using a discount rate that is 1% lower (5.0%) or 1% higher (7.0%) than the current rate:

	<u>1% Decrease Rate 5.0%</u>	<u>Current Discount Rate 6.0%</u>	<u>1% Increase Rate 7.0%</u>
City's net pension (asset)	<u>\$ (5,744,907)</u>	<u>\$ (7,376,857)</u>	<u>\$ (8,739,014)</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE H: RETIREMENT PLANS - CONTINUED

PUBLIC SAFETY - CONTINUED

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

For the year ended December 31, 2015, the employer recognized pension expenses of \$83,155. The employer reported deferred outflows and inflows of resources relate to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 1,443,555	\$ -
Change in assumptions	189,464	-
Difference between expected and actual expenditures	<u>-</u>	<u>258,979</u>
Total changes in assumptions	<u>\$ 1,633,019</u>	<u>\$ 258,979</u>

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

<u>Year Ending December 31,</u>	<u>Pension Expense</u>
2016	\$ 333,083
2017	333,083
2018	346,986
2019	360,888

NOTE I: RISK MANAGEMENT

The City participates in a pool, the Michigan Municipal League Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The City has not been informed of any special assessments being required.

The City also participates in a State pool, the Michigan Municipal League Liability and Property Pool, with other municipalities for property, liability, bonding, and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The City has not been informed of any special assessments being required.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE J: OTHER POST-EMPLOYMENT HEALTH CARE BENEFITS (OPEB)

In addition to providing pension benefits, the City provides certain health care benefits to all full-time employees upon retirement in accordance with labor contracts and not participants in the Retiree Health Savings Plan. General employees may become eligible for employer financed health coverage under MERS if they reach the normal retirement age of 55 with at least 10 years of service while working for the City and a Medicare supplement payment payable beginning at Medicare eligibility age is based on years of service. Public Safety employees may become eligible for employer financed health coverage at retirement with 25 or more years of service.

The plan does not issue a separate stand-alone financial statement.

Funding Policy

The City has no obligation to make contributions in advance of when the insurance premiums are due for payment (i.e., may be financed on a “pay-as-you-go” basis). The only current contributions being made are to pay the actual current premiums of the retirees. That amount was less than the annual required contribution and is reflected in the schedule that follows. Administrative costs of the plan are paid for by the City.

Funding Progress

For the year ended December 31, 2015, the City has determined an estimated cost of providing retiree post-employment benefits through an actuarial valuation as of December 31, 2014. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to cover the amortization of any unfunded actuarial liabilities from the past, over a period not to exceed 30 years.

The City’s computed contribution and actual funding is summarized as follows:

Annual required contribution (ARC)	\$ 39,966
Interest on net OPEB Obligation	4,349
Adjustment to annual required contribution	<u>(3,284)</u>
Annual OPEB cost (expense)	41,031
Amounts contributed:	
Payments of current premiums	<u>28,098</u>
Increase in Net OPEB obligation	12,933
OPEB obligation - Beginning of year	<u>72,484</u>
OPEB obligation - End of year	<u><u>\$ 85,417</u></u>

The annual OPEB cost, the percentage contributed to the plan, and the net OPEB obligation for the years ended December 31, were as follows:

	<u>2013</u>	<u>2014</u>	<u>2015</u>
Annual OPEB cost	\$ 45,036	\$ 40,905	\$ 41,031
Percentage contributed	60 %	68 %	68 %
Net OPEB obligation	59,389	72,484	85,417

City of Albion

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE J: OTHER POST-EMPLOYMENT HEALTH CARE BENEFITS (OPEB) - CONTINUED

Funding Progress - continued

The current funding progress of the plan as of December 31, 2014, the most recent valuation date, is as follows:

Actuarial value of assets	\$	54,932
Actuarial accrued liability (AAL)		497,517
Unfunded AAL (UAAL)		442,585
Funded ratio		11 %

NOTE K: CONSTRUCTION CODE FEES

The City oversees building construction, in accordance with the State's construction code act; including inspection of building construction and renovation ensure compliance with the building codes. The City charges fees for these services. Beginning January 1, 2000, the law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the activity since January 1, 2000, is as follows:

Deficit at December 31, 2014	\$	(504,423)
Construction code revenue		89,917
Related expenditures - Direct costs		<u>(82,924)</u>
Deficit at December 31, 2015	\$	<u>(497,430)</u>

NOTE L: CONTINGENCIES

The Environmental Protection Agency (EPA) has identified the City as one of the potentially responsible parties for the contamination of a landfill used by the City and has named the City in an action filed in 1997 seeking to recover the EPA's past service costs and oversight costs. The parties negotiated settlement calling for the City to make certain settlement payments and conduct operations and maintenance work jointly with another party. On July 1, 2004, the City made its final installment payment to the EPA. The land operation and maintenance work continues at the site. The Michigan Department of Environmental Quality (MDEQ) is also seeking to recover response costs in a related but separate claim filed in March 1999. There have been no recent communications to the City or judicial enforcement of this claim against the City by MDEQ. Sufficient information is not available at this time for the City's legal counsel to form a judgment with respect to the merits, if any, of this claim or the amount or likelihood of potential loss to the City which might result from this claim.

In November 1997, the MDEQ also notified the City that another property within the City had been identified as a site of alleged environmental contamination and that the City is the alleged responsible owner of this site.

