

**CITY OF ALLEN PARK, MICHIGAN**

**FINANCIAL REPORT  
WITH  
SUPPLEMENTAL INFORMATION**

**JUNE 30, 2015**

# CITY OF ALLEN PARK, MICHIGAN

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## INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council  
City of Allen Park, Michigan

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Allen Park, Michigan (the City) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Allen Park Housing Commission which represents 12% of the assets and 22% of the revenues of the aggregate discretely presented component units. The Allen Park Housing Commission financial statements were audited by other auditors whose reports thereon were furnished to us, and our opinion, insofar as they relate to the amounts included in the aggregate discretely presented component units, are based on the reports of the 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 reports 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, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As described in Note 14, the City implemented the provisions of GASB Statement No. 68 Accounting and Financial Reporting for Pensions, in the current year. Accordingly, beginning net position of governmental activities and business-type activities was restated. Our opinion is not modified with respect of this matter.

**Other Matters**

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis budgetary comparison information, pension system schedule of changes in net position, liability and related ratios, schedule of pension contributions and post employment healthcare benefits schedule of funding progress 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining non-major 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 by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Requirements by Government Auditing Standards**

In accordance with Government Auditing Standards, we will also be issuing a report on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing, 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's internal control over financial reporting and compliance.



Detroit, Michigan  
December 18, 2015

### OVERVIEW OF FINANCIAL STATEMENTS

The City of Allen Park, Michigan's (the "City") 2015 annual financial report is presented in conformity with the requirements of GASB Statement No. 34. This annual report consists of four parts - management's discussion and analysis, the basic financial statements, required supplemental information and other supplemental information. The basic financial statements include two kinds of statements that present different views of the City. The first two statements are government-wide financial statements that provide both short-term and long-term information about the City's status. The remaining statements are fund financial statements that focus on individual parts of the City's operations.

#### Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the City that are principally supported by revenues received from the State of Michigan and the taxpayers of the City of Allen Park.

#### Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into five categories. They are:

- A. General Government - General
- B. Special Revenue - Major and Local Streets, Building, Drug Law Enforcement, Library and Rubbish.
- C. Debt Service - 2003 Community Center Construction Debt.
- D. Enterprise - Water & Sewer and Southfield Lease Properties.
- E. Trust and Agency - Pension Trust and Tax Collection.

### Financial Highlights

The General Fund reported revenues in excess of expenditures and transfers out of \$2,949,317, resulting in moving from a fund balance of \$3,268,705 to a General Fund balance of \$6,218,022. The following are the significant financial highlights that helped accomplished this turnaround for the year ended June 30, 2015:

- Property taxes increased in the City with current year General Fund receipts totaling \$7,744,654. This is an increase of \$565,031 (7.87 percent) from the prior year property tax revenue totaling \$7,179,623. This is mostly due to the court ordered judgment levy of .61 mills for repayment of a Michigan Tax Tribunal (MTT) case.
- Included in the General Fund was a transfer of approximately \$1.2 million to subsidize debt service for the Southfield Lease Properties Fund. The Southfield Lease Properties were sold in September of 2014 and the city actively begin a tender and refinance of the outstanding 2009A & 2009B bonds.
- Millage increase approved by Allen Park residents in August of 2013 for public safety added \$4,536,384 to help offset the police and fire budget.
- Grants for Parks, Fire, Water and Sewer from the County, FEMA, State and Federal sources totaled over \$2.9 million.
- Administration is continuing to evaluate and consolidate healthcare plans.
- Both Police unions and the TPOAM (formerly AFSCME) union settled 4 year contracts that run through June of 2019.
- The City is in the process of getting an appraisal and survey to sell up to 7 acres of City Hall property which should provide an estimated amount of \$800,000-1,300,000 in revenue to the City.
- Staff has added a Facebook page and new City website to facilitate resident requests for information in a more timely matter.
- The Emergency Manager position was dissolved in September of 2014 and replaced with a Receivership Transition Advisory Board (RTAB) appointed by the State of Michigan in October. The RTAB oversees City operations at a high level, but the day to day activity of the City has returned to normal.

# CITY OF ALLEN PARK, MICHIGAN

## Management's Discussion and Analysis (Continued)

### Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. This year, the City implemented GASB Statement No. 68 which required restating the beginning net position as of July 1, 2015 (See Note 14) by \$12 million for the previously not recorded Net Pension Liability. From current year operations, the Primary Government's net position incurred a loss of \$6.2 million, of which \$400,000 came from governmental activities and \$5.8 million from Business-type activities. The Business-type loss is entirely due to the activities of the Southfield Lease Properties Fund, including the sale of the property. The other Business-type activity, Water and Sewer service, basically broke even.

The largest portion of the City's net position reflects its net investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to the public; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City's financial position is the product of a number of transactions including the net results of its activities, the payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net position for the period ended June 30, 2014 and 2015:

|  | Governmental Activities |                      | Business-type Activities |                      | Total                |                      |
|--|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
|  | 2014                    | 2015                 | 2014                     | 2015                 | 2014                 | 2015                 |
| <b>Assets</b>                              |                         |                      |                          |                      |                      |                      |
| Cash and Cash Equivalents                  | \$ 5,522,641            | \$ 11,227,037        | \$ 5,123,904             | \$ 6,654,890         | 10,646,545           | 17,881,927           |
| Receivables and Other Current Assets       | 1,953,076               | 1,789,551            | 3,080,739                | 2,757,723            | 5,033,815            | 4,547,274            |
| Capital Assets and Other Noncurrent Assets | 68,249,129              | 66,137,287           | 81,260,698               | 71,978,172           | 149,509,827          | 138,115,459          |
| <b>Total Assets</b>                        | <b>75,724,846</b>       | <b>79,153,875</b>    | <b>89,465,341</b>        | <b>81,390,785</b>    | <b>165,190,187</b>   | <b>160,544,660</b>   |
| Deferred Outflows                          | -                       | 4,537,092            | -                        | 965,089              | -                    | 5,502,181            |
| <b>Liabilities</b>                         |                         |                      |                          |                      |                      |                      |
| Current Liabilities                        | 1,373,353               | 4,267,648            | 4,368,316                | 4,533,830            | 5,741,669            | 8,801,478            |
| Long-term Liabilities                      | 39,170,526              | 52,976,271           | 58,252,632               | 58,535,662           | 97,423,158           | 111,511,933          |
| <b>Total Liabilities</b>                   | <b>40,543,879</b>       | <b>57,243,919</b>    | <b>62,620,948</b>        | <b>63,069,492</b>    | <b>103,164,827</b>   | <b>120,313,411</b>   |
| Deferred Inflows                           | -                       | 1,626,341            | -                        | 345,940              | -                    | 1,972,281            |
| <b>Net Position</b>                        |                         |                      |                          |                      |                      |                      |
| Net Investment in Capital Assets           | 62,657,044              | 60,779,210           | 32,077,949               | 34,232,972           | 94,734,993           | 95,012,182           |
| Restricted                                 | 3,076,455               | 3,220,285            | 1,001,441                | 1,001,441            | 4,077,896            | 4,221,726            |
| Unrestricted                               | (30,552,532)            | (39,178,788)         | (6,234,997)              | (16,293,971)         | (36,787,529)         | (55,472,759)         |
| <b>Total Net Position</b>                  | <b>\$ 35,180,967</b>    | <b>\$ 24,820,707</b> | <b>\$ 26,844,393</b>     | <b>\$ 18,940,442</b> | <b>\$ 62,025,360</b> | <b>\$ 43,761,149</b> |

