

**CITY OF ALBION
CALHOUN COUNTY, MICHIGAN**

**REPORT ON FINANCIAL STATEMENTS
(with required and other
supplementary information)**

YEAR ENDED DECEMBER 31, 2019

**CITY OF ALBION
CALHOUN COUNTY, MICHIGAN**

CITY COUNCIL AND ADMINISTRATION

David Atchison	Mayor
Vicky Clark	Council member
Lenn Reid	Council member
Al Smith	Council member
Marcola Lawler	Council member
Jeanette Spicer	Council member
Shane Williamson	Council member
Darwin McClary	City Manager
Tom Mead	City Treasurer/ Finance Director
Jill Domingo	Clerk

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-11
BASIC FINANCIAL STATEMENTS.....	12
Government-wide Financial Statements	
Statement of Net Position.....	13
Statement of Activities	14
Fund Financial Statements	
Governmental Funds	
Balance Sheet	15-16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	17
Statement of Revenues, Expenditures, and Changes in Fund Balances	18-19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	20
Proprietary Funds	
Statement of Net Position	21
Statement of Revenues, Expenses, and Changes in Net Position	22
Statement of Cash Flows	23-24
Fiduciary Funds	
Statement of Net Position	25
Statement of Changes in Net Position.....	26
Component Unit Financial Statements	
Combining Statement of Net Position	27-28
Combining Statement of Activities.....	29
Notes to Financial Statements.....	30-66
REQUIRED SUPPLEMENTARY INFORMATION.....	67
Budgetary Comparison Schedule - General Fund.....	68-70
Budgetary Comparison Schedule - Albion Trust Fund.....	71
Budgetary Comparison Schedule - Major Street Fund.....	72
Budgetary Comparison Schedule - Maple Grove Apartments.....	73
PRIMARY GOVERNMENT (EXCEPT PUBLIC SAFETY) AND HOUSING COMMISSION RETIREMENT SYSTEM	
Schedule of Changes in the City's Net Pension Liability and Related Ratios.....	74
Schedule of City's Contributions	75
PUBLIC SAFETY OFFICERS' RETIREMENT SYSTEM	
Schedule of Changes in the City's Net Pension Liability (Asset) and Related Ratios.....	76
Schedule of City's Contributions	77
Schedule of Investment Returns.....	78

TABLE OF CONTENTS

	<u>Page</u>
RETIREE HEALTH CARE PLAN	
Schedule of Changes in City’s Net OPEB Liability and Related Ratios.....	79
Schedule of Employer Contributions.....	80
Notes to Required Supplementary Information.....	81-82
OTHER SUPPLEMENTARY INFORMATION	83
Nonmajor Governmental Funds	
Combining Balance Sheet.....	84-87
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	88-91
Combining Statement of Fiduciary Assets and Liabilities - Agency Funds.....	92
Combining Statement of Fiduciary Net Position - Pension and Employee Benefit Trust Funds	93
Combining Statement of Changes in Fiduciary Net Position - Pension and Employee Benefit Trust Funds.....	94
Component Unit Funds	
ECONOMIC DEVELOPMENT CORPORATION	
Combining Balance Sheet.....	95
Reconciliation of the Combining Balance Sheet to the Statement of Net Position	96
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	97
Reconciliation of the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	98
DOWNTOWN DEVELOPMENT AUTHORITY	
Balance Sheet.....	99
Reconciliation of the Balance Sheet to the Statement of Net Position.....	100
Statement of Revenues, Expenditures, and Changes in Fund Balance	101
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Fund to the Statement of Activities	102
TAX INCREMENT FINANCE AUTHORITY	
Balance Sheet.....	103
Reconciliation of the Balance Sheet to the Statement of Net Position.....	104
Statement of Revenues, Expenditures, and Changes in Fund Balance	105
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Fund to the Statement of Activities	106
BROWNFIELD DEVELOPMENT AUTHORITY	
Balance Sheet.....	107
Statement of Revenues, Expenditures, and Changes in Fund Balance	108
SINGLE AUDIT SECTION.....	109
Schedule of Expenditures of Federal Awards.....	110
Notes to Schedule of Expenditures of Federal Awards.....	111

TABLE OF CONTENTS

Page

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* 112-113

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE 114-115

SCHEDULE OF FINDINGS AND QUESTIONED COSTS 116-117

CORRECTIVE ACTION RESPONSES 118

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS 119

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, 2019, 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 75%, 74%, and 69%, 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, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 26, 2020, 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.

Maney Costeiran PC

June 26, 2020

CITY OF ALBION MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis is intended to provide an overview of the City's financial condition for the year ended December 31, 2019, 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 2019 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 organization's 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), the Tax Increment Finance Authority (TIFA), and the Brownfield Redevelopment Authority.

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**

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, Major Street, Maple Street Apartments, 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**

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, 2019 and 2018

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 16,831,358	\$ 14,268,714	\$ 2,251,184	\$ 2,176,157	\$ 19,082,542	\$ 16,444,871
Capital assets	11,948,381	9,888,685	9,127,754	9,348,084	21,076,135	19,236,769
Total assets	28,779,739	24,157,399	11,378,938	11,524,241	40,158,677	35,681,640
Deferred outflows of resources	346,115	2,457,119	-	-	346,115	2,457,119
Current liabilities	1,045,901	785,609	507,718	312,598	1,553,619	1,098,207
Noncurrent liabilities	2,994,109	1,902,008	135,305	235,295	3,129,414	2,137,303
Total liabilities	4,040,010	2,687,617	643,023	547,893	4,683,033	3,235,510
Deferred inflows of resources	1,816,170	45,838	-	-	1,816,170	45,838
Net position						
Net investment in capital assets	10,555,690	8,252,820	8,951,719	9,136,584	19,507,409	17,389,404
Restricted	13,733,710	11,985,074	61,990	61,990	13,795,700	12,047,064
Unrestricted	(1,019,726)	3,643,169	1,722,206	1,777,774	702,480	5,420,943
Total net position	<u>\$ 23,269,674</u>	<u>\$ 23,881,063</u>	<u>\$ 10,735,915</u>	<u>\$ 10,976,348</u>	<u>\$ 34,005,589</u>	<u>\$ 34,857,411</u>

The total net position for Governmental Activities decreased by \$426,389, due to increases in pension and OPEB expenses as compared to the PY. The total net position for business-type activities decreased by \$240,433 mainly as a result of decreased grants received by the Sewer activities.

**CITY OF ALBION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Changes in Net Position for the Fiscal Year Ended December 31, 2019 and 2018

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues						
Charges for services	\$ 1,174,753	\$ 979,817	\$ 2,170,295	\$ 2,143,154	\$ 3,345,048	\$ 3,122,971
Grants and contributions	3,168,117	1,464,966	250,000	597,103	3,418,117	2,062,069
General revenues						
Property taxes	1,625,636	1,610,660	-	-	1,625,636	1,610,660
Income taxes	1,040,003	967,992	-	-	1,040,003	967,992
State shared revenue	1,139,574	1,106,229	-	-	1,139,574	1,106,229
Investment earnings	84,728	69,123	25,705	23,156	110,433	92,279
Other	261,964	220,200	48,604	17,149	310,568	237,349
Gain (loss) on sale of asset	-	(32,475)	-	10,000	-	(22,475)
Transfers	160,565	159,850	(160,565)	(159,850)	-	-
Total revenues	8,655,340	6,546,362	2,334,039	2,630,712	10,989,379	9,177,074
Expenses						
General government	2,776,454	853,766	-	-	2,776,454	853,766
Public safety	2,354,938	2,805,683	-	-	2,354,938	2,805,683
Public works	2,168,717	1,494,634	-	-	2,168,717	1,494,634
Health and welfare	45,462	9,297	-	-	45,462	9,297
Community and economic development	1,160,164	466,347	-	-	1,160,164	466,347
Recreation and cultural	503,446	404,326	-	-	503,446	404,326
Interest on long-term debt	72,548	80,836	-	-	72,548	80,836
Other	-	-	2,574,472	2,382,928	2,574,472	2,382,928
Total expenses	9,081,729	6,114,889	2,574,472	2,382,928	11,656,201	8,497,817
Change in net position	(426,389)	431,473	(240,433)	247,784	(666,822)	679,257
Restated net position - beginning	23,696,063	23,449,590	10,976,348	10,728,564	34,672,411	34,178,154
Net Position Ending	<u>\$ 23,269,674</u>	<u>\$ 23,881,063</u>	<u>\$ 10,735,915</u>	<u>\$ 10,976,348</u>	<u>\$ 34,005,589</u>	<u>\$ 34,857,411</u>

Governmental Activities

Revenues

The three largest revenue sources under the governmental activities category are operating grants and contributions at 37% , property taxes at 19%, and state shared revenues at 13%. For 2019, overall governmental revenues were up about 32%.

Expenses

The largest governmental activities expense item is general government at 31% of expenses, followed public safety at 26% of total expenses, then public works at 24% of total expenses. Total expenses increased by about \$2,966,840 from approximately \$6.11 million in 2018 to approximately \$9.08 million in 2019 due to pension and OPEB expense increases. 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.

**CITY OF ALBION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Business-type Activities

The Statement of Net Position shows that for business-type activities as of December 31, 2019, there was a total net position of \$10,735,915, which represents an decrease of \$240,433 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, 2019, the General Fund had a nonspendable fund balance of \$247,607, an assigned fund balance of \$150,719 and an unassigned fund balance of \$1,039,384. Total fund balance had an decrease of (\$66,903) from the fund balance on December 31, 2018.

From a budgetary standpoint, General Fund budgeted revenues and other financing sources were less than actual revenues by \$57,751 and expenditures and other financing uses came in under budget by \$154,725. Police and fire was the most significant budgeted expenditure that came under budget in 2019.

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 increased as the result of current year activity by \$22,739. Fund balance for this fund was \$1,140,137 at year-end.

Major Street

Fund balance increased by \$317,450 during the year. The Major Street fund balance was \$1,025,649 as of December 31, 2019. The final budget called for an increase of \$95,771.

Maple Grove Apartments

Fund balance decreased by \$382,843 during the year. The fund balance was \$276,863 as of December 31, 2019. The final budget called for a decrease of \$472,974.

MDOT Street Reconstruction

Fund balance increased by \$4,525 during the year due to significant road construction activity. The fund balance was \$28,687 as of December 31, 2019. The fund had over \$2M in capital outlay expenditures due to an ongoing road construction project.

**CITY OF ALBION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Sewer

The City operates a wastewater treatment plant and collection system that serves the City and a small portion of a neighboring township. The majority of the fund's assets are invested in facilities and equipment. 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. The City recognizes that additional rate increases will be required. Net position for the sewer system decreased by \$58,730 to a December 31, 2019, level of \$5,046,881, primarily due to a large SAW grant covering an on-going study of the wastewater system, and due to a large grant to refurbish the digester equipment. As part of the wastewater study, the City will receive a rate study, which should be available by year-end to help the City determine what level the rates should be set at.

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, an operating loss of \$182,814 in the current year was still recognized. Net position for the water system decreased by \$181,703 to a December 31, 2019, level of \$5,689,034. The City would like 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 \$11,948,381 and \$9,127,754 (net of accumulated depreciation) for governmental and business-type capital assets respectively. Depreciation charges for the fiscal year totaled \$689,868 for the governmental activities and \$540,032 for the business-type activities. The following chart provides more detail on these capital assets.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Land and construction in progress	\$ 1,617,071	\$ 194,050	\$ 1,811,121
Buildings and improvements, net	4,029,574	4,008,705	8,038,279
Infrastructure, net	5,466,452	-	5,466,452
Vehicles and equipment, net	835,284	215,164	1,050,448
Sewer system, net	-	2,539,418	2,539,418
Water system, net	-	2,170,417	2,170,417
	<u>\$ 11,948,381</u>	<u>\$ 9,127,754</u>	<u>\$ 21,076,135</u>

**CITY OF ALBION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Long-term Debt

As of December 31, 2019, the City had the following bond debt outstanding:

Primary Government

	<u>Jan. 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Dec. 31, 2019</u>
Governmental Activities				
General obligation bonds	\$ 1,025,000	\$ -	\$ (135,000)	\$ 890,000
EPA liability	65,418	-	(3,505)	61,913
Building Authority bonds	550,000	-	(95,000)	455,000
Land contract	60,865	-	(13,174)	47,691
Compensated absences	270,080	293,478	(298,986)	264,572
	<u>1,971,363</u>	<u>293,478</u>	<u>(545,665)</u>	<u>1,719,176</u>
Business-type Activities				
Installment note	211,500	-	(35,465)	176,035
Compensated absences	94,342	57,343	(57,905)	93,780
	<u>305,842</u>	<u>57,343</u>	<u>(93,370)</u>	<u>269,815</u>
Total Primary Government	<u><u>\$ 2,277,205</u></u>	<u><u>\$ 350,821</u></u>	<u><u>\$ (639,035)</u></u>	<u><u>\$ 1,988,991</u></u>

As of December 31, 2019, the City had total outstanding debt for governmental activities (including compensated absences) of \$1,719,176. For business-type activities, the outstanding debt (including compensated absences) was \$269,815 as of December 31, 2019. 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

For the 2020 budget, the following property tax millage rates were used: The General Fund Operating millage is set at 11.9736 mills, or essentially the same level in which it has been for the past 5 years. In addition, the City has several special Millages that have been approved by the voters. For 2019 these were:

- a. Street reconstruction - 3.00 mills.
- b. Recreation - 2.00 mills (a voter approved increase from 1.50 mills in previous years).
- c. Solid Waste - 3.00 mills.

Thus, the 2020 anticipated total City millage levy was 19.9736 mills at the time that the budget was approved. Because of its effort to cut costs, the City was able to operate within budget during 2019. The City continues to face the challenges of rising insurance costs, along with increased costs for utilities and other major expenses. The City has been working with a third party in an effort to collect income tax non-filers and delinquencies. The City anticipates about a 5% to 10% increase in income tax revenues due to this more aggressive effort to collect these taxes. Additionally, 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**

The majority of the staff are members of one of the four labor unions affiliated with the City. The union contracts were renegotiated in late 2017 and signed in January of 2018. They are 3-year contracts, covering 2018, 2019, and expiring on September 30, 2020. These contracts include moderate wage increases each year. Accordingly, these increased costs were reflected in the 2020 budget.

Just like other employers, the City has struggled with the significant cost for medical insurance for its employees. For 2018/2019, the City was fortunate to only see moderate rate increases in the cost of its health insurance plan. The Affordable Care Act has resulted in major changes in the health care area. The City continues to monitor these changes and work diligently to comply with the new requirements.

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 renewed in 2015 for 5 years) for street reconstruction, the City is able to have an active street reconstruction program each year. However, the monumental cost of street reconstruction still far exceeds the revenues generated by this street millage which is set to expire at the end of 2020. The City will continue to take advantage of any and all grant funding for street repair whenever possible.