There have been no recent communications to the City or judicial enforcement of this claim against the City by MDEQ. Sufficient information is not available at this time for the City's legal counsel to form a judgment with respect to the merits, if any, of this claim or the amount or likelihood of potential loss to the City which might result from this claim.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE L: CONTINGENCIES - CONTINUED

In addition, the City has informed the Michigan Department of Environmental Quality (MDEQ) of two (2) leaking underground storage tanks that were in the City's possession. The City has removed the underground storage tanks and taken action to limit further contamination caused by the underground storage tanks. Semi-Annual Groundwater Monitoring Reports are submitted to the MDEQ and a Closure Request is currently pending before the MDEQ for one (1) of the sites. Sufficient information is not available at this time to determine the amount of potential losses, if any, to the City which might result from these matters.

There are various other legal actions pending against the City. Due to the inconclusive nature of many of the actions, it is not possible for legal counsel to determine the probable outcome or a reasonable estimate of the City's potential liability, if any. Those various other legal actions for which a reasonable estimate can be determined of the City's potential liability and that would not be covered by insurance and reserves, if any, are considered by City management and legal counsel to be immaterial.

NOTE M: DETAILS OF FUND BALANCE CLASSIFICATIONS

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following are the five (5) fund balance classifications under this standard.

Nonspendable - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

Restricted - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

Committed - amounts constrained on use imposed by formal action of the government's highest level of decision making authority (i.e., Board, Council, etc.).

Assigned - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

Unassigned - all other resources; the remaining fund balance after nonspendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

Fund Balance Classification Policies and Procedures

For committed fund balance, the City's highest level of decision-making authority is the City Council. Formal action that is required to be taken to establish a fund balance commitment is a resolution of the City Council.

For assigned fund balance, the City has not approved a policy indicating who is authorized to assign amounts to a specific purpose. As a result, this authority is retained with the City Council.

The City has not adopted a policy that defines the order of usage for fund balance amounts classified as restricted, committed, assigned, or unassigned, therefore restricted resources will be used first, then unrestricted resources if they are needed.

City of Albion

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE M: DETAILS OF FUND BALANCE CLASSIFICATIONS - CONTINUED

	General Fund	Albion Trust	Solid Waste	Sidewalk Program	MDOT Street Reconstruction	Nonmajor Governmental Funds	Total
Fund Balances							
Nonspendable:							
Prepays	\$ 226,782	\$ -	\$ -	\$ -	\$ -	\$ 14,904	\$ 241,686
Inventory	-	-	-	14,400	-	13,979	28,379
Long-term receivable	-	-	-	-	-	426,851	426,851
Perpetual Care	-	-	-	-	-	215,000	215,000
Restricted for:							
Streets and highways	-	-	-	-	141,105	720,405	861,510
Sidewalks	-	-	-	252,064	-	-	252,064
Community enrichment	-	1,086,150	-	-	-	942,513	2,028,663
Solid Waste	-	-	39,214	-	-	-	39,214
Law enforcement	-	-	-	-	-	74,262	74,262
Debt service	-	-	-	-	-	89,711	89,711
Perpetual Care	-	-	-	-	-	42,691	42,691
Assigned to:							
Communications	41,345	-	-	-	-	-	41,345
Unassigned:	894,130	-	-	-	-	-	894,130
TOTAL FUND BALANCES	\$ 1,162,257	\$ 1,086,150	\$ 39,214	\$ 266,464	\$ 141,105	\$ 2,540,316	\$ 5,235,506

NOTE N: UPCOMING ACCOUNTING PRONOUNCEMENTS

In March 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The City is currently evaluating the impact this standard will have on the financial statements when adopted for the 2016 fiscal year.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The statement establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2017 fiscal year.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The statement will establish accounting and financial reporting requirements related to other postemployment benefit plans and specify the required approach to measuring the OPEB liability of employers. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The City is currently evaluating the impact this standard will have on the financial statements when adopted. This statement will be effective for the City's 2017 fiscal year.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Statement requires governments providing other postemployment benefits (OPEB) to recognize their unfunded OPEB obligations as a liability for the first time, and to more comprehensibly and comparably measure the annual costs of OPEB benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2018 fiscal year.

City of Albion

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE N: UPCOMING ACCOUNTING PRONOUNCEMENTS - CONTINUED

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. The statement improves financial reporting through the disclosure of information about the nature and magnitude of tax abatements that are not consistently or comprehensively reported to the public at present. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the City's 2016 fiscal year.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units*. This statement improves financial reporting by clarifying the financial statement presentation requirements component units. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the City's 2017 fiscal year.

NOTE O: CHANGES IN ACCOUNTING PRINCIPLES

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, was implemented during the year. The statement requires governments providing defined benefit pensions to recognize their unfunded (funded) pension benefit obligation as a liability (asset) for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI).

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*, was implemented during the year as it is required to be applied simultaneously with the provisions of GASB Statement No. 68. The statement addresses the issue regarding the application of the transition provisions of GASB Statement No. 68 and amends paragraph 137 of GASB Statement No. 68 and requires that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability (asset).

NOTE P: RESTATEMENT OF NET POSITION

Beginning net position has been restated for governmental activities due to a change in accounting principles and an understatement of capital assets. Beginning net position has been restated for component unit activities, Economic Development Corporation, Downtown Development Authority, and Albion Housing Commission due to a change in accounting principles and an overstatement of capital assets.