# CITY OF ALLEN PARK, MICHIGAN

## Management's Discussion and Analysis (Continued)

### Governmental Activities (Continued)

The following table presents a summary of revenue and expense for the fiscal year ended June 30, 2014 and 2015: (in thousands)

|                               | Governmental Activities |                 | Business-type Activities |                   | Total             |                   |
|-------------------------------|-------------------------|-----------------|--------------------------|-------------------|-------------------|-------------------|
|                               | 2014                    | 2015            | 2014                     | 2015              | 2014              | 2015              |
| <b>Revenue</b>                |                         |                 |                          |                   |                   |                   |
| General Revenue               | \$ 19,168               | \$ 20,722       | \$ 4,659                 | \$ (386)          | \$ 23,827         | \$ 20,336         |
| Charge for Service            | 2,527                   | 2,730           | 9,571                    | 7,558             | 12,098            | 10,288            |
| Grants and Contributions      | 3,099                   | 2,865           | -                        | -                 | 3,099             | 2,865             |
| <b>Total Revenue</b>          | <b>24,794</b>           | <b>26,317</b>   | <b>14,230</b>            | <b>7,172</b>      | <b>39,024</b>     | <b>33,489</b>     |
| <b>Program Expenses</b>       |                         |                 |                          |                   |                   |                   |
| General Government            | 8,657                   | 6,939           | -                        | -                 | 8,657             | 6,939             |
| Public Safety                 | 11,728                  | 8,023           | -                        | -                 | 11,728            | 8,023             |
| Highway and Streets           | 4,549                   | 6,854           | -                        | -                 | 4,549             | 6,854             |
| Sanitation                    | 1,666                   | 4,005           | -                        | -                 | 1,666             | 4,005             |
| Recreation and Cultural       | 481                     | 515             | -                        | -                 | 481               | 515               |
| Interest on Long-term Debt    | 249                     | 409             | -                        | -                 | 249               | 409               |
| Southfield Lease Properties   | -                       | -               | 3,985                    | 3,146             | 3,985             | 3,146             |
| Water and Sewer               | -                       | -               | 9,871                    | 9,817             | 9,871             | 9,817             |
| <b>Total Expenses</b>         | <b>27,330</b>           | <b>26,745</b>   | <b>13,856</b>            | <b>12,963</b>     | <b>41,186</b>     | <b>39,708</b>     |
| <b>Change in Net Position</b> | <b>\$ (2,536)</b>       | <b>\$ (428)</b> | <b>\$ 374</b>            | <b>\$ (5,791)</b> | <b>\$ (2,162)</b> | <b>\$ (6,219)</b> |

### Financial Analysis of the Government's Funds

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the fiscal year, the City's governmental funds reported combined ending fund balances of \$9,421,782 an increase of \$3,062,967 in comparison with the prior year. Approximately 61% of this total amount, or \$5,788,635, constitutes unassigned fund balance, which is available for appropriation at the government's discretion. The remaining fund balance amounts are either not in a spendable form (i.e., inventories and prepaid insurance), are restricted as to their use by outside 3rd parties or enabling legislation, have been committed to a specific use by City Council or have been assigned by management.

### Financial Analysis of the Government's Funds (Continued)

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$5,788,635, while total fund balance was \$6,218,022. As a measure of the General Fund's liquidity and financial stability, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 27% of total General Fund expenditures and transfers, while total fund balance represents 29% of the same amount.

Total fund balance of the City's General Fund increased by \$2,949,317 during the fiscal year. Notable items affecting fund balance include the following:

- The Police and Fire Millage generated \$4.5 million dollars which funded 48% of Police and Fire's current year operations.
- The City borrowed \$2.6 million through an emergency loan from the State of Michigan to repay the 2012 pension contributions the City did not make before the City's financial emergency was resolved. Required pension contributions are now caught up.
- The City transferred \$1.2 million to the Southfield Lease Properties Fund to subsidize the necessary debt service payments.

**Proprietary Funds.** The City has 2 proprietary funds – Water and Sewer Fund and the Southfield Lease Properties Fund.

Net position of the Water and Sewer Fund increased by approximately \$83,000 this year, basically breaking even. This included paying down \$2.5 million of outstanding bonded debt.

The net position of the Southfield Lease Properties Fund decreased by \$5.8 million this year. Of this amount, \$4.6 million is a loss on sale of the property. While unfortunate the loss was so significant, this sale was necessary for the City to continue to extricate itself from property ownership and the costs that go with it. As discussed in the subsequent events note (Note 15), the City successfully tendered the outstanding bonds related to the Southfield property in November 2015. This will significantly reduce the City's required debt service.

### Capital Asset and Debt Administration

The City of Allen Park's investment in capital assets for its governmental and business type activities as of June 30, 2015 amounts to \$125.3 million (net of accumulated depreciation), a decrease of \$18.3 million from 2014. This investment in capital assets includes land, buildings and site improvements, machinery and equipment, furniture and fixtures, vehicles, and infrastructure.

During the year, the City sold the land and building referred to as the Southfield Lease Property which had been previously capitalized for approximately \$20.1 million.

Significant capital asset additions during the year included leasehold improvements to the new City Hall offices, police cars, fire department equipment, a new ERP system, road improvements, playground equipment, and a new roof for the DPW building.

### **Capital Asset and Debt Administration (Continued)**

More detailed information about capital assets can be found in Note 4 to the financial statements.

### **Budget**

General Fund revenues exceeded the amended budget by \$156,156. In addition, expenditures were held under budget by \$1,643,569.

### **Current Economic Conditions**

The major sources of revenue for the City are property taxes and state shared revenue. While the City's taxable property values have seen significantly decreases over the last several years, the City has worked diligently to cut operating costs as expenditures continued to increase.

### **Economic Factors and Next Year's Budget**

Taxable values have begun to stabilize in Southeastern Michigan. The inflation rate, as determined by the State of Michigan, used for calculating taxable value increases for the 2016 budget was 1.6%. For the 2017 budget, that increase is only 0.3%.

Also the following efforts will continue to move the city forward:

- ❖ In August 2013, voters approved a property tax millage of 6.75 mills for Police and Fire services which replaced the 3.5 mill public safety assessment passed in 2012. The millage generated \$4,536,384 in 2015.
- ❖ The City developed a work plan utilizing the minimal number of staff in its operation of the General Fund which includes City Hall being closed on Fridays. Beginning in January of 2016 city hall will reopen on Fridays.
- ❖ In November 2015, the City was able to tender \$16,435,000 (62.4%) of the 2009 A and B studio bonds. The remaining bonds are callable in 2019.
- ❖ Also in November 2015, the voters of Allen Park approved a new road millage of 1.9015 mills that will begin to be collected for the 2017 fiscal year.

### **Contacting the City's Management**

This financial report is intended to provide citizens, taxpayers, customers and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. For additional questions about this report or additional information, requests should be directed to the City Administrator (313) 928-1883 or mailed to 16630 Southfield Road, Allen Park, MI 48101.