For the 2020 summer street construction season, the City intends to reconstruct North Clark Street and complete Irwin Avenue. Both will utilize grant funding, however, the local match requirement for these two projects will still significantly impact the Fund Balance in the Street Improvement Fund.

In terms of growth, the recent addition of a brewery, bakery, and loft apartments in the downtown has continued to generate interest in other properties within the city. Plans are currently in place for the renovation of several downtown city blocks. In addition, there has been expressed interest by some investors for the renovation of other properties throughout the City. The City is also seeing some sizable expansions at some of the major businesses in the surrounding Albion area, and while these are outside the City limits, it still reflects positively on the Albion area. This certainly appears to indicate 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, 2019**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 4,772,243	\$ 1,474,013	\$ 6,246,256	\$ 965,707
Cash and cash equivalents - restricted	-	61,990	61,990	-
Investments	1,276,938	150,045	1,426,983	425,229
Receivables	398,288	531,505	929,793	302,503
Due from other governmental units	722,384	922	723,306	11,814
Inventories	69,254	13,336	82,590	-
Prepays	273,987	19,373	293,360	18,648
Total current assets	7,513,094	2,251,184	9,764,278	1,723,901
Noncurrent assets				
Investments	235,421	-	235,421	-
Net pension asset	9,082,843	-	9,082,843	-
Capital assets not being depreciated	1,617,071	194,050	1,811,121	205,799
Capital assets, net of accumulated depreciation	10,331,310	8,933,704	19,265,014	3,560,195
Total noncurrent assets	21,266,645	9,127,754	30,394,399	3,765,994
TOTAL ASSETS	28,779,739	11,378,938	40,158,677	5,489,895
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pensions	343,436	-	343,436	60,588
Deferred outflows of resources related to OPEB	2,679	-	2,679	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	346,115	-	346,115	60,588
LIABILITIES				
Current liabilities				
Accounts payable	416,972	86,081	503,053	253,730
Accrued wages	117,235	36,927	154,162	-
Accrued liabilities	81,343	200	81,543	124,810
Due to other governmental units	46,774	-	46,774	10,564
Accrued interest payable	17,888	-	17,888	518
Unearned revenue	45,198	250,000	295,198	5,532
Current portion of compensated absences	128,646	93,780	222,426	78,457
Current portion of long-term debt	191,845	40,730	232,575	4,948
Total current liabilities	1,045,901	507,718	1,553,619	478,559
Noncurrent liabilities				
Net OPEB liability	240,881	-	240,881	-
Net pension liability	1,354,543	-	1,354,543	648,385
Noncurrent portion of compensated absences	135,926	-	135,926	28,995
Noncurrent portion of long-term debt	1,262,759	135,305	1,398,064	5,720
Total noncurrent liabilities	2,994,109	135,305	3,129,414	683,100
TOTAL LIABILITIES	4,040,010	643,023	4,683,033	1,161,659
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pensions	1,724,390	-	1,724,390	144,473
Deferred inflows of resources related to OPEB	91,780	-	91,780	-
TOTAL DEFERRED INFLOWS OF RESOURCES	1,816,170	-	1,816,170	144,473
NET POSITION				
Net investment in capital assets	10,555,690	8,951,719	19,507,409	3,755,326
Restricted for:				
Perpetual care - nonexpendable	215,000	-	215,000	-
Pension trust	8,418,410	-	8,418,410	-
Debt service	97,642	61,990	159,632	-
Streets and highways	1,648,134	-	1,648,134	-
Sidewalks	467,860	-	467,860	-
Perpetual care - expendable	33,807	-	33,807	-
Community and economic development	2,365,922	-	2,365,922	28,514
Solid waste	478,975	-	478,975	-
Law enforcement	7,960	-	7,960	-
Unrestricted	(1,019,726)	1,722,206	702,480	460,511
TOTAL NET POSITION	\$ 23,269,674	\$ 10,735,915	\$ 34,005,589	\$ 4,244,351

See accompanying notes to financial statements.

**CITY OF ALBION
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 2,776,454	\$ 786,098	\$ 172,150	\$ -	\$ (1,818,206)	\$ -	\$ (1,818,206)	\$ -
Public safety	2,354,938	19,352	120,811	-	(2,214,775)	-	(2,214,775)	-
Public works	2,168,717	-	1,235,037	1,388,883	455,203	-	455,203	-
Health and welfare	45,462	90,000	-	-	44,538	-	44,538	-
Community and economic development	1,160,164	263,210	228,019	-	(668,935)	-	(668,935)	-
Recreation and cultural	503,446	16,093	23,217	-	(464,136)	-	(464,136)	-
Interest on long-term debt	72,548	-	-	-	(72,548)	-	(72,548)	-
Total governmental activities	9,081,729	1,174,753	1,779,234	1,388,883	(4,738,859)	-	(4,738,859)	-
Business-type activities								
Sewer system	1,410,766	1,237,093	-	250,000	-	76,327	76,327	-
Water system	1,163,706	933,202	-	-	-	(230,504)	(230,504)	-
Total business-type activities	2,574,472	2,170,295	-	250,000	-	(154,177)	(154,177)	-
Total primary government	<u>\$ 11,656,201</u>	<u>\$ 3,345,048</u>	<u>\$ 1,779,234</u>	<u>\$ 1,638,883</u>	(4,738,859)	(154,177)	(4,893,036)	-
Component units								
Economic Development Corporation	\$ 198,625	\$ 102,932	\$ 62,187	\$ -	-	-	-	(33,506)
Downtown Development Authority	120,459	-	-	-	-	-	-	(120,459)
Tax Increment Finance Authority	220,923	-	118,107	-	-	-	-	(102,816)
Albion Housing Commission	2,012,837	572,402	815,592	376,322	-	-	-	(248,521)
Brownfield Redevelopment Authority	206,916	-	108,981	-	-	-	-	(97,935)
Total component units	<u>\$ 2,759,760</u>	<u>\$ 675,334</u>	<u>\$ 1,104,867</u>	<u>\$ 376,322</u>	-	-	-	(603,237)
General revenues								
Property taxes					1,625,636	-	1,625,636	329,283
Income taxes					1,040,003	-	1,040,003	-
State shared revenue					1,139,574	-	1,139,574	-
Investment earnings					84,728	25,705	110,433	12,873
Miscellaneous					261,964	48,604	310,568	80,127
Transfers					160,565	(160,565)	-	-
Total general revenues and transfers					4,312,470	(86,256)	4,226,214	422,283
Change in net position					(426,389)	(240,433)	(666,822)	(180,954)
Restated net position, beginning of the year					23,696,063	10,976,348	34,672,411	4,425,305
Net position, end of the year					<u>\$ 23,269,674</u>	<u>\$ 10,735,915</u>	<u>\$ 34,005,589</u>	<u>\$ 4,244,351</u>

See accompanying notes to financial statements.

**CITY OF ALBION
GOVERNMENTAL FUNDS
BALANCE SHEET
DECEMBER 31, 2019**

	General	Special	
		Albion Trust	Major Street
ASSETS			
Cash and cash equivalents	\$ 735,160	\$ 904,716	\$ 242,974
Investments	100,277	235,421	607,257
Receivables			
Accounts	88,410	-	-
Taxes	135,318	-	-
Loans	-	-	-
Due from other funds	475,000	-	-
Due from other governmental units	-	-	141,172
Prepays	247,607	-	5,749
Inventories	-	-	59,506
TOTAL ASSETS	\$ 1,781,772	\$ 1,140,137	\$ 1,056,658
LIABILITIES			
Accounts payable	\$ 112,166	\$ -	\$ 16,109
Accrued liabilities	43,546	-	-
Accrued wages	98,199	-	14,900
Due to other funds	-	-	-
Due to other governmental units	-	-	-
Unearned revenue	37,891	-	-
TOTAL LIABILITIES	291,802	-	31,009
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	52,260	-	-
FUND BALANCES			
Nonspendable	247,607	-	65,255
Restricted	-	1,140,137	960,394
Assigned	150,719	-	-
Unassigned	1,039,384	-	-
TOTAL FUND BALANCES	1,437,710	1,140,137	1,025,649
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 1,781,772	\$ 1,140,137	\$ 1,056,658

See accompanying notes to financial statements.

<u>Revenue</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Maple Grove Apartments	MDOT Street Reconstruction		
\$ 543,430	\$ 11,891	\$ 2,271,274	\$ 4,709,445
-	-	569,404	1,512,359
-	-	3,807	92,217
-	-	40,264	175,582
-	-	130,489	130,489
-	-	120,249	595,249
-	538,101	43,111	722,384
5,000	-	7,757	266,113
-	-	1,970	61,476
<u>\$ 548,430</u>	<u>\$ 549,992</u>	<u>\$ 3,188,325</u>	<u>\$ 8,265,314</u>
\$ 244,528	\$ 7,780	\$ 22,547	\$ 403,130
27,039	-	10,758	81,343
-	-	-	113,099
-	475,000	120,249	595,249
-	38,525	8,249	46,774
-	-	4,064	41,955
271,567	521,305	165,867	1,281,550
-	-	21,139	73,399
5,000	-	355,216	673,078
271,863	28,687	2,646,103	5,047,184
-	-	-	150,719
-	-	-	1,039,384
<u>276,863</u>	<u>28,687</u>	<u>3,001,319</u>	<u>6,910,365</u>
<u>\$ 548,430</u>	<u>\$ 549,992</u>	<u>\$ 3,188,325</u>	<u>\$ 8,265,314</u>

**CITY OF ALBION
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2019**

Total fund balances - governmental funds \$ 6,910,365

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	\$ 19,689,519	
Accumulated depreciation is	<u>(7,917,118)</u>	
Capital assets, net		11,772,401

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. 230,552

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

Unavailable revenue		73,399
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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		9,082,843
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Governmental funds report actual pension/OPEB expenditures for the fiscal year, whereas the governmental activities will recognize the net pension/OPEB 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 OPEB	2,679	
Deferred inflows of resources related to OPEB	(91,780)	
Deferred outflows of resources related to pensions	343,436	
Deferred inflows of resources related to pensions	<u>(1,724,390)</u>	
		(1,470,055)

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:

Direct City obligations	(1,454,604)	
Net pension liability	(1,354,543)	
Accrued interest payable	(17,888)	
Net other post-employment benefits liability	(240,881)	
Compensated absences	<u>(261,915)</u>	
		<u>(3,329,831)</u>

Net position of governmental activities \$ 23,269,674

**CITY OF ALBION
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2019**

	General	Special	
		Albion Trust	Major Street
REVENUES			
Taxes	\$ 2,069,818	\$ -	\$ -
Licenses and permits	226,233	-	-
Intergovernmental	1,428,556	-	904,924
Charges for services	534,676	-	-
Fines and forfeits	15,436	-	-
Interest and rents	18,426	22,739	8,678
Other	157,825	-	1,087
TOTAL REVENUES	4,450,970	22,739	914,689
EXPENDITURES			
Current			
General government	1,072,002	-	-
Public safety	2,305,914	-	-
Public works	570,560	-	404,239
Health and welfare	24,182	-	-
Community and economic development	-	-	-
Recreation and cultural	266,712	-	-
Other	250,236	-	-
Debt service	-	-	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	4,489,606	-	404,239
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(38,636)	22,739	510,450
OTHER FINANCING SOURCES (USES)			
Transfers in	24,000	-	-
Transfers out	(52,267)	-	(193,000)
TOTAL OTHER FINANCING SOURCES (USES)	(28,267)	-	(193,000)
NET CHANGE IN FUND BALANCES	(66,903)	22,739	317,450
Fund balances, beginning of year	1,504,613	1,117,398	708,199
Fund balances, end of year	<u>\$ 1,437,710</u>	<u>\$ 1,140,137</u>	<u>\$ 1,025,649</u>

See accompanying notes to financial statements.

<u>Revenue</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Maple Grove Apartments	MDOT Street Reconstruction		
\$ -	\$ -	\$ 648,079	\$ 2,717,897
-	-	-	226,233
226,750	1,388,883	386,202	4,335,315
-	-	19,593	554,269
-	-	-	15,436
222,731	-	70,720	343,294
11,486	-	99,313	269,711
<u>460,967</u>	<u>1,388,883</u>	<u>1,223,907</u>	<u>8,462,155</u>
-	-	-	1,072,002
-	-	36,847	2,342,761
-	-	532,078	1,506,877
-	-	-	24,182
304,707	-	46,866	351,573
-	-	172,832	439,544
-	-	-	250,236
-	-	321,452	321,452
477,603	2,072,008	45,247	2,594,858
<u>782,310</u>	<u>2,072,008</u>	<u>1,155,322</u>	<u>8,903,485</u>
(321,343)	(683,125)	68,585	(441,330)
-	687,650	503,360	1,215,010
<u>(61,500)</u>	<u>-</u>	<u>(716,150)</u>	<u>(1,022,917)</u>
<u>(61,500)</u>	<u>687,650</u>	<u>(212,790)</u>	<u>192,093</u>
(382,843)	4,525	(144,205)	(249,237)
<u>659,706</u>	<u>24,162</u>	<u>3,145,524</u>	<u>7,159,602</u>
<u>\$ 276,863</u>	<u>\$ 28,687</u>	<u>\$ 3,001,319</u>	<u>\$ 6,910,365</u>

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, 2019

Net change in fund balances - total governmental funds \$ (249,237)

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	\$ 2,805,435	
Depreciation expense	<u>(637,965)</u>	

Excess of capital outlay over depreciation expense		2,167,470
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Internal service funds are used by management to charge the costs of certain activities to individual funds.		(23,610)
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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		32,620
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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		246,679
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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:

(Decrease) in deferred outflows of resources related to pensions	(2,112,071)	
(Increase) in deferred inflows of resources related to pensions	(1,696,506)	
Increase in deferred outflows of resources related to OPEB	1,067	
(Increase) in deferred inflows of resources related to OPEB	(73,826)	
Change in net pension asset/liability	1,212,557	
Decrease in accrued interest payable	2,817	
Decrease in net other post-employment benefits liability	60,844	
Decrease in accrued compensated absences	<u>4,807</u>	

(2,600,311)

Change in net position of governmental activities **\$ (426,389)**

**CITY OF ALBION
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 DECEMBER 31, 2019**

	Business-type Activities			Governmental Activities
	Sewer	Water	Total	Internal Service
ASSETS				
Current assets				
Cash and cash equivalents	\$ 593,696	\$ 880,317	\$ 1,474,013	\$ 62,798
Cash and cash equivalents - restricted	-	61,990	61,990	-
Investments	-	150,045	150,045	-
Receivables	301,707	229,798	531,505	-
Due from other governmental units	922	-	922	-
Inventories	5,124	8,212	13,336	7,778
Prepays	13,749	5,624	19,373	7,874
	915,198	1,335,986	2,251,184	78,450
Noncurrent assets				
Capital assets not being depreciated	-	194,050	194,050	-
Capital assets, net of accumulated depreciation	4,444,762	4,488,942	8,933,704	175,980
	4,444,762	4,682,992	9,127,754	175,980
TOTAL ASSETS	5,359,960	6,018,978	11,378,938	254,430
LIABILITIES				
Current liabilities				
Accounts payable	57,677	28,404	86,081	13,842
Accrued wages	22,783	14,144	36,927	4,136
Accrued liabilities	-	200	200	-
Unearned revenue	125,000	125,000	250,000	3,243
Current portion of compensated absences	57,368	36,412	93,780	1,895
Current portion of long-term debt	11,627	29,103	40,730	-
	274,455	233,263	507,718	23,116
Noncurrent liabilities				
Noncurrent portion of compensated absences	-	-	-	762
Noncurrent portion of long-term debt	38,624	96,681	135,305	-
	38,624	96,681	135,305	762
TOTAL LIABILITIES	313,079	329,944	643,023	23,878
NET POSITION				
Net investment in capital assets	4,394,511	4,557,208	8,951,719	175,980
Restricted for debt service	-	61,990	61,990	-
Unrestricted	652,370	1,069,836	1,722,206	54,572
TOTAL NET POSITION	\$ 5,046,881	\$ 5,689,034	\$ 10,735,915	\$ 230,552

See accompanying notes to financial statements.