	Governmental Activities	Component Units	Economic Development Corporation	Downtown Development Authority	Albion Housing Commission
Beginning net position	\$ 10,696,271	\$ 4,658,026	\$ 42,032	\$ 188,526	\$ 4,196,221
Capital assets	786,074	(32,139)	(4,262)	(27,877)	-
Deferred outflows of contributions	-	28,354	-	-	28,354
Net pension (liability) asset	10,061,871	(198,318)	-	-	(198,318)
Restated beginning net position	<u>\$ 21,544,216</u>	<u>\$ 4,455,923</u>	<u>\$ 37,770</u>	<u>\$ 160,649</u>	<u>\$ 4,026,257</u>

REQUIRED SUPPLEMENTARY INFORMATION

City of Albion

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Property taxes	\$ 962,500	\$ 901,000	\$ 936,201	\$ 35,201
Income taxes	1,002,500	975,000	925,010	(49,990)
Payments in lieu of taxes	5,000	8,000	8,103	103
Penalties and interest	22,500	24,000	30,948	6,948
Administration fees	52,000	47,500	55,914	8,414
Total taxes	2,044,500	1,955,500	1,956,176	676
Licenses and permits	107,100	143,555	155,149	11,594
Intergovernmental				
Federal/State	1,067,500	1,091,500	1,069,896	(21,604)
Local	-	64,100	66,101	2,001
Total intergovernmental	1,067,500	1,155,600	1,135,997	(19,603)
Charges for services				
Cemetery	36,000	36,000	41,975	5,975
Other fees	224,175	199,045	211,780	12,735
Total charges for services	260,175	235,045	253,755	18,710
Fines and forfeits	34,000	34,000	26,618	(7,382)
Interest and rents	6,100	6,100	6,553	453
Other				
Reimbursements	74,500	102,903	89,951	(12,952)
Other	14,055	10,450	21,342	10,892
Total other	88,555	113,353	111,293	(2,060)
TOTAL REVENUES	3,607,930	3,643,153	3,645,541	2,388

City of Albion

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended December 31, 2015

EXPENDITURES	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Current				
General government				
City Council	\$ 34,045	\$ 35,129	\$ 32,243	\$ 2,886
City Manager	74,096	77,231	73,979	3,252
Human resources	34,991	36,720	35,176	1,544
Assessor	50,600	50,570	49,510	1,060
Attorney	96,430	119,500	115,964	3,536
Clerk	103,871	92,636	90,394	2,242
Treasurer	256,949	255,150	225,291	29,859
Municipal building	76,341	73,461	62,364	11,097
Cemetery	160,655	149,888	151,712	(1,824)
Other	61,500	47,600	46,447	1,153
Total general government	949,478	937,885	883,080	54,805
Public safety				
Police and fire	1,875,442	1,877,314	1,847,382	29,932
Code enforcement	164,238	182,962	183,672	(710)
Total public safety	2,039,680	2,060,276	2,031,054	29,222
Public works				
Engineering	9,755	6,488	5,495	993
Highways and streets	227,690	211,660	220,466	(8,806)
Tree trimming	13,460	12,728	10,424	2,304
Total public works	250,905	230,876	236,385	(5,509)
Health and welfare				
Environmental expenditures	15,000	15,000	7,445	7,555
Recreation and cultural				
Parks	179,405	251,645	252,854	(1,209)
Other	105,000	110,960	114,432	(3,472)
TOTAL EXPENDITURES	3,539,468	3,606,642	3,525,250	81,392
EXCESS OF REVENUES OVER EXPENDITURES	68,462	36,511	120,291	83,780

City of Albion

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended December 31, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 22,000	\$ 22,000	\$ 22,000	\$ -0-
Transfers out	(54,142)	(54,142)	(53,377)	765
TOTAL OTHER FINANCING SOURCES (USES)	(32,142)	(32,142)	(31,377)	765
NET CHANGE IN FUND BALANCE	36,320	4,369	88,914	84,545
Fund balance, beginning of year	1,073,343	1,073,343	1,073,343	-0-
Fund balance, end of year	<u>\$ 1,109,663</u>	<u>\$ 1,077,712</u>	<u>\$ 1,162,257</u>	<u>\$ 84,545</u>

City of Albion

Albion Trust Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$ 75,000	\$ 33,500	\$ 34,112	\$ 612
EXPENDITURES				
Current				
Community and economic development	100,000	15,000	10	14,990
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(25,000)	18,500	34,102	15,602
OTHER FINANCING (USES)				
Transfer out	-	(150,000)	(150,000)	-0-
NET CHANGE IN FUND BALANCE	(25,000)	(131,500)	(115,898)	15,602
Fund balance, beginning of year	1,202,048	1,202,048	1,202,048	-0-
Fund balance, end of year	<u>\$ 1,177,048</u>	<u>\$ 1,070,548</u>	<u>\$ 1,086,150</u>	<u>\$ 15,602</u>