# CITY OF ALLEN PARK, MICHIGAN

## Statement of Net Position June 30, 2015

| ASSETS   | Governmental<br>Activities | Business-Type<br>Activities | Total                 | Component<br>Units   |
|--|----------------------------|-----------------------------|-----------------------|----------------------|
| <b>Current Assets:</b>                               |                            |                             |                       |                      |
| Cash and Cash Equivalents (Note 3)                   | \$ 11,227,037              | \$ 6,654,890                | \$ 17,881,927         | \$ 2,421,388         |
| Receivables:   |                            |                             |                       |                      |
| Taxes (Net)  | -                          | 817,416                     | 817,416               | -                    |
| Other Receivables                                    | 885,479                    | 1,817,025                   | 2,702,504             | 15,538               |
| Due from Other Governmental Units                    | 449,055                    | -                           | 449,055               | -                    |
| Due from Component Units (Note 5)                    | 12,496                     | -                           | 12,496                | -                    |
| Inventory  | -                          | 121,368                     | 121,368               | -                    |
| Prepaid Expenses                                     | 442,521                    | 1,914                       | 444,435               | 13,827               |
| <b>Total Current Assets</b>                          | <b>13,016,588</b>          | <b>9,412,613</b>            | <b>22,429,201</b>     | <b>2,450,753</b>     |
| <b>Deferred Outflow (Note 1)</b>                     | <b>4,537,092</b>           | <b>965,089</b>              | <b>5,502,181</b>      | <b>-</b>             |
| <b>Noncurrent Assets:</b>                            |                            |                             |                       |                      |
| Restricted Cash and Cash Equivalents                 | -                          | 3,147,787                   | 3,147,787             | -                    |
| Restricted Investments                               | -                          | -                           | -                     | 23                   |
| Restricted Deposits for Future Debt Service Payments | -                          | 2,450,136                   | 2,450,136             | -                    |
| Capital Assets not Being Depreciated (Note 4)        | 39,545,448                 | 60,000                      | 39,605,448            | 546,188              |
| Capital Assets being Depreciated, Amortized (Note 4) | 153,869,123                | 84,588,748                  | 238,457,871           | 16,884,278           |
| Less Accumulated Depreciation, Amortization (Note 4) | (127,277,284)              | (25,474,040)                | (152,751,324)         | (9,139,445)          |
| Land Contract Receivable                             | -                          | 7,205,541                   | 7,205,541             | -                    |
| <b>Total Noncurrent Assets</b>                       | <b>66,137,287</b>          | <b>71,978,172</b>           | <b>138,115,459</b>    | <b>8,291,044</b>     |
| <b>Total Assets and Deferred Outflows</b>            | <b>\$ 83,690,967</b>       | <b>\$ 82,355,874</b>        | <b>\$ 166,046,841</b> | <b>\$ 10,741,797</b> |

*The notes to financial statements are an integral part of this statement.*

# CITY OF ALLEN PARK, MICHIGAN

## Statement of Net Position (Continued) June 30, 2015

| LIABILITIES AND NET POSITION                   | Governmental<br>Activities | Business-Type<br>Activities | Total                | Component<br>Units    |
|--|----------------------------|-----------------------------|----------------------|-----------------------|
| <b>Current Liabilities</b>                     |                            |                             |                      |                       |
| Accounts Payable and Other Current Liabilities | \$ 2,618,225               | \$ 735,451                  | \$ 3,353,676         | \$ 82,175             |
| Accrued Interest Payable                       | 114,667                    | 460,461                     | 575,128              | 142,220               |
| Due to Other Governmental Units                | 10,025                     | -                           | 10,025               | -                     |
| Due to Primary Government                      | -                          | -                           | -                    | 12,496                |
| Unearned Revenue                               | 950,031                    | -                           | 950,031              | 368                   |
| Current Portion of Compensated Absences        | 152,029                    | 4,863                       | 156,892              | 2,107                 |
| Current Portion of Bonds Payable               | 172,671                    | 3,333,055                   | 3,505,726            | 750,000               |
| Current Portion of Long-term Loan Payable      | 250,000                    | -                           | 250,000              | -                     |
| <b>Total Current Liabilities</b>               | <b>4,267,648</b>           | <b>4,533,830</b>            | <b>8,801,478</b>     | <b>989,366</b>        |
| <b>Deferred Inflows (Note 1)</b>               | <b>1,626,341</b>           | <b>345,940</b>              | <b>1,972,281</b>     | <b>-</b>              |
| <b>Noncurrent Liabilities (Note 7)</b>         |                            |                             |                      |                       |
| Compensated Absences, Net of Current Portion   | 1,368,262                  | 43,770                      | 1,412,032            | -                     |
| OPEB Payable                                   | 32,579,781                 | 3,207,658                   | 35,787,439           | -                     |
| Net Pension Liability                          | 11,492,822                 | 2,444,648                   | 13,937,470           | -                     |
| Bonds Payable, Net of Current Portion          | 5,185,406                  | 52,839,586                  | 58,024,992           | 14,160,088            |
| Long-term Loan Payable, Net of Current Portion | 2,350,000                  | -                           | 2,350,000            | -                     |
| <b>Total Noncurrent Liabilities</b>            | <b>52,976,271</b>          | <b>58,535,662</b>           | <b>111,511,933</b>   | <b>14,160,088</b>     |
| <b>Total Liabilities and Deferred Inflows</b>  | <b>58,870,260</b>          | <b>63,415,432</b>           | <b>122,285,692</b>   | <b>15,149,454</b>     |
| <b>Net Position (Deficit):</b>                 |                            |                             |                      |                       |
| Net Investment in Capital Assets               | 60,779,210                 | 34,232,972                  | 95,012,182           | 5,116,021             |
| Restricted:                                    |                            |                             |                      |                       |
| Highway Expenditures                           | 1,532,410                  | -                           | 1,532,410            | -                     |
| Law Enforcement                                | 548,725                    | -                           | 548,725              | -                     |
| Library Expenditures                           | 330,042                    | -                           | 330,042              | -                     |
| Building Fund Expenditures                     | 642,311                    | -                           | 642,311              | -                     |
| Rubbish Fund Expenditures                      | 7,128                      | -                           | 7,128                | -                     |
| GOLT Debt - 2002                               | -                          | 157,270                     | 157,270              | -                     |
| Replacement - Basin/Sewer                      | -                          | 844,171                     | 844,171              | -                     |
| Debt Service                                   | 159,669                    | -                           | 159,669              | 23                    |
| Unrestricted (Deficit)                         | (39,178,788)               | (16,293,971)                | (55,472,759)         | (9,523,701)           |
| <b>Total Net Position (Deficit)</b>            | <b>\$ 24,820,707</b>       | <b>\$ 18,940,442</b>        | <b>\$ 43,761,149</b> | <b>\$ (4,407,657)</b> |

The notes to financial statements are an integral part of this statement.