**CITY OF ALBION
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 YEAR ENDED DECEMBER 31, 2019**

	Business-type Activities			Governmental Activities
	Sewer	Water	Total	Internal Service
OPERATING REVENUES				
Charges for services	\$ 1,237,093	\$ 933,202	\$ 2,170,295	\$ 324,717
Other	6,036	42,568	48,604	1,812
TOTAL OPERATING REVENUES	1,243,129	975,770	2,218,899	326,529
OPERATING EXPENSES				
Salaries and wages	346,151	199,576	545,727	43,895
Fringe benefits	196,602	131,901	328,503	29,382
Contractual services	115,151	112,085	227,236	14,387
Supplies	178,071	166,812	344,883	120,897
Utilities	145,138	120,962	266,100	19,446
Insurance and bonds	26,679	10,876	37,555	15,305
Administrative services	112,830	114,128	226,958	16,554
Building and equipment rental	7,978	23,500	31,478	7,182
Other	8,463	10,368	18,831	740
Depreciation	271,656	268,376	540,032	51,903
TOTAL OPERATING EXPENSES	1,408,719	1,158,584	2,567,303	319,691
OPERATING INCOME (LOSS)	(165,590)	(182,814)	(348,404)	6,838
NONOPERATING REVENUES (EXPENSES)				
Interest earned	8,022	17,683	25,705	1,080
Grants	250,000	-	250,000	-
Interest expense and fees	(2,047)	(5,122)	(7,169)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	255,975	12,561	268,536	1,080
INCOME (LOSS) BEFORE TRANSFERS	90,385	(170,253)	(79,868)	7,918
TRANSFERS				
Transfers out	(149,115)	(11,450)	(160,565)	(31,528)
CHANGE IN NET POSITION	(58,730)	(181,703)	(240,433)	(23,610)
Net position, beginning of year	5,105,611	5,870,737	10,976,348	254,162
Net position, end of year	<u>\$ 5,046,881</u>	<u>\$ 5,689,034</u>	<u>\$ 10,735,915</u>	<u>\$ 230,552</u>

See accompanying notes to financial statements.

**CITY OF ALBION
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 YEAR ENDED DECEMBER 31, 2019**

	Business-type Activities			Governmental Activities
	Sewer	Water	Total	Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 1,431,166	\$ 1,119,765	\$ 2,550,931	\$ 329,772
Cash paid to suppliers	(706,642)	(553,342)	(1,259,984)	(277,808)
Cash paid for employee benefits/wages	(552,103)	(331,956)	(884,059)	(74,266)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	172,421	234,467	406,888	(22,302)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Payments of borrowing	(10,124)	(25,341)	(35,465)	-
Receipt of grants	250,000	-	250,000	-
Purchase of capital assets	(50,933)	(268,769)	(319,702)	(129,129)
Interest expense and fees	(2,047)	(5,122)	(7,169)	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	186,896	(299,232)	(112,336)	(129,129)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers out	(149,115)	(11,450)	(160,565)	(31,528)
CASH FLOWS FROM INVESTING ACTIVITIES				
Sale of investments	-	99,215	99,215	-
Interest proceeds	8,022	17,683	25,705	1,080
NET CASH PROVIDED BY INVESTING ACTIVITIES	8,022	116,898	124,920	1,080
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	218,224	40,683	258,907	(181,879)
Cash and cash equivalents, beginning of year	375,472	901,624	1,277,096	244,677
Cash and cash equivalents, end of year	<u>\$ 593,696</u>	<u>\$ 942,307</u>	<u>\$ 1,536,003</u>	<u>\$ 62,798</u>

See accompanying notes to financial statements.

**CITY OF ALBION
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS (continued)
 YEAR ENDED DECEMBER 31, 2019**

	Business-type Activities			Governmental Activities
	Sewer	Water	Total	Internal Service
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ (165,590)	\$ (182,814)	\$ (348,404)	\$ 6,838
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	271,656	268,376	540,032	51,903
Decrease (increase) in:				
Accounts receivable	63,037	18,995	82,032	-
Inventories	(1,669)	5,494	3,825	24
Prepays	(819)	(373)	(1,192)	(443)
Increase (decrease) in:				
Accounts payable	(109,422)	268	(109,154)	(82,878)
Accrued wages	(6,204)	(3,063)	(9,267)	(288)
Due to other governmental units	(422)	-	(422)	-
Unearned revenue	125,000	125,000	250,000	3,243
Compensated absences	(3,146)	2,584	(562)	(701)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 172,421</u>	<u>\$ 234,467</u>	<u>\$ 406,888</u>	<u>\$ (22,302)</u>

**CITY OF ALBION
FIDUCIARY FUNDS
STATEMENT OF NET POSITION
DECEMBER 31, 2019**

	Agency	Pension and Employee Benefit Trusts
ASSETS		
Cash and cash equivalents	\$ 688,972	\$ 1,132,508
Investments	-	22,149,483
Interest receivable	-	63,818
	\$ 688,972	23,345,809
LIABILITIES		
Due to County	\$ 40,761	-
Due to State	4,059	-
Due to schools	481,429	-
Due to others	162,723	-
	\$ 688,972	-
NET POSITION		
Held in trust for pension and employee benefits		\$ 23,345,809

See accompanying notes to financial statements.

**CITY OF ALBION
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2019**

	<u>Pension and Employee Benefit Trusts</u>
ADDITIONS	
Net investment income	\$ 3,715,725
Contributions	<u>51,420</u>
TOTAL ADDITIONS	3,767,145
DEDUCTIONS	
Benefit payments	835,143
Administrative expense	<u>7,300</u>
TOTAL DEDUCTIONS	<u>842,443</u>
CHANGE IN NET POSITION	2,924,702
Net position, beginning of year	<u>20,421,107</u>
Net position, end of year	<u><u>\$ 23,345,809</u></u>

See accompanying notes to financial statements.

**CITY OF ALBION
COMPONENT UNITS
COMBINING STATEMENT OF NET POSITION
DECEMBER 31, 2019**

	Economic Development Corporation	Downtown Development Authority	Tax Increment Finance Authority
ASSETS			
Current assets			
Cash	\$ 200,961	\$ 62,018	\$ 288,725
Investments	-	-	-
Receivables	2,070	10,086	12,267
Due from other governmental units	1,250	-	-
Prepays	1,250	775	-
Total current assets	205,531	72,879	300,992
Noncurrent assets			
Capital assets not being depreciated	26,655	-	160,000
Capital assets, net of accumulated depreciation	202,582	183,141	-
Total noncurrent assets	229,237	183,141	160,000
TOTAL ASSETS	434,768	256,020	460,992
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	-	-	-
LIABILITIES			
Current liabilities			
Accounts payable	4,124	-	33
Accrued liabilities	6,679	-	9,253
Due to other governmental units	-	10,564	-
Accrued interest payable	518	-	-
Unearned revenue	100	-	-
Current portion of compensated absences	6,958	-	8,717
Current portion of long-term debt	4,948	-	-
Total current liabilities	23,327	10,564	18,003
Noncurrent liabilities			
Net pension liability	-	-	-
Noncurrent portion of compensated absences	4,550	-	5,519
Noncurrent portion of long-term debt	5,720	-	-
Total noncurrent liabilities	10,270	-	5,519
TOTAL LIABILITIES	33,597	10,564	23,522
DEFERRED INFLOWS OF RESOURCES			
	-	-	-
NET POSITION			
Net investment in capital assets	218,569	183,141	160,000
Restricted for community and economic development	28,514	-	-
Unrestricted	154,088	62,315	277,470
TOTAL NET POSITION	\$ 401,171	\$ 245,456	\$ 437,470

See accompanying notes to financial statements.

<u>Albion Housing Commission</u>	<u>Brownfield Authority</u>	<u>Total Component Units</u>
\$ 298,594	\$ 115,409	\$ 965,707
425,229	-	425,229
189,572	88,508	302,503
-	10,564	11,814
<u>16,623</u>	<u>-</u>	<u>18,648</u>
930,018	214,481	1,723,901
19,144	-	205,799
<u>3,174,472</u>	<u>-</u>	<u>3,560,195</u>
<u>3,193,616</u>	<u>-</u>	<u>3,765,994</u>
4,123,634	214,481	5,489,895
60,588	-	60,588
54,341	195,232	253,730
108,878	-	124,810
-	-	10,564
-	-	518
5,432	-	5,532
62,782	-	78,457
<u>-</u>	<u>-</u>	<u>4,948</u>
231,433	195,232	478,559
648,385	-	648,385
18,926	-	28,995
<u>-</u>	<u>-</u>	<u>5,720</u>
<u>667,311</u>	<u>-</u>	<u>683,100</u>
<u>898,744</u>	<u>195,232</u>	<u>1,161,659</u>
<u>144,473</u>	<u>-</u>	<u>144,473</u>
3,193,616	-	3,755,326
-	-	28,514
<u>(52,611)</u>	<u>19,249</u>	<u>460,511</u>
<u>\$ 3,141,005</u>	<u>\$ 19,249</u>	<u>\$ 4,244,351</u>

**CITY OF ALBION
COMPONENT UNITS
COMBINING STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019**

Functions/Programs	Program Revenues				Net (Expense) Revenues and Changes in Net Position					
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Economic Development Corporation	Downtown Development Authority	Tax Increment Finance Authority	Albion Housing Commission	Brownfield Redevelopment Authority	Total Component Units
Economic Development Corporation	\$ 198,625	\$ 102,932	\$ 62,187	\$ -	\$ (33,506)	\$ -	\$ -	\$ -	\$ -	\$ (33,506)
Downtown Development Authority	120,459	-	-	-	-	(120,459)	-	-	-	(120,459)
Tax Increment Finance Authority	220,923	-	118,107	-	-	-	(102,816)	-	-	(102,816)
Albion Housing Commission	2,012,837	572,402	815,592	376,322	-	-	-	(248,521)	-	(248,521)
Brownfield Redevelopment Authority	206,916	-	108,981	-	-	-	-	-	(97,935)	(97,935)
TOTALS	\$ 2,759,760	\$ 675,334	\$ 1,104,867	\$ 376,322	(33,506)	(120,459)	(102,816)	(248,521)	(97,935)	(603,237)
General revenues										
Property taxes					-	113,177	106,422	-	109,684	329,283
Investment earnings					1,220	687	1,780	9,186	-	12,873
Miscellaneous					68,320	-	-	9,307	2,500	80,127
Total general revenues					69,540	113,864	108,202	18,493	112,184	422,283
CHANGE IN NET POSITION					36,034	(6,595)	5,386	(230,028)	14,249	(180,954)
Net position, beginning of year					365,137	252,051	432,084	3,371,033	5,000	4,425,305
Net position, end of year					\$ 401,171	\$ 245,456	\$ 437,470	\$ 3,141,005	\$ 19,249	\$ 4,244,351

See accompanying notes to financial statements.

CITY OF ALBION
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - 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 City Council members who are elected for overlapping four-year terms. The Council elects one of its members to serve as Mayor Pro-Tem. A Mayor is elected at-large for a two-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.

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.

Blended Component Units

The Albion Building Authority is a five-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-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-member pension board that includes two 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.

CITY OF ALBION
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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-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-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 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.
- e. Brownfield Redevelopment Authority - The Brownfield Redevelopment Authority is responsible for promoting the revitalization, redevelopment, and reuse of certain properties. The Authority's governing body, which consists of nine members, is selected by the Mayor and City Council. The financial statements of the Authority are included in the City's financial statements and are not audited separately.

CITY OF ALBION
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 Major Street Fund is used to account for financial resources that are used for repairs and maintenance of the City's major streets. The primary source of revenue for this fund is restricted Act 51 revenue from the State of Michigan.
- d. The Maple Grove Apartments Fund is used to account for grant and rent revenue associated with the City's Maple Grove Apartment Facility.
- e. The MDOT Street Construction Fund is used to account for grant proceeds restricted for street improvements.

CITY OF ALBION
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

FUND FINANCIAL STATEMENTS (continued)

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.

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.

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.

CITY OF ALBION
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting (continued)

All governmental 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 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.

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.
- 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.

CITY OF ALBION
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

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 bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
- c. Commercial paper rated at the time of purchase within the three highest classifications established by not less than two 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.
- f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

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 fair value.

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.

CITY OF ALBION
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivables

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

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.

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, 2019, the City levied 11.8897 mills per \$1,000 of taxable valuation for general governmental services. In addition, the City levied 2.9790 mills for street maintenance, 2.9790 mills for solid waste services, and 1.9860 mills for recreational services. The total taxable value for the 2019 levy for property within the City was \$90,295,146.

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.

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 fund balance.

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 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 fund balance.

**CITY OF ALBION
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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 acquisition cost 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

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.

CITY OF ALBION
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-term Obligations (continued)

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.

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.

Tax Abatements

The City's tax revenues have been reduced by tax abatements. There have been no significant abatements made by the City or by other governmental units that significantly reduce tax revenues within the City. Management has determined these amounts to be immaterial to the financial statements.

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.

The City has several items that qualify for reporting in these categories. These items correspond to the City's net pension/OPEB asset (liability) and are related to differences between expected and actual experience, changes in assumptions, differences between projected and actual pension/OPEB 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 60 days after year-end are considered unavailable revenue in the fund financial statements.

Unearned Revenue

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

Net Pension Asset (Liability)

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

**CITY OF ALBION
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Other Post-Employment Benefits (OPEB) Liability

The net other post-employment benefits (OPEB) liability is deemed to be a noncurrent item and is recognized on the City's government-wide financial statements.

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 2 - DEPOSITS AND INVESTMENTS

As of December 31, 2019, the City had deposits and investments subject to the following risk:

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of December 31, 2019, \$5,927,182 of the City's bank balance of \$7,482,848 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying value on the books for deposits at the end of the year was \$7,388,440.