City of Albion

Solid Waste Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 161,500	\$ 148,264	\$ 142,367	\$ (5,897)
Intergovernmental	-	-	6,282	6,282
Interest and rents	2,200	1,975	1,576	(399)
Other	5,000	2,630	2,887	257
TOTAL REVENUES	168,700	152,869	153,112	243
EXPENDITURES				
Current				
Public works	179,215	225,079	210,891	14,188
EXCESS OF REVENUES (UNDER) EXPENDITURES	(10,515)	(72,210)	(57,779)	14,431
OTHER FINANCING (USES)				
Transfer out	(6,500)	(6,500)	(6,500)	-0-
NET CHANGE IN FUND BALANCE	(17,015)	(78,710)	(64,279)	14,431
Fund balance, beginning of year	103,493	103,493	103,493	-0-
Fund balance, end of year	\$ 86,478	\$ 24,783	\$ 39,214	\$ 14,431

City of Albion

Primary Government (except Public Safety) and Housing Commission

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS

Last Measurement Date (Ultimately ten fiscal years will be displayed)

	<u>2014</u>
Total Pension Liability	
Service cost	\$ 111,241
Interest	1,027,804
Benefit payments including employee refunds	(1,041,700)
Other	<u>(3)</u>
Net Change in Total Pension Liability	97,342
Total Pension Liability, beginning	<u>12,923,455</u>
Total Pension Liability, ending	<u><u>\$ 13,020,797</u></u>
Plan Fiduciary Net Position	
Contributions - employer	\$ 29,258
Net Investment income	863,867
Benefit payments including employee refunds	(1,041,700)
Administrative expense	<u>(31,504)</u>
Net Change in Plan Fiduciary Net Position	(180,079)
Plan Fiduciary Net Position, beginning	<u>13,952,956</u>
Plan Fiduciary Net Position, ending	<u><u>\$ 13,772,877</u></u>
Employer Net Pension Liability (Asset)	<u><u>\$ (752,080)</u></u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	106%
Covered Employee Payroll	\$ 1,243,368
Employer's Net Pension Liability as a percentage of covered employee payroll	-60.49%

City of Albion

Primary Government (except Public Safety) and Housing Commission

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Last Fiscal Year (Ultimately ten fiscal years will be displayed)

	<u>2015</u>
Actuarially determined contributions	\$ 33,038
Contributions in relation to the actuarially determined contribution	<u>33,038</u>
Contribution deficiency (excess)	<u>\$ -0-</u>
Covered employee payroll	\$ 1,231,119
Contributions as a percentage of covered employee payroll	3%

City of Albion

Public Safety Officers' Retirement System

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS

Last Two Fiscal Years (Ultimately ten fiscal years will be displayed)

	<u>2015</u>	<u>2014</u>
CHANGES IN TOTAL PENSION LIABILITY		
Service cost	\$ 310,957	\$ 340,366
Interest	759,667	728,402
Differences between expected and actual experience	(362,571)	126,170
Changes in assumptions	265,250	-
Benefit payments, including refunds of member contributions	<u>(666,290)</u>	<u>(652,027)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	307,013	542,911
TOTAL PENSION LIABILITY, BEGINNING	<u>12,838,775</u>	<u>12,295,864</u>
TOTAL PENSION LIABILITY, ENDING (A)	<u>\$ 13,145,788</u>	<u>\$ 12,838,775</u>
CHANGES IN PLAN FIDUCIARY NET POSITION		
Contributions - member	\$ 39,001	\$ 56,449
Net investment income	(522,893)	1,769,846
Benefit payments, including refunds of member contributions	<u>(666,290)</u>	<u>(652,027)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	(1,150,182)	1,174,268
PLAN FIDUCIARY NET POSITION, BEGINNING	<u>21,672,827</u>	<u>20,498,559</u>
PLAN FIDUCIARY NET POSITION, ENDING (B)	<u>\$ 20,522,645</u>	<u>\$ 21,672,827</u>
CITY'S NET PENSION LIABILITY (ASSET), ENDING (A)-(B)	<u>\$ (7,376,857)</u>	<u>\$ (8,834,052)</u>
Plan fiduciary net position as a percentage of the total pension liability	156.12%	168.81%
Covered employee payroll	\$ 1,037,365	\$ 992,149
City's net pension liability (asset) as a percentage of covered employee payroll	-711.11%	-890.40%

City of Albion
Public Safety Officers Retirement System
SCHEDULE OF CITY CONTRIBUTIONS

Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	-	-	-	-	-	-	-	-	-	-
Contribution excess (deficiency)	<u>\$ -0-</u>									
Covered-employee payroll	\$ 1,037,365	\$ 992,149	\$ 1,048,533	\$ 1,055,148	\$ 1,162,556	\$ 1,222,264	\$ 1,341,984	\$ 1,381,175	\$ 1,270,325	\$ 1,237,654
Actuarially determined contributions as a percentage of covered employee payroll	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

City of Albion

Public Safety Officers Retirement System

SCHEDULE OF INVESTMENT RETURNS

Last Ten Fiscal Years

<u>Year Ended December 31,</u>	<u>Nominal rate of return on smoothed value of assets</u>
2015	7.8%
2014	10.5%
2013	11.7%
2012	3.9%
2011	2.8%
2010	5.4%
2009	5.0%
2008	4.0%
2007	10.8%
2006	8.2%

City of Albion

SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

Year Ended December 31, 2015

City Employees - Post-Employment Health Care Benefits

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
12/31/2014	\$ 54,932	\$ 497,517	\$ 442,585	11 %	\$ -	Not Applicable
12/31/2011	203,242	627,442	424,200	32 %	216,003	196 %
12/31/2008	179,123	539,823	360,700	33 %	1,592,118	23 %

City Employees - Post-Employment Health Care Benefits

Year Ended December 31,	Annual OPEB Cost	Percentage Contributed
2015	\$ 41,031	68 %
2014	40,905	68 %
2013	45,036	60 %
2012	44,790	69 %
2011	44,306	79 %
2010	40,350	141 %

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended December 31, 2015

NOTE A: SCHEDULES OF FUNDING PROGRESS AND SCHEDULES OF EMPLOYER CONTRIBUTIONS

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, healthcare cost trends and other factors. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The accompanying schedule of employer contributions presents trend information about the amounts contributed to the plan by the employer in comparison to the Annual Required Contribution (ARC), an amount that is actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortized any unfunded actuarial liabilities (of funding excess) over a period not to exceed thirty years.