# CITY OF ALLEN PARK, MICHIGAN

## Statement of Activities For The Year Ended June 30, 2015

| Functions/Programs  | Program Revenues     |                      |                                    |                                  | Net (Expense) Revenue and Charges in Net Position |                          |                      |                       |
|---|----------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|----------------------|-----------------------|
|   | Expenses             | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government                                |                          |                      | Component Units       |
|   |                      |                      |                                    |                                  | Governmental Activities                           | Business-Type Activities | Total                |                       |
| <b>Governmental Activities:</b>   |                      |                      |                                    |                                  |   |                          |                      |                       |
| General Government  | \$ 6,938,678         | \$ 1,837,940         | \$ 9,286                           | \$ -                             | \$ (5,091,452)                                    | \$ -                     | \$ (5,091,452)       | \$ -                  |
| Public Safety   | 8,022,763            | 891,613              | 916,539                            | -                                | (6,214,611)                                       | -                        | (6,214,611)          | -                     |
| Highway and Streets   | 6,854,118            | -                    | 1,930,224                          | -                                | (4,923,894)                                       | -                        | (4,923,894)          | -                     |
| Rubbish   | 4,005,959            | -                    | -                                  | -                                | (4,005,959)                                       | -                        | (4,005,959)          | -                     |
| Recreation and Culture  | 514,819              | -                    | 8,514                              | -                                | (506,305)   | -                        | (506,305)            | -                     |
| Interest Expense  | 408,637              | -                    | -                                  | -                                | (408,637)   | -                        | (408,637)            | -                     |
| <b>Total Governmental Activities</b>                                    | <u>26,744,974</u>    | <u>2,729,553</u>     | <u>2,864,563</u>                   | <u>-</u>                         | <u>(21,150,858)</u>                               | <u>-</u>                 | <u>(21,150,858)</u>  | <u>-</u>              |
| <b>Business-type Activities:</b>  |                      |                      |                                    |                                  |   |                          |                      |                       |
| Water and Sewer   | 9,817,483            | 7,156,399            | -                                  | -                                | -   | (2,661,084)              | (2,661,084)          | -                     |
| Southfield Lease Properties   | 3,145,931            | 401,696              | -                                  | -                                | -   | (2,744,235)              | (2,744,235)          | -                     |
| <b>Total Business-type Activities</b>                                   | <u>12,963,414</u>    | <u>7,558,095</u>     | <u>-</u>                           | <u>-</u>                         | <u>-</u>  | <u>(5,405,319)</u>       | <u>(5,405,319)</u>   | <u>-</u>              |
| <b>Total Primary Government</b>   | <u>\$ 39,708,388</u> | <u>\$ 10,287,648</u> | <u>\$ 2,864,563</u>                | <u>\$ -</u>                      | <u>(21,150,858)</u>                               | <u>(5,405,319)</u>       | <u>(23,967,224)</u>  | <u>-</u>              |
| <b>Component Units:</b>   |                      |                      |                                    |                                  |   |                          |                      |                       |
| Downtown Development Authority  | 1,093,303            | -                    | -                                  | -                                | -   | -                        | -                    | (1,093,303)           |
| Building Authority  | 53,438               | -                    | -                                  | -                                | -   | -                        | -                    | (53,438)              |
| Housing Commission  | 576,895              | -                    | 72,137                             | 85,367                           | -   | -                        | -                    | (419,391)             |
| Brownfield Redevelopment  | 3,131,467            | -                    | -                                  | -                                | -   | -                        | -                    | (3,131,467)           |
| <b>Total Component Units:</b>   | <u>\$ 4,855,103</u>  | <u>\$ -</u>          | <u>\$ 72,137</u>                   | <u>\$ 85,367</u>                 | <u>-</u>  | <u>-</u>                 | <u>-</u>             | <u>(4,697,599)</u>    |
| <b>General Revenues:</b>  |                      |                      |                                    |                                  |   |                          |                      |                       |
| Property Taxes  |                      |                      |                                    |                                  | 14,987,583  | -                        | 14,987,583           | 2,904,028             |
| State Shared Revenues   |                      |                      |                                    |                                  | 2,606,841   | -                        | 2,606,841            | -                     |
| Rentals   |                      |                      |                                    |                                  | -   | -                        | -                    | 232,677               |
| Investment Earnings   |                      |                      |                                    |                                  | 41,483  | 215,590                  | 257,073              | 1,135                 |
| EPA Judgement Tax Revenue   |                      |                      |                                    |                                  | -   | 1,772,573                | 1,772,573            | -                     |
| District 1 Tax Levy   |                      |                      |                                    |                                  | -   | 816,380                  | 816,380              | -                     |
| Other Miscellaneous Income  |                      |                      |                                    |                                  | 4,286,460   | 236,169                  | 4,522,629            | 447,482               |
| Loss on Sale of Capital Assets  |                      |                      |                                    |                                  | -   | (4,626,749)              | (4,626,749)          | -                     |
| <b>Total General Revenue</b>  |                      |                      |                                    |                                  | <u>21,922,367</u>                                 | <u>(1,586,037)</u>       | <u>20,336,330</u>    | <u>3,585,322</u>      |
| Transfer In (Out) (Note 5)  |                      |                      |                                    |                                  | <u>(1,200,000)</u>                                | <u>1,200,000</u>         | <u>-</u>             | <u>-</u>              |
| <b>Change in Net Position</b>   |                      |                      |                                    |                                  | <u>(428,491)</u>                                  | <u>(5,791,356)</u>       | <u>(6,219,847)</u>   | <u>(1,112,277)</u>    |
| <b>Net Position (Deficit) - As Restated-<br/>July 1, 2014 (Note 14)</b> |                      |                      |                                    |                                  | <u>25,249,198</u>                                 | <u>24,731,798</u>        | <u>49,980,996</u>    | <u>(3,295,380)</u>    |
| <b>Net Position (Deficit) - June 30, 2015</b>                           |                      |                      |                                    |                                  | <u>\$ 24,820,707</u>                              | <u>\$ 18,940,442</u>     | <u>\$ 43,761,149</u> | <u>\$ (4,407,657)</u> |

The notes to financial statements are an integral part of this statement.

# CITY OF ALLEN PARK, MICHIGAN

## Governmental Funds Balance Sheet June 30, 2015

|   | <u>General Fund</u> | <u>Non-Major<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|---------------------|---|---|
| <b>Assets:</b>  |                     |   |   |
| Cash and Cash Equivalents   | \$ 6,601,697        | \$ 4,625,340                                | \$ 11,227,037                           |
| Receivables:  |                     |   |   |
| Due from Other Governmental Units   | 492,759             | 392,720                                     | 885,479                                 |
| Other   | 449,055             | -   | 449,055                                 |
| Due from Component Units  | 12,496              | -   | 12,496                                  |
| Prepaid Expenditures  | 429,387             | 13,134                                      | 442,521                                 |
| <b>Total Assets</b>   | <u>\$ 7,985,394</u> | <u>\$ 5,031,194</u>                         | <u>\$ 13,016,588</u>                    |
| <b>Liabilities and Fund Balances</b>  |                     |   |   |
| <b>Liabilities:</b>   |                     |   |   |
| Accounts Payable  | \$ 1,622,361        | \$ 827,104                                  | \$ 2,449,465                            |
| Accrued Payroll and Other Liabilities   | 134,986             | 11,492                                      | 146,478                                 |
| Unearned Revenue  | -                   | 950,031                                     | 950,031                                 |
| Due to Other Governmental Units   | 10,025              | -   | 10,025                                  |
| Escrow Funds and Deposits   | -                   | 22,282                                      | 22,282                                  |
| <b>Total Liabilities</b>  | <u>1,767,372</u>    | <u>1,810,909</u>                            | <u>3,578,281</u>                        |
| <b>Deferred Inflows of Resources</b>  |                     |   |   |
| Unavailable Revenue   | -                   | 16,525                                      | 16,525                                  |
| <b>Fund Balances:</b>   |                     |   |   |
| Nonspendable for Prepaid Expenditures   | 429,387             | 13,134                                      | 442,521                                 |
| Restricted for Highway Expenditures   | -                   | 1,532,410                                   | 1,532,410                               |
| Restricted for Law Enforcement  | -                   | 548,725                                     | 548,725                                 |
| Restricted for Debt Service Expenditures                                      | -                   | 159,669                                     | 159,669                                 |
| Restricted for Library Expenditures   | -                   | 300,383                                     | 300,383                                 |
| Restricted for Building Fund Expenditures                                     | -                   | 642,311                                     | 642,311                                 |
| Restricted for Rubbish Expenditures   | -                   | 7,128                                       | 7,128                                   |
| Unassigned  | 5,788,635           | -   | 5,788,635                               |
| <b>Total Fund Balances</b>  | <u>6,218,022</u>    | <u>3,203,760</u>                            | <u>9,421,782</u>                        |
| <b>Total Liabilities, Deferred Inflows<br/>of Resources and Fund Balances</b> | <u>\$ 7,985,394</u> | <u>\$ 5,031,194</u>                         | <u>\$ 13,016,588</u>                    |