As of December 31, 2019, 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	\$ 4,884,610	\$ 4,979,018
Certificates of deposit	400,950	400,950
Total Primary Government	5,285,560	5,379,968
FIDUCIARY FUNDS		
Checking	711,994	711,994
COMPONENT UNITS		
Checking and savings	965,657	965,657
Certificates of deposit	425,229	425,229
Total Component Units	1,390,886	1,390,886
TOTAL REPORTING ENTITY	\$ 7,388,440	\$ 7,482,848

**CITY OF ALBION
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

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

Interest Rate Risk

In accordance with its investment policy, 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.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Municipal Bonds	\$ 235,421	4.45
Uncategorized Pooled Investments	1,082,079	N/A
Federal National Mortgage Association	963,938	24.19
Federal Home Loan Mortgage Corporation	2,724,357	5.35
Governmental National Mortgage Association	657,791	45.51
Corporate Bonds	6,112,126	8.77
Michigan CLASS Investment Pool	2,475,638	0.1478
Common Equity Securities	11,691,271	N/A
	<u>\$ 25,942,621</u>	
Portfolio weighted average maturity		<u>9.33</u>

One day maturity equals approximately .0027 years

**CITY OF ALBION
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

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. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

Investment Type	Fair Value	Rating	Rating Agency
Municipal Bonds	\$ 235,421	Not rated	N/A
Uncategorized Pooled Investments	1,082,079	Not rated	N/A
Federal National Mortgage Association	963,938	AA+	Standard & Poor's
Federal Home Loan Mortgage Corporation	2,724,357	AA+	Standard & Poor's
Governmental National Mortgage Association	657,791	AA+	Standard & Poor's
Corporate Bonds	6,112,126	Various	N/A
Common Equity Securities	11,691,271	Not rated	N/A
Michigan CLASS Investment Pool	2,475,638	AAAm	Standard & Poor's
	<u>\$ 25,942,621</u>		

Foreign Currency Risk

The City is not authorized to invest in investments which have this type of risk.

Fair Value Measurement

The City is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the City's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

**CITY OF ALBION
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurement (continued)

Investment Type	Level 1	Level 2	Level 3	Fair Value
PRIMARY GOVERNMENT				
Municipal Bonds	\$ -	\$ 235,421	\$ -	\$ 235,421
FIDUCIARY FUNDS				
Uncategorized Pooled Investments	1,082,079	-	-	1,082,079
Federal National Mortgage Association	-	963,938	-	963,938
Federal Home Loan Mortgage Corporation	-	2,724,357	-	2,724,357
Governmental National Mortgage Association	-	657,791	-	657,791
Corporate Bonds	-	6,112,126	-	6,112,126
Common Equity Securities	11,691,271	-	-	11,691,271
TOTAL PENSION TRUST FUND	<u>\$ 12,773,350</u>	<u>\$ 10,458,212</u>	<u>\$ -</u>	<u>\$ 23,231,562</u>
TOTAL REPORTING ENTITY	<u>\$ 12,773,350</u>	<u>\$ 10,693,633</u>	<u>\$ -</u>	<u>\$ 23,466,983</u>

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Investments in Entities that Calculate Net Asset Value Per Share

The City holds shares or interests in the Michigan CLASS investment pool where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

The Michigan CLASS investment pool invest in U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated "A1" or better), collateralized bank deposits, repurchase agreements (collateralized at 102 percent by treasuries and agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statues and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

At the year ended December 31, 2019, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency, if Eligible</u>	<u>Redemption Notice Period</u>
PRIMARY GOVERNMENT				
Michigan CLASS Investment Pool	<u>\$ 2,448,231</u>	<u>\$ -</u>	No restrictions	None
FIDUCIARY FUNDS				
Michigan CLASS Investment Pool	<u>\$ 27,407</u>	<u>\$ -</u>	No restrictions	None

**CITY OF ALBION
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Investments in Entities that Calculate Net Asset Value Per Share (continued)

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 1. The following summarizes the categorization of these amounts as of December 31, 2019:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 6,246,256	\$ 965,707	\$ 1,821,480	\$ 9,033,443
Cash and cash equivalents - restricted	61,990	-	-	61,990
Investments - current	1,426,983	425,229	22,149,483	24,001,695
Investments - noncurrent	235,421	-	-	235,421
	<u>\$ 7,970,650</u>	<u>\$ 1,390,936</u>	<u>\$ 23,970,963</u>	<u>\$ 33,332,549</u>

The primary government and component units' cash and cash equivalents captions on the basic financial statements include \$1,438 and \$50, respectively, of imprest cash.

NOTE 3 - CASH AND CASH EQUIVALENTS - RESTRICTED

The following summarizes the restricted cash and cash equivalents as of December 31, 2019:

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

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at December 31, 2019, are as follows:

PRIMARY GOVERNMENT	
Due to General Fund from:	
MDOT Street Reconstruction Fund	<u>\$ 475,000</u>
Due to nonmajor governmental funds from:	
Nonmajor governmental funds	<u>\$ 120,249</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 for transfers that have not cleared as of the balance sheet date.

**CITY OF ALBION
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - 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>\$ 24,000</u>
Transfer to MDOT Street Reconstruction Fund from:	
Nonmajor governmental funds	<u>\$ 687,650</u>
Transfers to nonmajor governmental funds from:	
General Fund	\$ 52,267
Major Street Fund	193,000
Nonmajor governmental funds	4,500
Sewer Fund	149,115
Water Fund	11,450
Internal Service Fund	31,528
Maple Grove Apartments Fund	<u>61,500</u>
	<u>\$ 503,360</u>

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

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019, was as follows:

PRIMARY GOVERNMENT

	Restated Balance Jan. 1, 2019	Additions/ Reclassifications	Deletions/ Reclassifications	Balance Dec. 31, 2019
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 417,704	\$ -	\$ -	\$ 417,704
Construction in progress	<u>111,364</u>	<u>1,149,903</u>	<u>(61,900)</u>	<u>1,199,367</u>
Subtotal	529,068	1,149,903	(61,900)	1,617,071
Capital assets being depreciated				
Buildings and improvements	6,312,782	541,715	-	6,854,497
Infrastructure	7,776,416	1,156,414	-	8,932,830
Equipment and furniture	1,113,094	130,742	-	1,243,836
Vehicles	<u>2,723,412</u>	<u>17,690</u>	<u>-</u>	<u>2,741,102</u>
Subtotal	17,925,704	1,846,561	-	19,772,265

**CITY OF ALBION
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - CAPITAL ASSETS (continued)

PRIMARY GOVERNMENT (continued)

	Restated Balance Jan. 1, 2019	Additions/ Reclassifications	Deletions/ Reclassifications	Balance Dec. 31, 2019
Governmental Activities (continued)				
Less accumulated depreciation for:				
Buildings and improvements	\$ (2,626,783)	\$ (198,140)	\$ -	\$ (2,824,923)
Infrastructure	(3,117,956)	(348,422)	-	(3,466,378)
Equipment and furniture	(1,022,450)	(33,289)	-	(1,055,739)
Vehicles	(1,983,898)	(110,017)	-	(2,093,915)
Subtotal	(8,751,087)	(689,868)	-	(9,440,955)
Net capital assets being depreciated	9,174,617	1,156,693	-	10,331,310
Capital assets, net	<u>\$ 9,703,685</u>	<u>\$ 2,306,596</u>	<u>\$ (61,900)</u>	<u>\$ 11,948,381</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 56,065
Public safety	105,823
Public works	436,963
Community and economic development	79,484
Recreation and cultural	11,533
Total depreciation expense	<u>\$ 689,868</u>

	Balance Jan. 1, 2019	Additions	Deletions	Balance Dec. 31, 2019
Business-type Activities				
Capital assets not being depreciated				
Land	\$ 93,700	\$ -	\$ -	\$ 93,700
Construction in progress	-	100,350	-	100,350
Subtotal	93,700	100,350	-	194,050
Capital assets being depreciated				
Buildings and improvements	11,222,852	-	-	11,222,852
Equipment	923,350	-	(136,344)	787,006
Water system	5,366,678	168,420	-	5,535,098
Sewer system	3,534,250	50,932	-	3,585,182
Vehicles	479,703	-	-	479,703
Subtotal	21,526,833	219,352	(136,344)	21,609,841

**CITY OF ALBION
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - CAPITAL ASSETS (continued)

PRIMARY GOVERNMENT (continued)

	Balance Jan. 1, 2019	Additions	Deletions	Balance Dec. 31, 2019
Business-type Activities (continued)				
Less accumulated depreciation for:				
Buildings and improvements	\$ (6,949,538)	\$ (264,609)	\$ -	\$ (7,214,147)
Equipment	(865,023)	(17,258)	136,344	(745,937)
Water system	(3,205,074)	(159,607)	-	(3,364,681)
Sewer system	(974,721)	(71,043)	-	(1,045,764)
Vehicles	(278,093)	(27,515)	-	(305,608)
Subtotal	<u>(12,272,449)</u>	<u>(540,032)</u>	<u>136,344</u>	<u>(12,676,137)</u>
Net capital assets being depreciated	<u>9,254,384</u>	<u>(320,680)</u>	<u>-</u>	<u>8,933,704</u>
Capital assets, net	<u>\$ 9,348,084</u>	<u>\$ (220,330)</u>	<u>\$ -</u>	<u>\$ 9,127,754</u>

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

Water	\$ 268,376
Sewer	<u>271,656</u>
Total depreciation expense	<u>\$ 540,032</u>

COMPONENT UNITS

	Balance Jan. 1, 2019	Additions	Deletions	Balance Dec. 31, 2019
Component unit - EDC				
Capital assets not being depreciated				
Land	\$ 26,655	\$ -	\$ -	\$ 26,655
Capital assets being depreciated				
Buildings	20,000	-	-	20,000
Equipment	236,333	-	-	236,333
Land Improvements	8,895	-	-	8,895
Subtotal	<u>265,228</u>	<u>-</u>	<u>-</u>	<u>265,228</u>

CITY OF ALBION
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - CAPITAL ASSETS (continued)

COMPONENT UNITS (continued)

	Balance Jan. 1, 2019	Additions	Deletions	Balance Dec. 31, 2019
Component unit - EDC (continued)				
Less accumulated depreciation for:				
Buildings	\$ (12,800)	\$ (800)	\$ -	\$ (13,600)
Equipment	(35,450)	(11,817)	-	(47,267)
Land Improvements	(1,334)	(445)	-	(1,779)
Subtotal	(49,584)	(13,062)	-	(62,646)
Net capital assets being depreciated	215,644	(13,062)	-	202,582
Capital assets, net	<u>\$ 242,299</u>	<u>\$ (13,062)</u>	<u>\$ -</u>	<u>\$ 229,237</u>
Component Unit - DDA				
Capital assets being depreciated				
Buildings	\$ 211,317	\$ -	\$ -	\$ 211,317
Equipment	61,558	-	-	61,558
Subtotal	272,875	-	-	272,875
Less accumulated depreciation for:				
Buildings	(21,132)	(7,044)	-	(28,176)
Equipment	(61,558)	-	-	(61,558)
Subtotal	(82,690)	(7,044)	-	(89,734)
Capital assets, net	<u>\$ 190,185</u>	<u>\$ (7,044)</u>	<u>\$ -</u>	<u>\$ 183,141</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	15,146,545	415,809	(10,778)	15,551,576
Less accumulated depreciation	(12,058,852)	(337,431)	19,179	(12,377,104)
Net capital assets being depreciated	3,087,693	78,378	8,401	3,174,472
Capital assets, net	<u>\$ 3,106,837</u>	<u>\$ 78,378</u>	<u>\$ 8,401</u>	<u>\$ 3,193,616</u>

CITY OF ALBION
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations (including current portion) of the City for the year ended December 31, 2019.

	Balance Jan. 1, 2019	Additions	Reductions	Balance Dec. 31, 2019	Amounts Due Within One Year
PRIMARY GOVERNMENT					
Governmental activities					
General obligation bonds					
2010 General Obligation Bonds	\$ 1,025,000	\$ -	\$ (135,000)	\$ 890,000	\$ 135,000
Building Authority bonds	550,000	-	(95,000)	455,000	40,000
Direct borrowing					
Land contract	60,865	-	(13,174)	47,691	13,569
Other long-term obligations					
EPA landfill liability	65,418	-	(3,505)	61,913	3,276
Compensated absences	270,080	293,478	(298,986)	264,572	128,646
	<u>1,971,363</u>	<u>293,478</u>	<u>(545,665)</u>	<u>1,719,176</u>	<u>320,491</u>
Business-type activities					
Direct borrowing					
Installment note	211,500	-	(35,465)	176,035	40,730
Other long-term obligations					
Compensated absences	94,342	57,343	(57,905)	93,780	93,780
	<u>305,842</u>	<u>57,343</u>	<u>(93,370)</u>	<u>269,815</u>	<u>134,510</u>
TOTAL PRIMARY GOVERNMENT	2,277,205	350,821	(639,035)	1,988,991	455,001
COMPONENT UNITS					
Economic Development Corporation (EDC)					
Direct borrowing					
ABA loan	15,380	-	(4,712)	10,668	4,948
Other long-term obligations					
Compensated absences	9,381	9,337	(7,210)	11,508	6,958
Total EDC	24,761	9,337	(11,922)	22,176	11,906
Tax Increment Finance Authority					
Other long-term obligations					
Compensated absences	9,920	9,972	(5,656)	14,236	8,717
Albion Housing Commission					
Other long-term obligations					
Compensated absences	83,036	8,574	(9,702)	81,908	62,782
TOTAL COMPONENT UNITS	117,717	27,883	(27,280)	118,320	83,405
TOTAL REPORTING ENTITY	<u>\$ 2,394,922</u>	<u>\$ 378,704</u>	<u>\$ (666,315)</u>	<u>\$ 2,107,311</u>	<u>\$ 538,406</u>

CITY OF ALBION
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - LONG-TERM OBLIGATIONS (continued)

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

Primary Government

Governmental Activities

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 \$135,000 to \$165,000 through October 1, 2025, with interest ranging from 4.00% to 4.63%, payable semi-annually.

\$ 890,000

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.

\$ 61,913

Land Contract

\$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%, payable annually.

\$ 47,691

Building Authority Bonds

\$700,000 Building Authority Bonds dated January 15, 2009, due in annual installments ranging from \$35,000 to \$65,000 through October 1, 2028, with interest ranging from 5.50% to 6.25%, payable semi-annually.

\$ 455,000

Business-type Activities

Installment Note

\$211,500 installment purchase agreement dated September 17, 2018, due in annual installments ranging from \$35,465 to \$49,656 through September 1, 2023, with interest of 3.39%, payable annually.

\$ 176,035

Component Unit - EDC

ABA Loan

\$57,246 Albion Building Authority Loan to the Economic Development Corporation dated May 23, 2007, due in annual installments ranging from \$4,712 to \$5,720 through January 10, 2021, with interest at 5.0%, payable annually.