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

Public Safety - Retirement Plan

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	15 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	6.0%
Projected salary increases	(includes inflation at 4.00%) 4.00 - 8.00%
Cost of living adjustments	None
Mortality rates	RP 2000 combined healthy mortality table

City Employees - Post-Employment Health Care Benefits

Actuarial Valuation:	
Frequency	Triennial
Latest valuation date	12/31/2015
Actuarial cost method	Individual Entry Age
Amortization method	Level dollar
Remaining amortization period	30 years
Asset valuation method	Market
Actuarial assumptions:	
Projected salary increases	Investment rates of return 6.0%
Includes inflation at:	4.0%

OTHER SUPPLEMENTARY INFORMATION

City of Albion

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

December 31, 2015

	Special Revenue			
	Major Street	Local Street	Recreation Fund	Community Development Block Grant
ASSETS				
Cash and cash equivalents	\$ 252,565	\$ 49,753	\$ 36,322	\$ 13,885
Investments	-	-	-	-
Accounts receivable	1,330	1,160	-	-
Interest receivable	-	-	-	4,026
Taxes receivable	-	-	2,506	-
Loans receivable	-	-	-	67,796
Due from other governmental units	120,319	62,020	-	-
Prepays	5,082	4,919	835	-
Inventories	12,009	-	-	-
TOTAL ASSETS	\$ 391,305	\$ 117,852	\$ 39,663	\$ 85,707
LIABILITIES				
Accounts payable	\$ 3,190	\$ -	\$ 951	\$ -
Accrued liabilities	10,666	3,796	2,249	-
Due to other governmental units	-	-	-	-
Unearned revenue	-	-	4,795	-
TOTAL LIABILITIES	13,856	3,796	7,995	-0-
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	24,570	24,570	-	-
FUND BALANCES				
Nonspendable	17,091	4,919	835	67,796
Restricted	335,788	84,567	30,833	17,911
TOTAL FUND BALANCES	352,879	89,486	31,668	85,707
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 391,305	\$ 117,852	\$ 39,663	\$ 85,707

	Funds			Debt Service Funds
Drug Law Enforcement	Albion Building Authority	Maple Grove Apartments	Revolving Loan	Energy 425 Generator Bonds
\$ 78,787	\$ 82,372	\$ 485,472	\$ 384,461	\$ 35,410
-	-	-	-	-
127	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	28,212	-	294,987	-
-	-	-	-	-
-	1,388	2,680	-	-
-	1,970	-	-	-
<u>\$ 78,914</u>	<u>\$ 113,942</u>	<u>\$ 488,152</u>	<u>\$ 679,448</u>	<u>\$ 35,410</u>
\$ 4,152	\$ 22,841	\$ 12,629	\$ -	\$ -
500	-	22,612	230	-
-	-	-	224	-
-	-	-	-	-
4,652	22,841	35,241	454	-0-
-	-	-	-	-
-	31,570	2,680	294,987	-
74,262	59,531	450,231	384,007	35,410
<u>74,262</u>	<u>91,101</u>	<u>452,911</u>	<u>678,994</u>	<u>35,410</u>
<u>\$ 78,914</u>	<u>\$ 113,942</u>	<u>\$ 488,152</u>	<u>\$ 679,448</u>	<u>\$ 35,410</u>

City of Albion

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2015

	Debt Service			
	111 Center Street Debt	DPW Building Debt	G.O. Water Bonds	201 N. Clinton Debt
ASSETS				
Cash and cash equivalents	\$ -	\$ 295	\$ 21,342	\$ -
Investments	-	-	-	-
Accounts receivable	-	-	2,762	-
Interest receivable	-	-	-	-
Taxes receivable	-	-	8,328	-
Loans receivable	-	-	-	-
Due from other governmental units	-	-	2,683	-
Prepays	-	-	-	-
Inventories	-	-	-	-
TOTAL ASSETS	<u>\$ -0-</u>	<u>\$ 295</u>	<u>\$ 35,115</u>	<u>\$ -0-</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-
Due to other governmental units	-	-	-	-
Unearned revenue	-	-	-	-
TOTAL LIABILITIES	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	-	2,809	-
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	-	295	32,306	-
TOTAL FUND BALANCES	<u>-0-</u>	<u>295</u>	<u>32,306</u>	<u>-0-</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ -0-</u>	<u>\$ 295</u>	<u>\$ 35,115</u>	<u>\$ -0-</u>