The notes to financial statements are an integral part of this statement.

# CITY OF ALLEN PARK, MICHIGAN

## Reconciliation of the Balance Sheet To the Statement of Net Position June 30, 2015

**Fund Balance - Total Governmental Funds** \$ 9,421,782

Amounts Reported for Government Activities in the Statement  
of Net Position are Different Because:

Capital Assets used in Governmental Activities are not  
Financial Resources and are not Reported in the Funds.

|                                |                      |            |
|--------------------------------|----------------------|------------|
| The Cost of Capital Assets is: | 193,414,571          |            |
| Accumulated Depreciation is :  | <u>(127,277,284)</u> | 66,137,287 |

Deferred Outflows are not Current Financial Resources and are not  
Reported in the Funds. 4,537,092

Revenues not meeting the availability Criteria are Deferred at the Fund  
Level, but Recorded as Revenue in the Full Accrual Statements. 16,525

Long-term Obligations are not Due and Payable in the Current Period  
and are not Reported in the Funds.

|  |                    |              |
|--|--------------------|--------------|
| Compensated Absences                     | (1,520,291)        |              |
| Bonds and Note Payable (Net of Discount) | (7,958,077)        |              |
| OPEB Payable                             | (32,579,781)       |              |
| Net Pension Liability                    | (11,492,822)       |              |
| Deferred Inflows                         | <u>(1,626,341)</u> | (55,177,312) |

Accrued Interest is not Due and Payable in the Current Period and is  
Not Reported in the Funds. (114,667)

**Net Position of Governmental Activities** \$ 24,820,707

*The notes to financial statements are an integral part of this statement.*

# CITY OF ALLEN PARK, MICHIGAN

## Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances Year Ended June 30, 2015

|  | <u>General Fund</u> | <u>Non-Major<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|---------------------|---|---|
| <b>Revenues:</b>                                   |                     |   |   |
| Tax Collections:                                   |                     |   |   |
| Current  | \$ 7,785,007        | \$ 2,717,952                                | \$ 10,502,959                           |
| Delinquent Tax Chargebacks                         | (40,353)            | (11,407)                                    | (51,760)                                |
| Police & Fire Millage                              | 4,536,384           | -   | 4,536,384                               |
| Intergovernmental:                                 |                     |   |   |
| Federal Grants                                     | 765,680             | 176,290                                     | 941,970                                 |
| State-shared Revenue and Grants                    | 2,606,841           | 1,969,533                                   | 4,576,374                               |
| District Court                                     | 1,923,110           | -   | 1,923,110                               |
| Fees   | 2,326,476           | 481,782                                     | 2,808,258                               |
| Interest Income                                    | 41,394              | 89  | 41,483                                  |
| Local Sources                                      | 145,265             | 251,277                                     | 396,542                                 |
| Other Revenue                                      | 1,950,283           | -   | 1,950,283                               |
| <b>Total Revenue</b>                               | <u>22,040,087</u>   | <u>5,585,516</u>                            | <u>27,625,603</u>                       |
| <b>Expenditures:</b>                               |                     |   |   |
| Current:   |                     |   |   |
| General Government                                 | 7,134,594           | 1,110,546                                   | 8,245,140                               |
| Public Safety                                      | 6,594,439           | 243,087                                     | 6,837,526                               |
| Public Safety - Police and Fire Millage            | 4,536,384           | -   | 4,536,384                               |
| Public Service                                     | 1,693,802           | 1,915,062                                   | 3,608,864                               |
| Public Works                                       | -                   | 1,794,534                                   | 1,794,534                               |
| Recreation and Culture                             | 531,551             | -   | 531,551                                 |
| Debt Service:                                      |                     |   |   |
| Principal Retirements                              | -                   | 150,000                                     | 150,000                                 |
| Interest   | -                   | 258,637                                     | 258,637                                 |
| <b>Total Expenditures</b>                          | <u>20,490,770</u>   | <u>5,471,866</u>                            | <u>25,962,636</u>                       |
| <b>Excess of Revenue Over (Under) Expenditures</b> | <u>1,549,317</u>    | <u>113,650</u>                              | <u>1,662,967</u>                        |
| <b>Other Financing Sources (Uses):</b>             |                     |   |   |
| Loan Proceeds                                      | 2,600,000           | -   | 2,600,000                               |
| Interfund Transfers In (Note 5)                    | -                   | 500,000                                     | 500,000                                 |
| Interfund Transfers Out (Note 5)                   | (1,200,000)         | (500,000)                                   | (1,700,000)                             |
| <b>Total Other Financing Sources (Uses)</b>        | <u>1,400,000</u>    | <u>-</u>                                    | <u>1,400,000</u>                        |
| <b>Net Change in Fund Balances</b>                 | 2,949,317           | 113,650                                     | 3,062,967                               |
| <b>Fund Balances - July 1, 2014</b>                | <u>3,268,705</u>    | <u>3,090,110</u>                            | <u>6,358,815</u>                        |
| <b>Fund Balances - June 30, 2015</b>               | <u>\$ 6,218,022</u> | <u>\$ 3,203,760</u>                         | <u>\$ 9,421,782</u>                     |