\$ 10,668

**CITY OF ALBION
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM OBLIGATIONS (continued)

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 \$465,804 at December 31, 2019. Of this amount, \$264,572, \$93,780, and \$107,452 are shown as accrued liabilities within the governmental activities, business-type activities, and component units, respectively, in accordance with criteria disclosed in Note 1.

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

PRIMARY GOVERNMENT

Governmental Activities

General Obligation Bonds				
Year Ending December 31,	2010 General Obligation Limited Tax Bonds		Building Authority Bonds	
	Principal	Interest	Principal	Interest
2020	\$ 135,000	\$ 39,250	\$ 40,000	\$ 27,253
2021	140,000	33,850	40,000	25,053
2022	145,000	27,900	45,000	22,753
2023	150,000	21,738	45,000	20,165
2024	155,000	14,800	50,000	17,578
2025-2028	165,000	7,631	235,000	37,675
	\$ 890,000	\$ 145,169	\$ 455,000	\$ 150,477
Year Ending December 31,	Other Long Term Obligation- EPA Landfill Liability		Direct Borrowing - Land Contract	
	Principal	Interest	Principal	Interest
2020	\$ 3,276	\$ 1,638	\$ 13,569	\$ 1,431
2021	3,062	1,531	13,976	1,024
2022	2,861	1,431	14,396	604
2023	3,089	1,544	5,750	173
2024	2,499	1,250	-	-
2025-2028	47,126	23,563	-	-
	\$ 61,913	\$ 30,957	\$ 47,691	\$ 3,232

**CITY OF ALBION
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM OBLIGATIONS (continued)

PRIMARY GOVERNMENT (continued)

Business-type Activities

<u>Year Ending December 31,</u>	<u>Direct Borrowing - Installment Note</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 40,730	\$ 5,968
2021	42,111	4,587
2022	43,538	3,159
2023	49,656	1,618
	<u>\$ 176,035</u>	<u>\$ 15,332</u>

COMPONENT UNITS

<u>Year Ending December 31,</u>	<u>Direct Borrowing - ABA Loan</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 4,948	\$ 533
2021	5,720	286
	<u>\$ 10,668</u>	<u>\$ 819</u>

NOTE 8 - 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.

**CITY OF ALBION
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - RETIREMENT PLANS (continued)

PRIMARY GOVERNMENT (EXCEPT PUBLIC SAFETY) AND HOUSING COMMISSION (continued)

Summary of Significant Accounting Policies

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position 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 purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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, 2018 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	104
Inactive employees entitled to but not yet receiving benefits	14
Active employees	<u>17</u>
Total employees covered by MERS	<u><u>135</u></u>

Contributions

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

Employer contributions range from 9.25% to 10.82% based on annual payroll for open divisions.

**CITY OF ALBION
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - RETIREMENT PLANS (continued)

PRIMARY GOVERNMENT (EXCEPT PUBLIC SAFETY) AND HOUSING COMMISSION (continued)

Net Pension Liability

The employer's Net Pension Liability was measured as of December 31, 2018, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date. Changes in the net pension liability during the measurement year were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at December 31, 2017	\$ 13,952,468	\$ 13,648,540	\$ 303,928
Service Cost	78,754	-	78,754
Interest on Total Pension Liability	1,074,758	-	1,074,758
Difference between expected and actual experience	166,697	-	166,697
Employer contributions	-	152,203	(152,203)
Net investment income	-	(505,182)	505,182
Benefit payments, including employee refunds	(1,114,727)	(1,114,727)	-
Administrative expense	-	(25,813)	25,813
Other changes	(1)	-	(1)
Net changes	<u>205,481</u>	<u>(1,493,519)</u>	<u>1,699,000</u>
Balances at December 31, 2018	<u>\$ 14,157,949</u>	<u>\$ 12,155,021</u>	<u>\$ 2,002,928</u>

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

For the year ended December 31, 2019, the employer recognized pension expense of \$694,031. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 934,494
Contributions subsequent to the measurement date*	<u>134,088</u>	<u>-</u>
Total	<u>\$ 134,088</u>	<u>\$ 934,494</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 liability for the year ended December 31, 2019.

**CITY OF ALBION
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - 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 (continued)

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 (\$134,088), which will impact the net pension liability in fiscal year 2020, 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>
2020	\$ (351,524)
2021	(93,553)
2022	(177,910)
2023	(311,507)

Actuarial Assumptions

The total pension liability in the December 31, 2018, annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

Salary increases: 3.75% in the long-term plus a percentage based on age related scale to reflect merit, longevity, and promotional pay increases.

Investment rate of return: 7.75 %, net of investment expenses, including inflation.

The mortality table used to project the mortality experience of non-disabled plan members is a 50% Male - 50% Female blend of the following tables; 1. The RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105%, 2. The RP-2014 Employee Mortality Tables, and 3. The RP-2014.

Juvenile Mortality Tables. The mortality table used to project the mortality experience of disable plan members is a 50% Male - 50% Female blend of the RP-2014 Disabled Retiree Mortality Tables.

The actuarial assumptions used in valuation were based on the 2009-2013 Five Year Experience Study.

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.

**CITY OF ALBION
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - RETIREMENT PLANS (continued)

PRIMARY GOVERNMENT (EXCEPT PUBLIC SAFETY) AND HOUSING COMMISSION (continued)

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	55.50%	6.15%
Global Fixed Income	18.50%	1.26%
Real Assets	13.50%	7.22%
Diversifying Strategies	12.50%	5.00%

Sensitivity of the Net Position Liability to Changes in the Discount Rate

The following presents the Net Pension Liability of the employer, calculated using the discount rates 8.00%, as well as what the employer's Net Position Liability would be using a discount rate that is 1% lower (7.00%) or 1% higher (9.00%) than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net pension liability	<u>\$ 3,295,919</u>	<u>\$ 2,002,928</u>	<u>\$ 888,044</u>

Discount Rate

The discount rate used to measure the total pension liability is 8.00%. 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. 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.

DEFINED CONTRIBUTION PLANS

The City participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined contribution pension plan that covers all eligible full-time employees of the City that are ineligible for the defined benefit plan described above. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings.

As established by the City Council, the City contributes 7% of the eligible employee wages. Employee contributions are voluntary. For the year ended December 31, 2019, the City contributed \$77,079 and the employees contributed \$3,548.

The City contributes 7% of the City Manager's wages to the ICMA 457 plan in lieu of the MERS contribution noted above. Contributions to this plan during the year totaled \$1,555.

**CITY OF ALBION
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - 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, 2018 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	33
Inactive employees entitled to but not yet receiving benefits	5
Active employees	16
Total employees covered	54

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 has 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.

**CITY OF ALBION
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - RETIREMENT PLANS (continued)

PUBLIC SAFETY (continued)

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.

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, 2019, was 0.00% of annual payroll.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at December 31, 2018	\$ 13,939,304	\$ 20,377,021	\$ (6,437,717)
Service Cost	354,155	-	354,155
Interest on Total Pension Liability	822,001	-	822,001
Difference between expected and actual experience	(330,610)	-	(330,610)
Changes in assumptions	268,437	-	268,437
Employer contributions	-	51,420	(51,420)
Net investment income	-	3,714,989	(3,714,989)
Benefit payments, including employee refunds	(832,743)	(832,743)	-
Administrative expense	-	(7,300)	7,300
Net changes	281,240	2,926,366	(2,645,126)
Balances at December 31, 2019	<u>\$ 14,220,544</u>	<u>\$ 23,303,387</u>	<u>\$ (9,082,843)</u>

**CITY OF ALBION
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - RETIREMENT PLANS (continued)

PUBLIC SAFETY (continued)

Actuarial Assumptions

The total pension liability was determined based on the annual actuarial valuation as of December 31, 2019. 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	4.0%-8.0%, 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 Annuitant Mortality Table

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 plans target asset allocation as of December 31, 2019, these best estimates are summarized in the following table.

<u>Asset Class</u>	<u>Asset Allocation</u>	
	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Cash	5.00%	6.00%
High Yield and Bank Loans	5.00%	6.00%
Stocks	60.00%	6.00%
Bonds	30.00%	6.00%
Total	100.00%	

**CITY OF ALBION
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - RETIREMENT PLANS (continued)

PUBLIC SAFETY (continued)

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:

	1% Decrease	Current Discount Rate	1% Increase
City's net pension (asset)	\$ (7,278,209)	\$ (9,082,843)	\$ (10,577,265)

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

For the year ended December 31, 2019, the employer recognized pension expenses of \$158,998. The employer reported deferred outflows and inflows of resources relate to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 82,844	\$ 230,425
Changes in assumptions	187,092	-
Excess investment returns	-	703,944
Total changes in assumptions	\$ 269,936	\$ 934,369

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

Year Ending December 31,	Pension Expense
2020	\$ 109,761
2021	84,658
2022	(33,191)
2023	503,205

CITY OF ALBION
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - 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.

NOTE 10 - OTHER POST-EMPLOYMENT HEALTH CARE BENEFITS (OPEB)

Plan Description

The City of Albion Post-Employment Health Benefits Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the City. The Plan provides certain health care benefits, in accordance with union agreements and/or personnel policies to employees who have retired. Benefit provisions are established by the City. The Plan does not issue a separate stand-alone financial statement.

Benefits Provided

General employees may become eligible for employer financed health coverage 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.

Projections of benefits for financial reporting purposes 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 the long-term perspective of the calculations.

Summary of Plan Participants

At the December 31, 2019 valuation date, the following employees were covered by the benefit terms:

Eligible retirees/Non-active employees	17
Active employees	<u>10</u>
Total	<u><u>27</u></u>

Total OPEB Liability

The total OPEB liability of the City was measured as of December 31, 2019 and was determined by an actuarial valuation from December 31, 2019.

**CITY OF ALBION
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 - OTHER POST-EMPLOYMENT HEALTH CARE BENEFITS (OPEB) (continued)

Actuarial Assumptions

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

Discount Rate	6.00%
Actuarial Cost Method	Entry-age normal
Salary Increases	N/A
Long Term Rate of Return	6.00%

Mortality rates were based on the RP-2000 Combined Healthy Annuitant Table Projected to 2014.

Change in Net OPEB Liability

The change in the net OPEB liability for the year ended December 31, 2019 is as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at 12/31/2018	\$ 345,811	\$ 44,086	\$ 301,725
Changes for the year			
Service cost	7,919	-	7,919
Interest	20,914	-	20,914
Difference between expected and actual experience	(88,196)	-	(88,196)
Change in actuarial assumptions	(745)	-	(745)
Net investment income (loss)	-	736	(736)
Benefit payments	(2,400)	(2,400)	-
Net changes	(62,508)	(1,664)	(60,844)
Balances at 12/31/2019	\$ 283,303	\$ 42,422	\$ 240,881

Summary of Significant Accounting Policies

For purposes of measuring the total other post-employment benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expenses, information about the fiduciary net position of the Plan and additions to/deductions from the City's fiduciary net position have been determined on the same basis as they are reported for the City. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**CITY OF ALBION
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 - OTHER POST-EMPLOYMENT HEALTH CARE BENEFITS (OPEB) (continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.00%) or 1-percentage-point higher (7.00%) than the current discount rate:

	Sensitivity to Discount Rate		
	1% Decrease	Current Rate	1% Increase
Net OPEB liability	\$ 326,328	\$ 240,881	\$ 282,380

Regarding the sensitivity of the net OPEB liability to changes in the healthcare cost trend rates, since the stipend is a fixed payment there is no trend applied. Therefore, a healthcare cost trend sensitivity is not applicable and was not performed by the actuary.

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

For the year ended December 31, 2019, the City recognized OPEB expense of \$11,915. At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 91,136
Changes of assumptions	-	644
Net difference between projected and actual earnings on OPEB plan investments	2,679	-
	\$ 2,679	\$ 91,780

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31,	OPEB Expense
2020	\$ (14,345)
2021	(14,345)
2022	(14,344)
2023	(14,744)
2024	(14,494)
Thereafter	(16,829)

CITY OF ALBION
NOTES TO FINANCIAL STATEMENTS

NOTE 10 - OTHER POST-EMPLOYMENT HEALTH CARE BENEFITS (OPEB) (continued)

Investment Policy

The City may invest and reinvest the assets of the Plan subject to the terms, conditions, limitations, and restrictions imposed by Michigan law and, to the extent applicable to a government plan, the Internal Revenue Code of 1986, as amended, and the Employee Retirement Security Act of 1974, as amended. It is the policy of the Plan to invest funds in a manner which will ensure the preservation of principal while providing the highest investment return with maximum security. The City is currently reviewing long-term investing options. As of December 31, 2019, all assets of the trust were in investments and cash which earn about 1% interest.

NOTE 11 - 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, 2018	\$ (635,259)
Construction code revenue	66,658
Related expenditures - Direct costs	<u>(271,871)</u>
Deficit at December 31, 2019	<u><u>\$ (840,472)</u></u>

NOTE 12 - 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.

CITY OF ALBION
NOTES TO FINANCIAL STATEMENTS

NOTE 12 - CONTINGENCIES (continued)

In addition, the City has informed the Michigan Department of Environmental Quality (MDEQ) of two 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 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 13 - 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 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.

**CITY OF ALBION
NOTES TO FINANCIAL STATEMENTS**

NOTE 13 - DETAILS OF FUND BALANCE CLASSIFICATIONS (continued)

Fund Balance Classification Policies and Procedures (continued)

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.

	General Fund	Albion Trust	Major Street	Maple Grove Apartments	MDOT Street Reconstruction	Nonmajor Governmental Funds	Total
Fund Balances							
Nonspendable							
Prepays	\$ 247,607	\$ -	\$ 5,749	\$ 5,000	\$ -	\$ 7,757	\$ 266,113
Inventory	-	-	59,506	-	-	1,970	61,476
Long-term receivable	-	-	-	-	-	130,489	130,489
Perpetual care	-	-	-	-	-	215,000	215,000
Restricted for							
Streets and highways	-	-	960,394	-	28,687	588,049	1,577,130
Sidewalks	-	-	-	-	-	467,860	467,860
Community enrichment	-	1,140,137	-	271,863	-	953,922	2,365,922
Solid waste	-	-	-	-	-	478,975	478,975
Law enforcement	-	-	-	-	-	7,960	7,960
Debt service	-	-	-	-	-	115,530	115,530
Perpetual care	-	-	-	-	-	33,807	33,807
Assigned to							
Subsequent year's expenditures	109,374	-	-	-	-	-	109,374
Communications	41,345	-	-	-	-	-	41,345
Unassigned	1,039,384	-	-	-	-	-	1,039,384
TOTAL FUND BALANCES	<u>\$ 1,437,710</u>	<u>\$ 1,140,137</u>	<u>\$ 1,025,649</u>	<u>\$ 276,863</u>	<u>\$ 28,687</u>	<u>\$ 3,001,319</u>	<u>\$ 6,910,365</u>

NOTE 14 - UPCOMING ACCOUNTING PRONOUNCEMENTS

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2020 fiscal year.