<u>Funds</u>	<u>Capital Projects Fund</u>	<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<u>ABA Bonds</u>	<u>Street Improvement</u>	<u>Cemetery Trust</u>	
\$ 21,700	\$ 295,037	\$ 64,467	\$ 1,821,868
-	-	199,955	199,955
-	-	-	5,379
-	-	-	4,026
-	15,393	-	26,227
-	-	-	390,995
-	-	35,856	220,878
-	-	-	14,904
-	-	-	13,979
<u>\$ 21,700</u>	<u>\$ 310,430</u>	<u>\$ 300,278</u>	<u>\$ 2,698,211</u>
\$ -	\$ -	\$ -	\$ 43,763
-	-	-	40,053
-	-	6,731	6,955
-	-	-	4,795
-0-	-0-	6,731	95,566
-	10,380	-	62,329
-	-	250,856	670,734
21,700	300,050	42,691	1,869,582
<u>21,700</u>	<u>300,050</u>	<u>293,547</u>	<u>2,540,316</u>
<u>\$ 21,700</u>	<u>\$ 310,430</u>	<u>\$ 300,278</u>	<u>\$ 2,698,211</u>

City of Albion

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES

Year Ended December 31, 2015

	Special Revenue			
	Major Street	Local Street	Recreation Fund	Community Development Block Grant
REVENUES				
Taxes	\$ -	\$ -	\$ 123,370	\$ -
Intergovernmental	589,439	203,015	15,036	-
Charges for services	9,315	-	12,247	-
Fines and forfeits	-	-	-	-
Interest and rents	1,132	209	1,430	76
Other	4,388	2,693	7,405	-
TOTAL REVENUES	604,274	205,917	159,488	76
EXPENDITURES				
Current				
Public safety	-	-	-	-
Public works	381,198	296,532	-	-
Community and economic development	-	-	-	-
Recreation and cultural	-	-	129,472	-
Other	-	-	-	87,320
Debt service				
Principal	-	-	-	-
Interest and fiscal fees	-	-	-	-
Capital outlay	-	-	-	-
TOTAL EXPENDITURES	381,198	296,532	129,472	87,320
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	223,076	(90,615)	30,016	(87,244)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	110,000	-	-
Transfers out	(113,000)	(3,000)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(113,000)	107,000	-0-	-0-
NET CHANGE IN FUND BALANCES	110,076	16,385	30,016	(87,244)
Fund balances, beginning of year	242,803	73,101	1,652	172,951
Fund balances, end of year	<u>\$ 352,879</u>	<u>\$ 89,486</u>	<u>\$ 31,668</u>	<u>\$ 85,707</u>

Drug Law Enforcement	Funds			Debt Service Funds
	Albion Building Authority	Maple Grove Apartments	Revolving Loan	Energy 425 Generator Bonds
\$ -	\$ -	\$ -	\$ -	\$ -
-	17,604	210,882	-	-
-	-	-	-	-
49,433	-	-	-	-
-	57,829	224,540	14,774	-
72,442	67,159	6,844	-	-
121,875	142,592	442,266	14,774	-0-
75,019	-	-	-	-
-	-	-	-	-
-	276,123	262,019	9,570	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	120,000
-	-	-	-	62,950
4,665	-	2,526	-	-
79,684	276,123	264,545	9,570	182,950
42,191	(133,531)	177,721	5,204	(182,950)
-	150,000	-	-	185,644
-	(10,209)	(64,200)	-	-
-0-	139,791	(64,200)	-0-	185,644
42,191	6,260	113,521	5,204	2,694
32,071	84,841	339,390	673,790	32,716
\$ 74,262	\$ 91,101	\$ 452,911	\$ 678,994	\$ 35,410

City of Albion

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - CONTINUED

Year Ended December 31, 2015

	Debt Service			
	111 Center Street Debt	DPW Building Debt	G.O. Water Bonds	201 N. Clinton Debt
REVENUES				
Taxes	\$ -	\$ -	\$ 131,580	\$ -
Intergovernmental	-	-	6,610	-
Charges for services	-	-	11,185	-
Fines and forfeits	-	-	-	-
Interest and rents	-	-	-	-
Other	-	-	-	-
TOTAL REVENUES	-0-	-0-	149,375	-0-
EXPENDITURES				
Current				
Public safety	-	-	-	-
Public works	-	-	-	-
Community and economic development	-	-	-	-
Recreation and cultural	-	-	-	-
Other	-	-	-	-
Debt service				
Principal	4,455	11,705	130,000	8,704
Interest and fiscal fees	101	3,295	8,322	263
Capital outlay	-	-	-	-
TOTAL EXPENDITURES	4,556	15,000	138,322	8,967
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(4,556)	(15,000)	11,053	(8,967)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,372	15,000	-	8,837
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	1,372	15,000	-0-	8,837
NET CHANGE IN FUND BALANCES	(3,184)	-0-	11,053	(130)
Fund balances, beginning of year	3,184	295	21,253	130
Fund balances, end of year	\$ -0-	\$ 295	\$ 32,306	\$ -0-