*The notes to financial statements are an integral part of this statement.*

# CITY OF ALLEN PARK, MICHIGAN

## Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2015

|   |                     |
|---|---------------------|
| <b>Net Change in Fund Balances - Total Governmental Funds</b>   | \$ 3,062,967        |
| Amounts Reported for Governmental Activities in The<br>Statement of Activities Are Different Because:   |                     |
| Governmental Funds Report Capital Outlays As Expenditures;<br>In The Statement of Activities These Costs Are Allocated<br>Over Their Estimated Useful Lives As Depreciation:  |                     |
| Depreciation Expense  | (3,923,647)         |
| Capital Outlay  | 1,862,186           |
| Governmental funds report proceeds from the sale of fixed assets<br>while the Governmental Activities report gains and losses on deletion<br>of fixed assets. This is the remaining book value of the deleted assets.                       | (8,296)             |
| New Debt received during the year is a revenue in in the<br>General Funds, but not in the Statement of Activities<br>where it increases the Long-term Debt  | (2,600,000)         |
| Revenue is recorded in the statement of activities when earned.<br>It is not reported in the Funds until Collected or Collectible within 60 days<br>of years.   | (109,119)           |
| Repayment of Bond Principal is an Expenditure in the<br>Governmental Funds; But Not in the Statement of Activities<br>(Where it Reduces Long-Term Debt)   |                     |
| Principal Payments on Bonds and Note Payable  | 150,000             |
| Change in Accrued Interest Payable and Other  | (27,654)            |
| Decreases in Accumulated Employee Sick and Vacation Pay<br>reported in the Statement of Activities do not require the use<br>of current resources and therefore are not reported in the<br>Fund Statements until they come due for payment. | (47,789)            |
| Increases in Net OPEB Obligations Reported in the Statement of<br>Activities do not require the use of current resources and<br>therefore are not reported in the fund statements until they<br>come due for payment.                       | (3,656,578)         |
| Decrease in Pension Payable   | 2,722,071           |
| Increase in Net Pension Liability (GASB 68)   | (797,022)           |
| Increase in Pension Deferred Outflows   | 3,773,061           |
| Increase in Pension Deferred Inflows  | (1,626,342)         |
| Decrease in Other Long Term Liability   | 800,000             |
| Increase in Other Long-term Liabilities Obligations Reported in<br>the Statement of Activities do not require the use of current<br>resources and therefore are not reported in the fund<br>Statements until they come Due for Payment.     | (2,329)             |
| <b>Change in Net Position of Governmental Activities</b>  | <u>\$ (428,491)</u> |

*The notes to financial statements are an integral part of this statement.*

# CITY OF ALLEN PARK, MICHIGAN

## Proprietary Funds Statement of Net Position June 30, 2015

|  | Enterprise Funds     |                                  |                      |
|--|----------------------|----------------------------------|----------------------|
|  | Water and Sewer Fund | Southfield Lease Properties Fund | Total                |
| <b>Assets:</b>                                 |                      |                                  |                      |
| Current Assets:                                |                      |                                  |                      |
| Cash and Cash Equivalents                      | \$ 3,537,315         | \$ 3,117,575                     | \$ 6,654,890         |
| Receivables from Sales to Customers on Account | 1,817,025            | -                                | 1,817,025            |
| Tax Roll:                                      |                      |                                  |                      |
| Current  | 817,416              | -                                | 817,416              |
| Inventory                                      | 121,368              | -                                | 121,368              |
| Prepaid Expenses and Other Assets              | 1,914                | -                                | 1,914                |
| <b>Total Current Assets</b>                    | <b>6,295,038</b>     | <b>3,117,575</b>                 | <b>9,412,613</b>     |
| Non-Current Assets:                            |                      |                                  |                      |
| Restricted Cash and Cash Equivalents           | 1,004,256            | 2,143,531                        | 3,147,787            |
| Restricted Deposits for Future Debt Payments   | 2,450,136            | -                                | 2,450,136            |
| Land Contract Receivable                       | -                    | 7,205,541                        | 7,205,541            |
| Capital Assets                                 | 84,648,748           | -                                | 84,648,748           |
| Less Accumulated Depreciation                  | (25,474,040)         | -                                | (25,474,040)         |
| <b>Total Non-current Assets</b>                | <b>62,629,100</b>    | <b>9,349,072</b>                 | <b>71,978,172</b>    |
| <b>Total Assets</b>                            | <b>68,924,138</b>    | <b>12,466,647</b>                | <b>81,390,785</b>    |
| Deferred Outflow of Resources                  |                      |                                  |                      |
| Pension  | 965,089              | -                                | 965,089              |
| <b>Total Deferred Outflows</b>                 | <b>965,089</b>       | <b>-</b>                         | <b>965,089</b>       |
| <b>Liabilities:</b>                            |                      |                                  |                      |
| Current Liabilities:                           |                      |                                  |                      |
| Accounts Payable                               | \$ 657,777           | \$ 60,279                        | \$ 718,056           |
| Accrued Payroll                                | 17,395               | -                                | 17,395               |
| Accrued Interest Payable                       | 128,405              | 332,056                          | 460,461              |
| Compensated Absences Payable                   | 4,863                | -                                | 4,863                |
| Current Portion of Bonds Payable SRF           | 535,000              | -                                | 535,000              |
| Current Portion of General Obligations Payable | 305,922              | 540,769                          | 846,691              |
| Current Portion of Judgment Bonds Payable      | 1,951,364            | -                                | 1,951,364            |
| <b>Total Current Liabilities</b>               | <b>3,600,726</b>     | <b>933,104</b>                   | <b>4,533,830</b>     |
| <b>Long Term Liabilities:</b>                  |                      |                                  |                      |
| Compensated Absences Payable                   | 43,770               | -                                | 43,770               |
| Net Pension Liability                          | 2,444,648            | -                                | 2,444,648            |
| Bonds Payable SRF                              | 9,730,988            | -                                | 9,730,988            |
| General Obligation Bonds Payable               | 3,300,802            | 28,240,000                       | 31,540,802           |
| Judgment Bonds Payable                         | 11,567,796           | -                                | 11,567,796           |
| Other Post Employment Benefits (OPEB)          | 3,207,658            | -                                | 3,207,658            |
| <b>Total Long Term Liabilities</b>             | <b>30,295,662</b>    | <b>28,240,000</b>                | <b>58,535,662</b>    |
| <b>Total Liabilities</b>                       | <b>33,896,388</b>    | <b>29,173,104</b>                | <b>63,069,492</b>    |
| Deferred Inflow of Resources                   |                      |                                  |                      |
| Pension  | 345,940              | -                                | 345,940              |
| <b>Total Deferred Inflows</b>                  | <b>345,940</b>       | <b>-</b>                         | <b>345,940</b>       |
| <b>Net Position:</b>                           |                      |                                  |                      |
| Net Investment in Capital Assets               | 34,232,972           | -                                | 34,232,972           |
| Restricted for:                                |                      |                                  |                      |
| Reserve for 2002 GOLT debt                     | 157,270              | -                                | 157,270              |
| Reserve for Replacement - Sewer/Basin          | 844,171              | -                                | 844,171              |
| Reserve for Future Water Improvement           | -                    | -                                | -                    |
| Reserve for Meter Maintenance                  | -                    | -                                | -                    |
| Unrestricted                                   | 412,486              | (16,706,457)                     | (16,293,971)         |
| <b>Total Net Position</b>                      | <b>\$ 35,646,899</b> | <b>\$ (16,706,457)</b>           | <b>\$ 18,940,442</b> |

The notes to financial statements are an integral part of this statement.