In June 2017, the GASB issued Statement No. 87, *Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022 fiscal year.

**CITY OF ALBION
NOTES TO FINANCIAL STATEMENTS**

NOTE 15 - RESTATEMENT OF NET POSITION

Beginning net position of the governmental activities was restated by (\$185,000) as a result of overstated capital assets in the prior period.

	<u>Governmental Activities</u>
Net position as of 12/31/18	\$ 23,881,063
Overstated capital assets	<u>(185,000)</u>
Restated net position as of 12/31/18	<u><u>\$ 23,696,063</u></u>

NOTE 16 - SUBSEQUENT EVENT

The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our customers, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition and results of operations is uncertain.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF ALBION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Property taxes	\$ 928,750	\$ 959,000	\$ 941,450	\$ (17,550)
Income taxes	1,040,000	1,030,000	1,040,003	10,003
Payments in lieu of taxes	23,500	22,983	22,983	-
Penalties and interest	29,000	27,000	13,124	(13,876)
Administration fees	51,000	51,000	52,258	1,258
Total taxes	2,072,250	2,089,983	2,069,818	(20,165)
Licenses and permits	199,850	231,489	226,233	(5,256)
Intergovernmental				
Federal/State	1,236,500	1,401,030	1,391,157	(9,873)
Local	17,500	23,899	37,399	13,500
Total intergovernmental	1,254,000	1,424,929	1,428,556	3,627
Charges for services				
Cemetery	55,000	45,500	50,935	5,435
Other fees	506,392	519,868	483,741	(36,127)
Total charges for services	561,392	565,368	534,676	(30,692)
Fines and forfeits	17,500	11,500	15,436	3,936
Interest and rents	10,600	15,100	18,426	3,326
Other				
Reimbursements	25,000	133,323	135,521	2,198
Other	7,600	26,029	22,304	(3,725)
Total other	32,600	159,352	157,825	(1,527)
TOTAL REVENUES	4,148,192	4,497,721	4,450,970	(46,751)

**CITY OF ALBION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (continued)
YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
EXPENDITURES				
Current				
General government				
City Council	\$ 50,606	\$ 44,360	\$ 29,834	\$ 14,526
City Manager	208,295	153,353	150,052	3,301
Human resources	14,900	18,587	18,566	21
Assessor	44,810	47,650	44,850	2,800
Attorney	99,150	141,250	140,768	482
Clerk	127,725	122,375	110,914	11,461
Treasurer	484,735	505,065	486,271	18,794
Municipal building	72,175	75,040	74,219	821
Other	17,750	20,850	16,528	4,322
Total general government	1,120,146	1,128,530	1,072,002	56,528
Public safety				
Police and fire	2,063,710	2,089,979	2,034,043	55,936
Code enforcement	257,785	270,570	271,871	(1,301)
Total public safety	2,321,495	2,360,549	2,305,914	54,635
Public works				
Engineering	15,270	22,060	16,417	5,643
Highways and streets	47,775	128,400	123,957	4,443
Tree trimming	17,675	32,555	28,077	4,478
Cemetery	163,910	172,235	157,757	14,478
Electricity	150,000	241,127	244,352	(3,225)
Total public works	394,630	596,377	570,560	25,817
Health and welfare				
Environmental expenditures	21,000	21,750	24,182	(2,432)
Recreation and cultural				
Parks	216,950	279,825	266,712	13,113
Other	131,924	257,300	250,236	7,064
TOTAL EXPENDITURES	4,206,145	4,644,331	4,489,606	154,725
EXCESS OF REVENUES (UNDER) EXPENDITURES	(57,953)	(146,610)	(38,636)	107,974

**CITY OF ALBION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (continued)
YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 24,000	\$ 35,000	\$ 24,000	\$ (11,000)
Transfers out	<u>(52,267)</u>	<u>(52,267)</u>	<u>(52,267)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(28,267)</u>	<u>(17,267)</u>	<u>(28,267)</u>	<u>(11,000)</u>
NET CHANGE IN FUND BALANCE	(86,220)	(163,877)	(66,903)	96,974
Fund balance, beginning of year	<u>1,504,613</u>	<u>1,504,613</u>	<u>1,504,613</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 1,418,393</u></u>	<u><u>\$ 1,340,736</u></u>	<u><u>\$ 1,437,710</u></u>	<u><u>\$ 96,974</u></u>

**CITY OF ALBION
ALBION TRUST FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
REVENUES				
Interest	\$ 17,500	\$ 16,000	\$ 22,739	\$ 6,739
EXPENDITURES	-	-	-	-
NET CHANGE IN FUND BALANCE	17,500	16,000	22,739	6,739
Fund balance, beginning of year	<u>1,117,398</u>	<u>1,117,398</u>	<u>1,117,398</u>	-
Fund balance, end of year	<u>\$ 1,134,898</u>	<u>\$ 1,133,398</u>	<u>\$ 1,140,137</u>	<u>\$ 6,739</u>

**CITY OF ALBION
MAJOR STREET FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
REVENUES				
Intergovernmental	\$ 825,632	\$ 880,612	\$ 904,924	\$ 24,312
Interest and rents	3,750	6,750	8,678	1,928
Other	1,500	1,087	1,087	-
TOTAL REVENUES	830,882	888,449	914,689	26,240
EXPENDITURES				
Current				
Public works	647,991	599,678	404,239	195,439
EXCESS OF REVENUES OVER EXPENDITURES	182,891	288,771	510,450	221,679
OTHER FINANCING (USES)				
Transfer out	(128,000)	(193,000)	(193,000)	-
NET CHANGE IN FUND BALANCE	54,891	95,771	317,450	221,679
Fund balance, beginning of year	708,199	708,199	708,199	-
Fund balance, end of year	<u>\$ 763,090</u>	<u>\$ 803,970</u>	<u>\$ 1,025,649</u>	<u>\$ 221,679</u>

**CITY OF ALBION
MAPLE GROVE APARTMENTS
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Intergovernmental	\$ 230,000	\$ 210,000	\$ 226,750	\$ 16,750
Interest and rents	218,650	221,750	222,731	981
Other	<u>6,750</u>	<u>6,529</u>	<u>11,486</u>	<u>4,957</u>
TOTAL REVENUES	455,400	438,279	460,967	22,688
EXPENDITURES				
Current				
Community and economic development	364,653	328,003	304,707	23,296
Capital outlay	<u>1,500</u>	<u>521,500</u>	<u>477,603</u>	<u>43,897</u>
TOTAL EXPENDITURES	<u>366,153</u>	<u>849,503</u>	<u>782,310</u>	<u>67,193</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	89,247	(411,224)	(321,343)	89,881
OTHER FINANCING (USES)				
Transfer out	<u>(61,750)</u>	<u>(61,750)</u>	<u>(61,500)</u>	<u>250</u>
NET CHANGE IN FUND BALANCE	27,497	(472,974)	(382,843)	90,131
Fund balance, beginning of year	<u>659,706</u>	<u>659,706</u>	<u>659,706</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 687,203</u></u>	<u><u>\$ 186,732</u></u>	<u><u>\$ 276,863</u></u>	<u><u>\$ 90,131</u></u>

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 FIVE MEASUREMENT DATES (ULTIMATELY TEN FISCAL YEARS WILL BE DISPLAYED)

	2018	2017	2016	2015	2014
Changes in Total Pension Liability					
Service cost	\$ 78,754	\$ 96,823	\$ 104,470	\$ 110,870	\$ 111,241
Interest	1,074,758	1,063,285	1,061,267	1,036,191	1,027,804
Difference between expected and actual experience	166,697	78,786	(94,721)	(50,350)	-
Changes of assumptions	-	-	-	642,057	-
Benefit payments including employee refunds	(1,114,727)	(1,057,352)	(1,026,572)	(1,032,679)	(1,041,700)
Other	(1)	(402)	(1)	(1)	(3)
Net Change in Total Pension Liability	205,481	181,140	44,443	706,088	97,342
Total Pension Liability, beginning	<u>13,952,468</u>	<u>13,771,328</u>	<u>13,726,885</u>	<u>13,020,797</u>	<u>12,923,455</u>
Total Pension Liability, ending	<u>\$ 14,157,949</u>	<u>\$ 13,952,468</u>	<u>\$ 13,771,328</u>	<u>\$ 13,726,885</u>	<u>\$ 13,020,797</u>
Changes in Plan Fiduciary Net Position					
Contributions - employer	\$ 152,203	\$ 121,725	\$ 62,729	\$ 35,606	\$ 29,258
Net investment income	(505,182)	1,665,134	1,386,172	(195,914)	863,867
Benefit payments including employee refunds	(1,114,727)	(1,057,352)	(1,026,572)	(1,032,679)	(1,041,700)
Administrative expense	(25,813)	(26,448)	(27,407)	(29,331)	(31,504)
Net Change in Plan Fiduciary Net Position	(1,493,519)	703,059	394,922	(1,222,318)	(180,079)
Plan Fiduciary Net Position, beginning	<u>13,648,540</u>	<u>12,945,481</u>	<u>12,550,559</u>	<u>13,772,877</u>	<u>13,952,956</u>
Plan Fiduciary Net Position, ending	<u>\$ 12,155,021</u>	<u>\$ 13,648,540</u>	<u>\$ 12,945,481</u>	<u>\$ 12,550,559</u>	<u>\$ 13,772,877</u>
Employer Net Pension Liability (Asset)	<u>\$ 2,002,928</u>	<u>\$ 303,928</u>	<u>\$ 825,847</u>	<u>\$ 1,176,326</u>	<u>\$ (752,080)</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	86%	98%	94%	91%	106%
Covered Employee Payroll	\$ 885,836	\$ 1,079,375	\$ 1,157,642	\$ 1,238,091	\$ 1,243,368
Employer's Net Pension Liability (Asset) as a percentage of covered employee payroll	226.11%	28.16%	71.34%	95.01%	(60.49%)

**CITY OF ALBION
PRIMARY GOVERNMENT (EXCEPT PUBLIC SAFETY) AND HOUSING COMMISSION
SCHEDULE OF CITY'S CONTRIBUTIONS
LAST FIVE FISCAL YEARS (ULTIMATELY TEN FISCAL YEARS WILL BE DISPLAYED)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contributions	\$ 134,088	\$ 152,203	\$ 122,066	\$ 62,729	\$ 33,038
Contributions in relation to the actuarially determined contribution	<u>134,088</u>	<u>152,203</u>	<u>122,066</u>	<u>62,729</u>	<u>33,038</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 884,018	\$ 1,093,341	\$ 1,154,268	\$ 1,255,473	\$ 1,231,119
Contributions as a percentage of covered employee payroll	15%	14%	11%	5%	3%

CITY OF ALBION
PUBLIC SAFETY OFFICERS' RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
LAST SIX FISCAL YEARS (ULTIMATELY TEN FISCAL YEARS WILL BE DISPLAYED)

	2019	2018	2017	2016	2015	2014
CHANGES IN TOTAL PENSION LIABILITY						
Service cost	\$ 354,155	\$ 337,260	\$ 283,929	\$ 331,905	\$ 310,957	\$ 340,366
Interest	822,001	792,173	773,257	778,502	759,667	728,402
Differences between expected and actual experience	(330,610)	177,345	24,146	(446,144)	(362,571)	126,170
Changes in assumptions	268,437	-	-	-	265,250	-
Benefit payments, including refunds of member contributions	(832,743)	(803,441)	(782,013)	(673,402)	(666,290)	(652,027)
Other changes	-	-	(1)	-	-	-
NET CHANGE IN TOTAL PENSION LIABILITY	281,240	503,337	299,318	(9,139)	307,013	542,911
TOTAL PENSION LIABILITY, BEGINNING	\$ 13,939,304	\$ 13,435,967	13,136,649	13,145,788	12,838,775	12,295,864
TOTAL PENSION LIABILITY, ENDING (A)	\$ 14,220,544	\$ 13,939,304	\$ 13,435,967	\$ 13,136,649	\$ 13,145,788	\$ 12,838,775
CHANGES IN PLAN FIDUCIARY NET POSITION						
Contributions - member	\$ 51,420	\$ 39,089	\$ 48,446	\$ 34,699	\$ 39,001	\$ 56,449
Net investment income	3,714,989	(1,381,401)	1,929,502	1,456,370	(522,893)	1,769,846
Benefit payments, including refunds of member contributions	(832,743)	(803,441)	(782,013)	(673,402)	(666,290)	(652,027)
Administrative expenses	(7,300)	(13,473)	-	-	-	-
NET CHANGE IN PLAN FIDUCIARY NET POSITION	2,926,366	(2,159,226)	1,195,935	817,667	(1,150,182)	1,174,268
PLAN FIDUCIARY NET POSITION, BEGINNING	20,377,021	22,536,247	21,340,312	20,522,645	21,672,827	20,498,559
PLAN FIDUCIARY NET POSITION, ENDING (B)	\$ 23,303,387	\$ 20,377,021	\$ 22,536,247	\$ 21,340,312	\$ 20,522,645	\$ 21,672,827
CITY'S NET PENSION (ASSET), ENDING (A)-(B)	\$ (9,082,843)	\$ (6,437,717)	\$ (9,100,280)	\$ (8,203,663)	\$ (7,376,857)	\$ (8,834,052)
Plan fiduciary net position as a percentage of the total pension (asset)	163.87%	146.18%	167.73%	162.45%	156.12%	168.81%
Covered employee payroll	\$ 1,026,105	\$ 1,135,381	\$ 1,092,550	\$ 889,505	\$ 1,037,365	\$ 992,149
City's net pension (asset) as a percentage of covered employee payroll	(885.18%)	(567.01%)	(832.94%)	(922.27%)	(711.11%)	(890.40%)

**CITY OF ALBION
PUBLIC SAFETY OFFICERS RETIREMENT SYSTEM
SCHEDULE OF CITY'S CONTRIBUTIONS
LAST TEN FISCAL YEARS**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	-	-	-	-	-	-	-	-	-	-
Contribution excess (deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,026,105	\$ 1,135,381	\$ 1,092,550	\$ 889,505	\$ 1,037,365	\$ 992,149	\$ 1,048,533	\$ 1,055,148	\$ 1,162,556	\$ 1,222,264
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>
2019	5.0%
2018	3.5%
2017	8.0%
2016	8.7%
2015	7.8%
2014	10.5%
2013	11.7%
2012	3.9%
2011	2.8%
2010	5.4%

**CITY OF ALBION
RETIREE HEALTH CARE PLAN
SCHEDULE OF CHANGES IN CITY'S NET OPEB LIABILITY AND RELATED RATIOS
LAST THREE FISCAL YEARS (ULTIMATELY TEN FISCAL YEARS WILL BE DISPLAYED)**

	2019	2018	2017
Changes in Total OPEB Liability			
Service cost	\$ 7,919	\$ 8,088	\$ 5,444
Interest	20,914	20,605	19,063
Difference between actual and expected experience	(88,196)	(21,050)	2,269
Change in Assumptions	(745)	-	-
Benefit payments including employee refunds	(2,400)	(2,400)	(2,400)
Net Change in Total OPEB Liability	(62,508)	5,243	24,376
Total OPEB Liability - beginning	345,811	340,568	316,192
Total OPEB Liability - ending	<u>\$ 283,303</u>	<u>\$ 345,811</u>	<u>\$ 340,568</u>
Changes in Plan Fiduciary Net Position			
Net investment income	\$ 736	\$ 662	\$ 428
Benefit payments including employee refunds	(2,400)	(2,400)	(2,400)
Net Change in Plan Fiduciary Net Position	(1,664)	(1,738)	(1,972)
Plan Fiduciary Net Position - beginning	44,086	45,824	47,796
Plan Fiduciary Net Position - ending	<u>\$ 42,422</u>	<u>\$ 44,086</u>	<u>\$ 45,824</u>
Employer Net OPEB Liability	<u>\$ 240,881</u>	<u>\$ 301,725</u>	<u>\$ 294,744</u>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	14.97%	12.75%	13.46%
Covered Employee Payroll	\$ 884,018	\$ 1,093,341	\$ 1,154,268
Employer's Net OPEB Liability as a percentage of covered employee payroll	27.25%	27.60%	25.54%

CITY OF ALBION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2019

NOTE 1 - 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	Biennial
Latest valuation date	12/31/2019
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
Asset valuation method	Market
Actuarial assumptions	
Projected salary increases	N/A
Investment rate of return	6.0%

CITY OF ALBION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2019

NOTE 2 - EMPLOYEES' RETIREMENT SYSTEM - MERS

Changes of benefits terms: There were no changes of benefit terms during fiscal year 2018.