<u>Funds</u>	<u>Capital Project Fund</u>	<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<u>ABA Bonds</u>	<u>Street Improvement</u>	<u>Cemetery Trust</u>	
\$ -	\$ 239,711	\$ -	\$ 494,661
-	9,423	-	1,052,009
-	-	-	32,747
-	-	-	49,433
-	-	3,375	303,365
<u>24,354</u>	<u>-</u>	<u>-</u>	<u>185,285</u>
24,354	249,134	3,375	2,117,500
-	-	-	75,019
-	-	-	677,730
-	-	-	547,712
-	-	-	129,472
-	-	-	87,320
80,000	-	-	354,864
48,077	-	-	123,008
<u>-</u>	<u>5,067</u>	<u>-</u>	<u>12,258</u>
<u>128,077</u>	<u>5,067</u>	<u>-0-</u>	<u>2,007,383</u>
(103,723)	244,067	3,375	110,117
106,937	-	-	577,790
<u>-</u>	<u>(218,646)</u>	<u>(17,000)</u>	<u>(426,055)</u>
<u>106,937</u>	<u>(218,646)</u>	<u>(17,000)</u>	<u>151,735</u>
3,214	25,421	(13,625)	261,852
<u>18,486</u>	<u>274,629</u>	<u>307,172</u>	<u>2,278,464</u>
<u>\$ 21,700</u>	<u>\$ 300,050</u>	<u>\$ 293,547</u>	<u>\$ 2,540,316</u>

City of Albion

Agency Funds

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

December 31, 2015

	<u>Trust and Agency</u>	<u>Current Tax Collections</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	<u>\$ 149,068</u>	<u>\$ 678,159</u>	<u>\$ 827,227</u>
LIABILITIES			
Due to County	\$ -	\$ 10,044	\$ 10,044
Due to State	341	15,757	16,098
Due to schools	-	8,439	8,439
Due to others	<u>148,727</u>	<u>643,919</u>	<u>792,646</u>
TOTAL LIABILITIES	<u>\$ 149,068</u>	<u>\$ 678,159</u>	<u>\$ 827,227</u>

City of Albion

Pension and Employee Benefit Trust Funds

COMBINING STATEMENT OF FIDUCIARY NET POSITION

December 31, 2015

	Public Safety Officers' Pension	Retiree Health Care	Total
ASSETS			
Cash and cash equivalents	\$ 437,011	\$ 50,363	\$ 487,374
Investments	20,011,610	-	20,011,610
Interest receivable	74,024	-	74,024
TOTAL ASSETS	20,522,645	50,363	20,573,008
LIABILITIES	-	-	-0-
NET POSITION			
Held in trust for pension and employee benefits	<u>\$ 20,522,645</u>	<u>\$ 50,363</u>	<u>\$ 20,573,008</u>

City of Albion

Pension and Employee Benefit Trust Funds

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year Ended December 31, 2015

	Public Safety Officers' Pension	Retiree Health Care	Total
	<u> </u>	<u> </u>	<u> </u>
ADDITIONS			
Investment income			
Net investment income	\$ (522,893)	\$ 201	\$ (522,692)
Contributions - employee	39,001	-	39,001
	<u> </u>	<u> </u>	<u> </u>
TOTAL ADDITIONS	(483,892)	201	(483,691)
DEDUCTIONS			
Benefit payments	666,290	4,806	671,096
	<u> </u>	<u> </u>	<u> </u>
CHANGE IN NET POSITION	(1,150,182)	(4,605)	(1,154,787)
Net position, beginning of year	21,672,827	54,968	21,727,795
	<u> </u>	<u> </u>	<u> </u>
Net position, end of year	<u>\$ 20,522,645</u>	<u>\$ 50,363</u>	<u>\$ 20,573,008</u>

City of Albion

Component Unit Funds

COMBINING BALANCE SHEET - ECONOMIC DEVELOPMENT CORPORATION

December 31, 2015

	Economic Development	Special Revenue Business Incubator	Total
ASSETS			
Cash	\$ 18,413	\$ 13,207	\$ 31,620
Accounts receivable	21	2,295	2,316
Due from other governmental units	-	85,129	85,129
TOTAL ASSETS	\$ 18,434	\$ 100,631	\$ 119,065
LIABILITIES			
Accounts payable	\$ 1,011	\$ 8,617	\$ 9,628
Accrued liabilities	1,734	724	2,458
Due to other governmental units	-	35,856	35,856
Unearned revenue	768	28,514	29,282
TOTAL LIABILITIES	3,513	73,711	77,224
FUND BALANCES			
Restricted	14,921	26,920	41,841
TOTAL FUND BALANCES	14,921	26,920	41,841
TOTAL LIABILITIES AND FUND BALANCES	\$ 18,434	\$ 100,631	\$ 119,065

City of Albion

Component Unit Funds

RECONCILIATION OF THE COMBINING BALANCE SHEET TO THE STATEMENT
OF NET POSITION - ECONOMIC DEVELOPMENT CORPORATION

December 31, 2015

Total fund balances - governmental funds \$ 41,841

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 46,655	
Accumulated depreciation is	<u>(9,600)</u>	
Capital assets, net		37,055

Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. Long-term liabilities at year-end consist of:

ABA loan	(28,212)	
Accrued interest payable	<u>(1,372)</u>	
		<u>(29,584)</u>

Net position of governmental activities \$ 49,312

City of Albion

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - ECONOMIC DEVELOPMENT CORPORATION