# CITY OF ALLEN PARK, MICHIGAN

## Proprietary Funds Statement of Revenue, Expenses and Changes in Net Position June 30, 2015

|  | Water and<br>Sewer Fund | Southfield<br>Lease<br>Properties<br>Fund | Total<br>Proprietary<br>Funds |
|--|-------------------------|---|-------------------------------|
| <b>Operating Revenues</b>                                |                         |   |                               |
| Water Sales  | \$ 3,247,114            | \$ -                                      | \$ 3,247,114                  |
| Sewage Disposal Services                                 | 3,527,928               | -   | 3,527,928                     |
| Rental Income  | -                       | 401,696                                   | 401,696                       |
| Penalties  | 381,357                 | -   | 381,357                       |
| Miscellaneous  | 116,793                 | 119,376                                   | 236,169                       |
| <b>Total Operating Revenues</b>                          | <u>7,273,192</u>        | <u>521,072</u>                            | <u>7,794,264</u>              |
| <b>Operating expenses</b>                                |                         |   |                               |
| Operating Costs  | 5,792,866               | -   | 5,792,866                     |
| Personal Services  | 609,201                 | 4,068                                     | 613,269                       |
| Utilities  | 104,000                 | 77,507                                    | 181,507                       |
| Repairs and Maintenance                                  | 685,704                 | 85,199                                    | 770,903                       |
| Supplies and Other Expenses                              | 23,309                  | 955,243                                   | 978,552                       |
| Depreciation & Amortization                              | 1,824,830               | 2,070                                     | 1,826,900                     |
| <b>Total Operating Expenses</b>                          | <u>9,039,910</u>        | <u>1,124,087</u>                          | <u>10,163,997</u>             |
| <b>Operating Income (Loss)</b>                           | (1,766,718)             | (603,015)                                 | (2,369,733)                   |
| <b>Non-Operating Revenue (Expense)</b>                   |                         |   |                               |
| Investment Income  | 37,915                  | 177,675                                   | 215,590                       |
| Interest Expense   | (540,444)               | (2,021,844)                               | (2,562,288)                   |
| Loss on Sale of Assets                                   | -                       | (4,626,749)                               | (4,626,749)                   |
| Transfer from General Fund                               | -                       | 1,200,000                                 | 1,200,000                     |
| Consent Judgment - Sewers                                | (237,129)               | -   | (237,129)                     |
| EPA Judgement Tax Revenue                                | 1,772,573               | -   | 1,772,573                     |
| District Tax Levy-Sewers                                 | 816,380                 | -   | 816,380                       |
| <b>Total Non-Operating Revenue (Expense)</b>             | <u>1,849,295</u>        | <u>(5,270,918)</u>                        | <u>(3,421,623)</u>            |
| <b>Change in Net Position</b>                            | 82,577                  | (5,873,933)                               | (5,791,356)                   |
| <b>Net Position - July 1, 2014-As Restated-(Note 14)</b> | <u>35,564,322</u>       | <u>(10,832,524)</u>                       | <u>24,731,798</u>             |
| <b>Net Position - June 30, 2015</b>                      | <u>\$ 35,646,899</u>    | <u>\$ (16,706,457)</u>                    | <u>\$ 18,940,442</u>          |

*The notes to financial statements are an integral part of this statement.*

# CITY OF ALLEN PARK, MICHIGAN

## Proprietary Funds Statement of Cash Flows Year Ended June 30, 2015

|   | Water and<br>Sewer Fund | Southfield<br>Lease<br>Properties | Total<br>Proprietary<br>Funds |
|---|-------------------------|-----------------------------------|-------------------------------|
| <b>Cash Flows from Operating Activities</b>   |                         |                                   |                               |
| Receipts from Customers   | \$ 7,327,794            | \$ 401,696                        | \$ 7,729,490                  |
| Payments to Employees   | (121,266)               | (4,114)                           | (125,380)                     |
| Payments to Suppliers   | (6,325,940)             | (1,012,114)                       | (7,338,054)                   |
| Miscellaneous Receipts  | 116,793                 | 119,376                           | 236,169                       |
| Net Cash Provided by Operating Activities   | 997,381                 | (495,156)                         | 502,225                       |
| <b>Cash Flows from Noncapital Financing Activities:</b>   |                         |                                   |                               |
| Consent Judgment Monies Paid  | (237,129)               | -                                 | (237,129)                     |
| Payments Made (to) from Other Funds   | 8,491                   | 1,200,000                         | 1,208,491                     |
| Net Cash Provided by Noncapital Activities  | (228,638)               | 1,200,000                         | 971,362                       |
| <b>Cash Flows from Capital and Related Financing Activities:</b>                                      |                         |                                   |                               |
| Principal and Interest Paid on Bonds  | (2,638,095)             | (2,602,746)                       | (5,240,841)                   |
| Purchase of Fixed Assets  | (2,060,022)             | -                                 | (2,060,022)                   |
| Sale of Fixed Assets  | -                       | 4,653,467                         | 4,653,467                     |
| Proceeds from EPA Judgment Tax Revenue  | 1,772,573               | -                                 | 1,772,573                     |
| Proceeds from District 1 Tax Levy   | 816,380                 | -                                 | 816,380                       |
| Decrease in Pension Liability   | (287,096)               | -                                 | (287,096)                     |
| Change in Deposit for Future Debt Payments  | 187,424                 | -                                 | 187,424                       |
| Net Change in Restricted Assets   | -                       | (75)                              | (75)                          |
| Net Cash Used in Capital and Related Financing Activities   | (2,208,836)             | 2,050,646                         | (158,190)                     |
| <b>Cash Flows from Investing Activities -</b>   |                         |                                   |                               |
| Investment Interest   | 37,915                  | 177,674                           | 215,589                       |
| Net Cash Provided from Investing Activities   | 37,915                  | 177,674                           | 215,589                       |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>   | (1,402,178)             | 2,933,164                         | 1,530,986                     |
| <b>Cash and Cash Equivalents - July 1, 2014</b>   | 4,939,493               | 184,411                           | 5,123,904                     |
| <b>Cash and Cash Equivalents - June 30, 2015</b>  | <u>\$ 3,537,315</u>     | <u>\$ 3,117,575</u>               | <u>\$ 6,654,890</u>           |
| <b>Reconciliation of Operating Income (Loss) to net Cash Provided (Used) by Operating Activities:</b> |                         |                                   |                               |
| Operating Income (Loss)   | \$ (1,766,718)          | \$ (603,015)                      | \$ (2,369,733)                |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:        |                         |                                   |                               |
| Depreciation and Amortization   | 1,824,830               | 2,070                             | 1,826,900                     |
| Other Non-cash (Income)/Expense   |                         |                                   |                               |
| Changes in Assets and Liabilities:  |                         |                                   |                               |
| Accounts Receivable   | 57,000                  | -                                 | 57,000                        |
| Tax Roll  | 114,395                 | -                                 | 114,395                       |
| Inventory   | 6,934                   | -                                 | 6,934                         |
| Prepaid Assets  | 32,133                  | 79,640                            | 111,773                       |
| Accounts Payable  | 240,872                 | 26,195                            | 267,067                       |
| Accrued Payroll   | (1,031)                 | (46)                              | (1,077)                       |
| Compensated Absences Payable  | (8,572)                 | -                                 | (8,572)                       |
| Net Pension Liability   | 497,538                 | -                                 | 497,538                       |
| <b>Total Adjustments</b>  | 2,764,099               | 107,859                           | 2,374,420                     |
| <b>Net Cash Provided by Operating Activities</b>  | <u>\$ 997,381</u>       | <u>\$ (495,156)</u>               | <u>\$ 502,225</u>             |

The notes to financial statements are an integral part of this statement.