Changes in assumptions: There were no changes in assumptions during fiscal year 2018.

OTHER SUPPLEMENTARY INFORMATION

**CITY OF ALBION
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2019**

	Special		
	Local Street	Recreation Fund	Solid Waste
ASSETS			
Cash and cash equivalents	\$ 409,194	\$ 150,884	\$ 477,228
Investments	-	-	-
Accounts receivable	1,073	-	2,336
Taxes receivable	-	5,439	15,084
Loans receivable	-	-	-
Due from other funds	-	-	-
Due from other governmental units	43,111	-	-
Prepays	5,749	825	-
Inventories	-	-	-
TOTAL ASSETS	\$ 459,127	\$ 157,148	\$ 494,648
LIABILITIES			
Accounts payable	\$ -	\$ 3,282	\$ 5,901
Accrued liabilities	3,191	3,542	2,847
Due to other funds	-	-	-
Due to other governmental units	-	-	-
Unearned revenue	-	4,064	-
TOTAL LIABILITIES	3,191	10,888	8,748
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	-	-	6,925
FUND BALANCES			
Nonspendable	5,749	825	-
Restricted	450,187	145,435	478,975
TOTAL FUND BALANCES	455,936	146,260	478,975
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 459,127	\$ 157,148	\$ 494,648

Revenue Funds				Debt Service Funds
Community Development Block Grant	Drug Law Enforcement	Albion Building Authority	Revolving Loan	Energy 425 Generator Bonds
\$ 33,601	\$ 9,866	\$ 205,242	\$ 571,069	\$ 35,610
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	10,668	119,821	-
-	-	-	-	-
-	-	-	-	-
-	-	1,183	-	-
-	-	1,970	-	-
<u>\$ 33,601</u>	<u>\$ 9,866</u>	<u>\$ 219,063</u>	<u>\$ 690,890</u>	<u>\$ 35,610</u>
\$ -	\$ 1,061	\$ 752	\$ -	\$ -
-	845	-	333	-
-	-	-	-	-
-	-	-	340	-
-	-	-	-	-
-	1,906	752	673	-
-	-	-	-	-
-	-	13,821	119,821	-
33,601	7,960	204,490	570,396	35,610
<u>33,601</u>	<u>7,960</u>	<u>218,311</u>	<u>690,217</u>	<u>35,610</u>
<u>\$ 33,601</u>	<u>\$ 9,866</u>	<u>\$ 219,063</u>	<u>\$ 690,890</u>	<u>\$ 35,610</u>

**CITY OF ALBION
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (continued)
DECEMBER 31, 2019**

	Debt Service Funds		
	DPW Building Debt	G.O. Water Bonds	ABA Bonds
ASSETS			
Cash and cash equivalents	\$ 295	\$ 48,138	\$ 32,711
Investments	-	-	-
Accounts receivable	-	398	-
Taxes receivable	-	3,834	-
Loans receivable	-	-	-
Due from other funds	-	-	-
Due from other governmental units	-	-	-
Prepays	-	-	-
Inventories	-	-	-
TOTAL ASSETS	\$ 295	\$ 52,370	\$ 32,711
LIABILITIES			
Accounts payable	\$ -	\$ 1,622	\$ -
Accrued liabilities	-	-	-
Due to other funds	-	-	-
Due to other governmental units	-	-	-
Unearned revenue	-	-	-
TOTAL LIABILITIES	-	1,622	-
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	-	3,834	-
FUND BALANCES			
Nonspendable	-	-	-
Restricted	295	46,914	32,711
TOTAL FUND BALANCES	295	46,914	32,711
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 295	\$ 52,370	\$ 32,711

Capital Projects Funds		Permanent Fund	Total Nonmajor Governmental Funds
Street Improvement	Sidewalk Program	Cemetery Trust	
\$ -	\$ 191,348	\$ 106,088	\$ 2,271,274
261,735	157,041	150,628	569,404
-	-	-	3,807
15,907	-	-	40,264
-	-	-	130,489
-	120,249	-	120,249
-	-	-	43,111
-	-	-	7,757
-	-	-	1,970
<u>\$ 277,642</u>	<u>\$ 468,638</u>	<u>\$ 256,716</u>	<u>\$ 3,188,325</u>
\$ 9,151	\$ 778	\$ -	\$ 22,547
-	-	-	10,758
120,249	-	-	120,249
-	-	7,909	8,249
-	-	-	4,064
<u>129,400</u>	<u>778</u>	<u>7,909</u>	<u>165,867</u>
10,380	-	-	21,139
-	-	215,000	355,216
<u>137,862</u>	<u>467,860</u>	<u>33,807</u>	<u>2,646,103</u>
<u>137,862</u>	<u>467,860</u>	<u>248,807</u>	<u>3,001,319</u>
<u>\$ 277,642</u>	<u>\$ 468,638</u>	<u>\$ 256,716</u>	<u>\$ 3,188,325</u>

**CITY OF ALBION
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2019**

	Special		
	Local Street	Recreation Fund	Solid Waste
REVENUES			
Taxes	\$ -	\$ 159,365	\$ 245,673
Intergovernmental	296,881	22,857	33,232
Charges for services	-	16,093	-
Interest and rents	2,495	700	4,650
Other	2,633	1,355	-
TOTAL REVENUES	302,009	200,370	283,555
EXPENDITURES			
Current			
Public safety	-	-	-
Public works	380,108	-	147,742
Community and economic development	-	-	-
Recreation and cultural	-	172,832	-
Debt service			
Principal	-	-	-
Interest and fiscal fees	-	-	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	380,108	172,832	147,742
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(78,099)	27,538	135,813
OTHER FINANCING SOURCES (USES)			
Transfers in	190,000	-	-
Transfers out	(3,000)	-	(25,500)
TOTAL OTHER FINANCING SOURCES (USES)	187,000	-	(25,500)
NET CHANGE IN FUND BALANCES	108,901	27,538	110,313
Fund balances, beginning of year	347,035	118,722	368,662
Fund balances, end of year	<u>\$ 455,936</u>	<u>\$ 146,260</u>	<u>\$ 478,975</u>

Revenue Funds				Debt Service Funds
Community Development Block Grant	Drug Law Enforcement	Albion Building Authority	Revolving Loan	Energy 425 Generator Bonds
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
191	21	37,980	5,994	-
-	63,013	4,050	-	-
191	63,034	42,030	5,994	-
-	36,847	-	-	-
-	-	-	-	-
-	-	39,853	7,013	-
-	-	-	-	-
-	-	-	-	135,000
-	-	-	-	45,400
-	38,447	-	-	-
-	75,294	39,853	7,013	180,400
191	(12,260)	2,177	(1,019)	(180,400)
-	14,393	-	-	180,600
-	-	-	-	-
-	14,393	-	-	180,600
191	2,133	2,177	(1,019)	200
33,410	5,827	216,134	691,236	35,410
\$ 33,601	\$ 7,960	\$ 218,311	\$ 690,217	\$ 35,610

**CITY OF ALBION
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES (continued)
YEAR ENDED DECEMBER 31, 2019**

	Debt Service Funds		
	DPW Building Debt	G.O. Water Bonds	ABA Bonds
REVENUES			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	-	-	-
Charges for services	-	-	-
Interest and rents	-	-	-
Other	-	-	26,882
	<u>-</u>	<u>-</u>	<u>26,882</u>
TOTAL REVENUES	-	-	26,882
EXPENDITURES			
Current			
Public safety	-	-	-
Public works	-	539	-
Community and economic development	-	-	-
Recreation and cultural	-	-	-
Debt service			
Principal	13,174	-	95,000
Interest and fiscal fees	1,826	-	31,052
Capital outlay	-	-	-
	<u>15,000</u>	<u>539</u>	<u>126,052</u>
TOTAL EXPENDITURES	15,000	539	126,052
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(15,000)	(539)	(99,170)
OTHER FINANCING SOURCES (USES)			
Transfers in	15,000	-	103,367
Transfers out	-	-	-
	<u>15,000</u>	<u>-</u>	<u>103,367</u>
TOTAL OTHER FINANCING SOURCES (USES)	15,000	-	103,367
NET CHANGE IN FUND BALANCES	-	(539)	4,197
Fund balances, beginning of year	<u>295</u>	<u>47,453</u>	<u>28,514</u>
Fund balances, end of year	<u>\$ 295</u>	<u>\$ 46,914</u>	<u>\$ 32,711</u>

<u>Capital Projects Funds</u>		<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Street Improvement</u>	<u>Sidewalk Program</u>	<u>Cemetery Trust</u>	
\$ 243,041	\$ -	\$ -	\$ 648,079
33,232	-	-	386,202
-	-	3,500	19,593
7,030	5,723	5,936	70,720
1,380	-	-	99,313
<u>284,683</u>	<u>5,723</u>	<u>9,436</u>	<u>1,223,907</u>
-	-	-	36,847
-	3,689	-	532,078
-	-	-	46,866
-	-	-	172,832
-	-	-	243,174
-	-	-	78,278
6,800	-	-	45,247
<u>6,800</u>	<u>3,689</u>	<u>-</u>	<u>1,155,322</u>
277,883	2,034	9,436	68,585
-	-	-	503,360
<u>(687,650)</u>	<u>-</u>	<u>-</u>	<u>(716,150)</u>
<u>(687,650)</u>	<u>-</u>	<u>-</u>	<u>(212,790)</u>
(409,767)	2,034	9,436	(144,205)
<u>547,629</u>	<u>465,826</u>	<u>239,371</u>	<u>3,145,524</u>
<u>\$ 137,862</u>	<u>\$ 467,860</u>	<u>\$ 248,807</u>	<u>\$ 3,001,319</u>

**CITY OF ALBION
 AGENCY FUNDS
 COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 DECEMBER 31, 2019**

	<u>Trust and Agency</u>	<u>Current Tax Collections</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	<u>\$ 66,299</u>	<u>\$ 622,673</u>	<u>\$ 688,972</u>
LIABILITIES			
Due to County	\$ -	\$ 40,761	\$ 40,761
Due to State	323	3,736	4,059
Due to schools	-	481,429	481,429
Due to others	<u>65,976</u>	<u>96,747</u>	<u>162,723</u>
TOTAL LIABILITIES	<u>\$ 66,299</u>	<u>\$ 622,673</u>	<u>\$ 688,972</u>

**CITY OF ALBION
PENSION AND EMPLOYEE BENEFIT TRUST FUNDS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2019**

	Public Safety Officers' Pension	Retiree Health Care	Total
ASSETS			
Cash and cash equivalents	\$ 1,090,086	\$ 42,422	\$ 1,132,508
Investments	22,149,483	-	22,149,483
Interest receivable	63,818	-	63,818
TOTAL ASSETS	23,303,387	42,422	23,345,809
LIABILITIES			
	-	-	-
NET POSITION			
Held in trust for pension and employee benefits	\$ 23,303,387	\$ 42,422	\$ 23,345,809

**CITY OF ALBION
PENSION AND EMPLOYEE BENEFIT TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED DECEMBER 31, 2019**

	Public Safety Officers' Pension	Retiree Health Care	Total
ADDITIONS			
Net investment income	\$ 3,714,989	\$ 736	\$ 3,715,725
Contributions - employee	51,420	-	51,420
TOTAL ADDITIONS	3,766,409	736	3,767,145
DEDUCTIONS			
Benefit payments	832,743	2,400	835,143
Administrative expense	7,300	-	7,300
TOTAL DEDUCTIONS	840,043	2,400	842,443
CHANGE IN NET POSITION	2,926,366	(1,664)	2,924,702
Net position, beginning of year	20,377,021	44,086	20,421,107
Net position, end of year	<u>\$ 23,303,387</u>	<u>\$ 42,422</u>	<u>\$ 23,345,809</u>

**CITY OF ALBION
 COMPONENT UNIT FUNDS
 COMBINING BALANCE SHEET - ECONOMIC DEVELOPMENT CORPORATION
 DECEMBER 31, 2019**

	Economic Development	Special Revenue Business Incubator	Total
ASSETS			
Cash	\$ 176,392	\$ 24,569	\$ 200,961
Accounts receivable	-	2,070	2,070
Due from other governmental units	-	1,250	1,250
Prepays	625	625	1,250
TOTAL ASSETS	\$ 177,017	\$ 28,514	\$ 205,531
LIABILITIES			
Accounts payable	\$ 920	\$ 3,204	\$ 4,124
Accrued liabilities	5,056	1,623	6,679
Unearned revenue	-	100	100
TOTAL LIABILITIES	5,976	4,927	10,903
FUND BALANCES			
Nonspendable - Prepays	625	625	1,250
Restricted for community and economic development	-	22,962	22,962
Unassigned	170,416	-	170,416
TOTAL FUND BALANCES	171,041	23,587	194,628
TOTAL LIABILITIES AND FUND BALANCES	\$ 177,017	\$ 28,514	\$ 205,531

**CITY OF ALBION
 COMPONENT UNIT FUNDS
 RECONCILIATION OF THE COMBINING BALANCE SHEET TO THE STATEMENT
 OF NET POSITION - ECONOMIC DEVELOPMENT CORPORATION
 DECEMBER 31, 2019**

Total fund balances - governmental funds \$ 194,628

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	\$ 291,883	
Accumulated depreciation is	<u>(62,646)</u>	

Capital assets, net		229,237
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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:

Albion Building Authority loan	(10,668)	
Compensated absences	(11,508)	
Accrued interest payable	<u>(518)</u>	

(22,694)

Net position of governmental activities

\$ 401,171

**CITY OF ALBION
 COMPONENT UNIT FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - ECONOMIC DEVELOPMENT CORPORATION
 YEAR ENDED DECEMBER 31, 2019**

	<u>Economic Development</u>	<u>Special Revenue Business Incubator</u>	<u>Total</u>
REVENUES			
Intergovernmental	\$ 33,000	\$ 29,187	\$ 62,187
Charges for services	-	268	268
Interest and rents	86,203	17,681	103,884
Other	<u>61,690</u>	<u>6,630</u>	<u>68,320</u>
TOTAL REVENUES	180,893	53,766	234,659
EXPENDITURES			
Current			
Community and economic development	120,370	62,527	182,897
Debt service			
Principal	4,712	-	4,712
Interest and fiscal fees	<u>769</u>	<u>-</u>	<u>769</u>
TOTAL EXPENDITURES	<u>125,851</u>	<u>62,527</u>	<u>188,378</u>
NET CHANGE IN FUND BALANCES	55,042	(8,761)	46,281
Fund balances, beginning of year	<u>115,999</u>	<u>32,348</u>	<u>148,347</u>
Fund balances, end of year	<u><u>\$ 171,041</u></u>	<u><u>\$ 23,587</u></u>	<u><u>\$ 194,628</u></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, 2019**

Net change in fund balances - governmental funds \$ 46,281

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	(13,062)
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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:

Albion Building Authority loan payments	4,712
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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 compensated absences	\$ (2,127)	
Decrease in accrued interest payable	<u>230</u>	
		<u>(1,897)</u>

Change in net position of governmental activities	<u><u>\$ 36,034</u></u>
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**CITY OF ALBION
 COMPONENT UNIT FUNDS
 BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY
 DECEMBER 31, 2019**

ASSETS	
Cash	\$ 62,018
Taxes receivable	10,086
Prepays	<u>775</u>
TOTAL ASSETS	<u><u>\$ 72,879</u></u>
LIABILITIES	
Due to other governmental unities	<u>\$ 10,564</u>
FUND BALANCES	
Nonspendable	775
Unassigned	<u>61,540</u>
TOTAL FUND BALANCES	<u>62,315</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 72,879</u></u>

**CITY OF ALBION
 COMPONENT UNIT FUNDS
 RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF
 NET POSITION - DOWNTOWN DEVELOPMENT AUTHORITY
 DECEMBER 31, 2019**

Total fund balance - governmental fund \$ 62,315

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	\$	272,875
Accumulated depreciation is		<u>(89,734)</u>

Capital assets, net		<u>183,141</u>
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Net position of governmental activities		<u><u>\$ 245,456</u></u>
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**CITY OF ALBION
 COMPONENT UNIT FUNDS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - DOWNTOWN DEVELOPMENT AUTHORITY
 YEAR ENDED DECEMBER 31, 2019**

REVENUES		
Taxes		\$ 113,177
Interest		<u>687</u>
TOTAL REVENUES		113,864
EXPENDITURES		
Current		
Community and economic development		<u>113,415</u>
NET CHANGE IN FUND BALANCES		449
Fund balance, beginning of year		<u>61,866</u>
Fund balance, end of year		<u><u>\$ 62,315</u></u>

**CITY OF ALBION
 COMPONENT UNIT FUNDS
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT
 OF ACTIVITIES - DOWNTOWN DEVELOPMENT AUTHORITY
 YEAR ENDED DECEMBER 31, 2019**

Net change in fund balance - governmental fund \$ 449

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	(7,044)
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Change in net position of governmental activities	\$ (6,595)
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**CITY OF ALBION
COMPONENT UNIT FUNDS
BALANCE SHEET - TAX INCREMENT FINANCE AUTHORITY
DECEMBER 31, 2019**

ASSETS	
Cash	\$ 288,725
Interest receivable	538
Taxes receivable	<u>11,729</u>
TOTAL ASSETS	<u><u>\$ 300,992</u></u>
LIABILITIES	
Accounts payable	\$ 33
Accrued liabilities	<u>9,253</u>
TOTAL LIABILITIES	9,286
FUND BALANCE	
Unassigned	<u>291,706</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 300,992</u></u>

**CITY OF ALBION
 COMPONENT UNIT FUNDS
 RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT
 OF NET POSITION - TAX INCREMENT FINANCE AUTHORITY
 DECEMBER 31, 2019**

Total fund balance - governmental fund \$ 291,706

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 (14,236)

Net position of governmental activities \$ 437,470

**CITY OF ALBION
 COMPONENT UNIT FUNDS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - TAX INCREMENT FINANCE AUTHORITY
 YEAR ENDED DECEMBER 31, 2019**

REVENUES	
Taxes	\$ 106,422
Intergovernmental	118,107
Interest	<u>1,780</u>
TOTAL REVENUES	226,309
EXPENDITURES	
Current	
Community and economic development	<u>216,607</u>
NET CHANGE IN FUND BALANCE	9,702
Fund balance, beginning of year	<u>282,004</u>
Fund balance, end of year	<u><u>\$ 291,706</u></u>

**CITY OF ALBION
 COMPONENT UNIT FUNDS
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT
 OF ACTIVITIES - TAX INCREMENT FINANCE AUTHORITY
 YEAR ENDED DECEMBER 31, 2019**

Net change in fund balance - governmental fund \$ 9,702

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 (4,316)

Change in net position of governmental activities \$ 5,386

**CITY OF ALBION
 COMPONENT UNIT FUNDS
 BALANCE SHEET - BROWNFIELD DEVELOPMENT AUTHORITY
 DECEMBER 31, 2019**

ASSETS	
Cash	\$ 115,409
Taxes receivable	88,508
Due from other governmental units	<u>10,564</u>
	<u><u>\$ 214,481</u></u>
 LIABILITIES	
Accounts payable	\$ 195,232
 FUND BALANCES	
Unassigned	<u>19,249</u>
	<u><u>\$ 214,481</u></u>

Note: Reconciliation of the component unit governmental fund balance sheet to the statement of net position for this component unit is not required as the component unit's fund balance was equal to the component unit's net position as of December 31, 2019.

**CITY OF ALBION
 COMPONENT UNIT FUNDS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BROWNFIELD DEVELOPMENT AUTHORITY
 YEAR ENDED DECEMBER 31, 2019**

REVENUES	
Taxes	\$ 109,684
Intergovernmental	108,981
Other revenue	<u>2,500</u>
TOTAL REVENUES	221,165
EXPENDITURES	
Current	
Community and economic development	<u>206,916</u>
NET CHANGE IN FUND BALANCES	14,249
Fund balance, beginning of year	<u>5,000</u>
Fund balance, end of year	<u><u>\$ 19,249</u></u>

Note: Reconciliation of the statement of revenues, expenditures, and changes in fund balance of this component unit's governmental fund to the statement of activities for the component unit is not required as the net change in fund balance of the component unit governmental fund was equal to the change in net position of the component unit for the year ended December 31, 2019.

SINGLE AUDIT SECTION

**CITY OF ALBION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Grantor and Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Direct Award			
Rural Business Development Grant	10.351	26-013-3155592648	\$ 59,050
U.S. DEPARTMENT OF COMMERCE			
Direct Award			
Investments for Public Works and Economic Development Facilities	11.300	N/A	285,833
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through Michigan Economic Development Corporation			
Community Development Block Grant	14.228	MSC 218010-FRZ	1,013,883
Passed through Michigan State Housing Development Authority			
Lower Income Housing Assistance Program	14.856	N/A	<u>226,750</u>
Total U.S. Department of Housing and Urban Development			1,240,633
U.S. DEPARTMENT OF JUSTICE			
Direct Award			
Bulletproof Vest Partnership Program	16.607	N/A	57,032
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through Michigan Department of Transportation			
Highway Planning and Construction	20.205	N/A	<u>375,000</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 2,017,548</u></u>

Note: There were no funds that were provided to subrecipients from the above programs.

CITY OF ALBION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

1. Basis of Presentation - The accompanying Schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of under programs of the federal government for the year ended December 31, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards(Uniform Guidance). Because the Schedule presents only a selected portion of the operations, it is not intended to and does not present the financial position or changes in net position.
2. Summary of Significant Accounting Policies - Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. The City of Albion has elected to not use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.
3. The U.S. Department of Commerce has awarded a total of \$266,628 to the City of Albion in 2003. The grant is being used to fund a revolving loan fund administered by the City of Albion. The U.S. Department of Commerce has developed ongoing compliance requirements as identified in its revolving loan fund standard terms and conditions. In accordance with presentation requirements, the Schedule of Expenditures of Federal Awards includes the amount of \$285,833. This balance includes the balance of revolving loan funds (RLF) principal outstanding on loans at the end of the fiscal year, plus cash and investment balance in RLF at the end of the fiscal year, plus administrative expenses paid out of RLF income during the fiscal year, plus the unpaid principal of all loans written off during the fiscal year, times the Federal participation rate of 41%.
4. The following reconciles the federal revenues reported in the December 31, 2019 basic financial statements to the expenditures of the City administered federal programs reported on the Schedule of Expenditures of Federal Awards:

	<u>Federal/State Revenue</u>	<u>Less State Revenue</u>	<u>Add Revolving Loan Fund</u>	<u>Federal Award Expenditures</u>
PRIMARY GOVERNMENT				
GENERAL FUND				
Bulletproof Vest Partnership Program	\$ 57,032	\$ -	\$ -	\$ 57,032
Rural Business Development Grant	1,371,524	1,312,474		59,050
TOTAL GENERAL FUND	1,428,556	1,312,474	-	116,082
MDOT RECONSTRUCTION FUND	1,388,883	-	-	1,388,883
MAJOR STREET FUND	904,924	904,924	-	-
MAPLE GROVE APARTMENTS FUND	226,750	-	-	226,750
NONMAJOR GOVERNMENTAL FUNDS				
Local Street Fund	296,881	296,881		
Revolving Loan Fund	-	-	285,833	285,833
Other Funds	89,321	89,321	-	-
TOTAL NONMAJOR GOVERNMENTAL FUNDS	386,202	386,202	285,833	285,833
TOTAL REPORTING ENTITY	<u>\$ 4,108,565</u>	<u>\$ 2,603,600</u>	<u>\$ 285,833</u>	<u>\$ 2,017,548</u>

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the 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 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 the City of Albion, Michigan, (the City) as of and for the year ended September 30, 2019, 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 26, 2020.

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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as 2019-001, that we consider to be a material weakness.

A *significant deficiency* is a deficiency, or 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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 2018-002 to be a significant deficiency.

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 or other matters that are required to be reported under *Government Auditing Standards*.

City's Responses to the Findings

The City's responses to the findings identified in our audit is listed in the schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 City'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.

Maney Costeiran PC

June 26, 2020

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited City of Albion's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Albion's major federal programs for the year ended December 31, 2019. City of Albion's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Albion's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Albion's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our unmodified opinion on compliance for the major federal program. However, our audit does not provide a legal determination of City of Albion's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Albion complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2019.

Report on Internal Control Over Compliance

Management of City of Albion is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Albion's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Albion's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Maney Costerian PC

June 26, 2020

**CITY OF ALBION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? X Yes No

Significant deficiency(ies) identified? Yes X No

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified? Yes X None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.228	Community Development Block Grant

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes X No

Section II - Financial Statement Findings

2019-001 MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

Condition: Material journal entries for the proper recognition of due from other governments were proposed by the auditors. These misstatements were not detected by the City's internal control over financial reporting. These entries were brought to the attention of management and were subsequently recorded in the City's general ledger.

**CITY OF ALBION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Section II - Financial Statement Findings (continued)

2019-001 MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS (continued)

Criteria: Statement on Auditing Standards No. 115 (SAS 115), *Communication Internal Control Related Matters Identified in an Audit*, emphasizes that management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cashflows (where applicable), including the notes to the financial statements, in conformity with U.S. generally accepted accounting principles.

Cause: Misstatements were not identified and corrected by management.

Effect: Material journal entries that were not otherwise identified by management were proposed by the City's auditors. These journal entries were necessary for the fair presentation of the City's financial statements.

Recommendation: We recommend that the City take steps to assure that material journal entries are not necessary at the time future audit analysis is performed.

2018-002 INTERNAL CONTROL OVER CREDIT CARD USE

Condition: During our testing of the credit card controls we noted instances in which the City's internal controls were not followed in practice. Specifically, during our review of credit card purchases, we noted instances where supporting receipt documents were not retained. Further, in discussion with City management, we noted instances where odometer information was not being recorded for gas card purchases. Finally, City management also was unable to verify the total amount of credit cards that are currently in use.

Criteria: Management has established control procedures over credit card purchases. These controls limit credit card usage to management personnel only. Further, these controls require all original receipts to be retained and submitted to the Accounts Payable department.

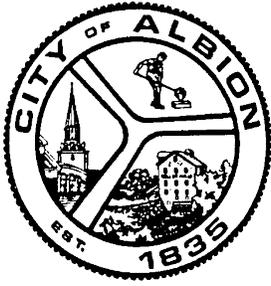
Cause: The established control procedures were not followed.

Effect: The City is at greater risk of potential fraud if formally adopted internal control procedures are not followed.

Recommendation: We recommend that the City take steps to ensure that internal controls related to credit card use are followed.

Section III - Federal Award Findings and Questioned Costs

None noted.



City of Albion

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2019-001 MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

Corrective Action: Going forward the City will initiate a secondary review of the yearend financials to make sure all necessary adjusting yearend entries are made.

Responsible Party: Finance Director / Treasurer.

Date to Complete: Ongoing at each consecutive yearend.

2018-002 INTERNAL CONTROL OVER CREDIT CARD USE

Corrective Action: An internal audit will be conducted to account for ALL credit cards related to the City. To date, many of the existing credit cards have been suspended, and the suspension of additional cards will most likely follow based on the findings from the internal audit. New credit cards will not be issued until revised policies are completed and adopted (the revision of the credit card policy is already in process). The revised credit card policy will include disciplinary measures that will be enforced if the policy is not followed.

Responsible Parties: Key management positions of the City including the City Manager (position currently vacant), City Attorney, and the Directors and Assistant Directors of Finance, Public Safety, and Department of Public Works.

Date to Complete: By the 12/31/2020 fiscal yearend.

**CITY OF ALBION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2019**

FINDINGS/NONCOMPLIANCE

Significant Deficiencies and Material Weaknesses Related to Internal Controls Over the Financial Statements.

2018-001 MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

Condition: Material journal entries were proposed by the prior auditor to adjust recognition of investments and accounts payable.

Resolution: A similar issue was noted during the current audit. We do not consider the issue resolved.

2018-002 INTERNAL CONTROL OVER CREDIT CARD USE

Condition: We noted instances where the City's internal controls over credit card purchases were not followed in practice.

Resolution: A similar issue was noted during the current audit. We do not consider the issue resolved.