Year Ended December 31, 2015

	<u>Economic Development</u>	<u>Special Revenue Business Incubator</u>	<u>Total</u>
REVENUES			
Intergovernmental	\$ 59,431	\$ 199,906	\$ 259,337
Charges for services	-	3,833	3,833
Interest and rents	79,262	35,673	114,935
Other	21	11,080	11,101
	<u>138,714</u>	<u>250,492</u>	<u>389,206</u>
TOTAL REVENUES			
EXPENDITURES			
Current			
Community and economic development	121,020	248,895	369,915
Debt service			
Principal	3,877	-	3,877
Interest and fiscal fees	1,604	-	1,604
Capital outlay	5,532	-	5,532
	<u>132,033</u>	<u>248,895</u>	<u>380,928</u>
TOTAL EXPENDITURES			
NET CHANGE IN FUND BALANCES			
	6,681	1,597	8,278
Fund balances, beginning of year	<u>8,240</u>	<u>25,323</u>	<u>33,563</u>
Fund balances, end of year	<u>\$ 14,921</u>	<u>\$ 26,920</u>	<u>\$ 41,841</u>

City of Albion

Component Unit Funds

RECONCILIATION OF THE COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES - ECONOMIC DEVELOPMENT CORPORATION

Year Ended December 31, 2015

Net change in fund balances - governmental funds \$ 8,278

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Depreciation expense (800)

Repayment of long-term debt is reported as expenditures in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current year, these amounts consist of:

ABA loan payments 3,877

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable 187

Change in net position of governmental activities \$ 11,542

City of Albion

Component Unit Funds

BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY

December 31, 2015

ASSETS	
Cash	\$ 18,329
Taxes receivable	767
Due from other governmental units	13,438
Prepays	<u>627</u>
TOTAL ASSETS	<u>\$ 33,161</u>
LIABILITIES	
Accounts payable	\$ 1,000
FUND BALANCES	
Nonspendable	627
Unassigned	<u>31,534</u>
TOTAL FUND BALANCES	<u>32,161</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 33,161</u>

City of Albion

Component Unit Funds

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF
NET POSITION - DOWNTOWN DEVELOPMENT AUTHORITY

December 31, 2015

Total fund balance - governmental fund \$ 32,161

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

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is:	\$ 619,082	
Accumulated depreciation is:	<u>(563,332)</u>	
Capital assets, net		<u>55,750</u>
Net position of governmental activities		<u><u>\$ 87,911</u></u>

City of Albion

Component Unit Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - DOWNTOWN DEVELOPMENT AUTHORITY

Year Ended December 31, 2015

REVENUES	
Taxes	\$ 15,732
Interest	<u>250</u>
TOTAL REVENUES	15,982
EXPENDITURES	
Current	
Community and economic development	<u>32,971</u>
NET CHANGE IN FUND BALANCE	(16,989)
Fund balance, beginning of year	<u>49,150</u>
Fund balance, end of year	<u><u>\$ 32,161</u></u>

City of Albion

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE OF THE GOVERNMENTAL FUNDS TO THE STATEMENT
OF ACTIVITIES - DOWNTOWN DEVELOPMENT AUTHORITY

Year Ended December 31, 2015

Net change in fund balance - governmental fund \$ (16,989)

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

Capital outlays are reported as expenditures in the governmental fund. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Depreciation expense (55,749)

Change in net position of governmental activities \$ (72,738)

City of Albion

Component Unit Funds

BALANCE SHEET - TAX INCREMENT FINANCE AUTHORITY

December 31, 2015

ASSETS	
Cash	\$ 68,735
Accounts receivable	44
Interest receivable	538
Taxes receivable	<u>88,799</u>
TOTAL ASSETS	<u>\$ 158,116</u>
LIABILITIES	
Accounts payable	\$ 82
Accrued liabilities	<u>5,770</u>
TOTAL LIABILITIES	5,852
FUND BALANCE	
Unassigned	<u>152,264</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 158,116</u>

City of Albion

Component Unit Funds

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT
OF NET POSITION - TAX INCREMENT FINANCE AUTHORITY

December 31, 2015

Total fund balance - governmental fund \$ 152,264

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

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental fund.

The cost of capital assets is: 160,000

Long-term liabilities are not due and payable in the current period and
therefore are not reported in the Governmental Fund Balance Sheet.
Long-term liabilities at year-end consist of:

Compensated absences (24,553)

Net position of governmental activities \$ 287,711

City of Albion

Component Unit Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - TAX INCREMENT FINANCE AUTHORITY

Year Ended December 31, 2015

REVENUES	
Taxes	\$ 224,970
Interest	316
Other	<u>1,670</u>
TOTAL REVENUES	226,956
EXPENDITURES	
Current	
Community and economic development	165,194
Debt service	
Interest and fiscal fees	<u>196</u>
TOTAL EXPENDITURES	<u>165,390</u>
NET CHANGE IN FUND BALANCE	61,566
Fund balance, beginning of year	<u>90,698</u>
Fund balance, end of year	<u><u>\$ 152,264</u></u>

City of Albion

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES - TAX INCREMENT FINANCE AUTHORITY

Year Ended December 31, 2015

Net change in fund balance - governmental fund \$ 61,566

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

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental fund. These activities consist of:

(Increase) in accrued compensated absences (5,102)

Change in net position of governmental activities \$ 56,464

Principals

Dale J. Abraham, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and
Members of the City Council
City of Albion, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Albion, Michigan (the City), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 14, 2016. Our report includes a reference to other auditors who audited the financial statements of Albion Housing Commission, as described in our report on the City's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting and on compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance and other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

June 14, 2016

Principals

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PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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Members of the City Council
City of Albion, Michigan

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

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

June 14, 2016