# CITY OF ALLEN PARK, MICHIGAN

## Fiduciary Funds Statement of Net Position June 30, 2015

|   | Pension<br>Trust     | Tax<br>Collection<br>Fund | Trust and Agency  |
|---|----------------------|---------------------------|-------------------|
| <b>ASSETS:</b>                            |                      |                           |                   |
| Cash and Cash Equivalents                 | \$ 1,500,907         | \$ 5,601                  | \$ 310,376        |
| Accrued Interest and Dividends            | 183,664              | -                         | -                 |
| Investments - Fair Value:                 |                      |                           |                   |
| U.S. Government Obligations               | 10,218,789           | -                         | -                 |
| Domestic Stocks                           | 26,873,000           | -                         | -                 |
| Other Equity                              | 215,023              | -                         | -                 |
| Bonds                                     | 9,579,843            | -                         | -                 |
| Mutual Funds                              | 37,400,535           | -                         | -                 |
| <b>Total Investments</b>                  | <b>84,287,190</b>    | <b>-</b>                  | <b>-</b>          |
| <b>Total Assets</b>                       | <b>\$ 85,971,761</b> | <b>\$ 5,601</b>           | <b>\$ 310,376</b> |
| <b>LIABILITIES AND NET POSITION:</b>      |                      |                           |                   |
| <b>Liabilities:</b>                       |                      |                           |                   |
| Accounts Payable                          | \$ -                 | \$ 1,325                  | \$ -              |
| Payable to Other Governmental Agencies    | -                    | 4,276                     | -                 |
| Trustee Liability                         | -                    | -                         | 310,376           |
| <b>Total Liabilities</b>                  | <b>-</b>             | <b>5,601</b>              | <b>310,376</b>    |
| <b>Net Position:</b>                      |                      |                           |                   |
| Held in Trust for Pension Benefits        | 85,971,761           | -                         | -                 |
| <b>Total Net Position</b>                 | <b>85,971,761</b>    | <b>-</b>                  | <b>-</b>          |
| <b>Total Liabilities and Net Position</b> | <b>\$ 85,971,761</b> | <b>\$ 5,601</b>           | <b>\$ 310,376</b> |

*The notes to financial statements are an integral part of this statement.*

# CITY OF ALLEN PARK, MICHIGAN

## Fiduciary Funds Statement of Changes in Net Position Year Ended June 30, 2015

|   | <b>Pension<br/>Trust</b> |
|---|--------------------------|
| <b>Additions:</b>   |                          |
| Contributions: Employer   |                          |
| Police and Fire   | \$ 2,972,192             |
| General   | 1,004,249                |
| Building  | 54,771                   |
| Water & Basin   | 296,386                  |
| 24th District Court   | 489,538                  |
| Total Employer  | 4,817,136                |
| Plan Members  | 423,314                  |
| <b>Total Contributions</b>                                      | 5,240,450                |
| <b>Investment Income:</b>                                       |                          |
| Net Appreciation (Depreciation) in Fair Value<br>of Investments | (4,306,724)              |
| Interest and Dividends  | 1,662,600                |
| Miscellaneous   | 22,542                   |
| Gain on Sale of Investments                                     | 6,503,445                |
| Gain on Noncash Transactions                                    | 5,123                    |
| <b>Total Investment Income (Loss)</b>                           | 3,886,986                |
| <b>Less: Investment Expenses:</b>                               |                          |
| Actuarial Services  |                          |
| Agency Fee  | 127,598                  |
| Miscellaneous   | 60,079                   |
| Total Investment Expenses                                       | 187,677                  |
| Net Investment Income (Loss)                                    | 3,699,309                |
| <b>Total Additions (Deletions)</b>                              | 8,939,759                |
| <b>Deductions:</b>  |                          |
| Benefits  | 7,024,474                |
| <b>Total Deductions</b>   | 7,024,474                |
| Change in Net Position (Reduction)                              | 1,915,285                |
| <b>Net Position - Beginning</b>                                 | 84,056,476               |
| <b>Net Position - Ending</b>                                    | \$ 85,971,761            |

*The notes to financial statements are an integral part of this statement.*

# CITY OF ALLEN PARK, MICHIGAN

## Component Units Statement of Net Position June 30, 2015

|  | <b>Downtown<br/>Development<br/>Authority</b> | <b>Building<br/>Authority</b> | <b>Housing<br/>Commission</b> | <b>Brownfield<br/>Redevelopment<br/>Authority</b> | <b>Total<br/>Component<br/>Units</b> |
|--|---|-------------------------------|-------------------------------|---|--------------------------------------|
| <b>Assets:</b>                             |   |                               |                               |   |                                      |
| Cash and Cash Equivalents                  | \$ 549,818                                    | \$ 273                        | \$ 265,064                    | \$ 1,606,233                                      | \$ 2,421,388                         |
| Receivable                                 | -   | -                             | 15,538                        | -   | 15,538                               |
| Prepaid Expenses                           | -   | -                             | 13,827                        | -   | 13,827                               |
| Capital Assets - Net                       | 6,352,356                                     | 983,437                       | 955,228                       | -   | 8,291,021                            |
| Investments - Restricted                   | -   | 23                            | -                             | -   | 23                                   |
| <b>Total Assets</b>                        | <b>6,902,174</b>                              | <b>983,733</b>                | <b>1,249,657</b>              | <b>1,606,233</b>                                  | <b>10,741,797</b>                    |
| <b>Liabilities:</b>                        |   |                               |                               |   |                                      |
| Accounts Payable                           | 36,880  | -                             | 24,147                        | -   | 61,027                               |
| Accrued Interest Payable                   | 43,881  | -                             | -                             | 98,339  | 142,220                              |
| Tenants Security Deposits                  | -   | -                             | 15,241                        | -   | 15,241                               |
| Payroll and Other Tax Liabilities          | 1,812   | -                             | 4,095                         | -   | 5,907                                |
| Due to Primary Government                  | -   | -                             | -                             | 12,496  | 12,496                               |
| Unearned Revenue                           | -   | -                             | 368                           | -   | 368                                  |
| Current Portion of Bonds Payable           | 250,000                                       | -                             | -                             | 500,000   | 750,000                              |
| Current Portion of Compensated<br>Absences | -   | -                             | 2,107                         | -   | 2,107                                |
| Noncurrent Liabilities                     | 2,925,000                                     | -                             | 10,088                        | 11,225,000  | 14,160,088                           |
| <b>Total Liabilities</b>                   | <b>3,257,573</b>                              | <b>-</b>                      | <b>56,046</b>                 | <b>11,835,835</b>                                 | <b>15,149,454</b>                    |
| <b>Net Position:</b>                       |   |                               |                               |   |                                      |
| Net Investment in Capital Assets           | 3,177,356                                     | 983,437                       | 955,228                       | -   | 5,116,021                            |
| Restricted for:                            |   |                               |                               |   |                                      |
| Debt Service                               | -   | 23                            | -                             | -   | 23                                   |
| Unrestricted                               | 467,245                                       | 273                           | 238,383                       | (10,229,602)                                      | (9,523,701)                          |
| <b>Total Net Position (Deficit)</b>        | <b>\$ 3,644,601</b>                           | <b>\$ 983,733</b>             | <b>\$ 1,193,611</b>           | <b>\$ (10,229,602)</b>                            | <b>(4,407,657)</b>                   |

The notes to financial statements are an integral part of this statement.

# CITY OF ALLEN PARK, MICHIGAN

## Component Units Statement of Activities June 30, 2015

| Functions/Programs                           | Program Revenue     |                      |                                  |                                 | Net (Expense) Revenue and Changes in Net Position |                    |                     |                                    |                       |
|--|---------------------|----------------------|----------------------------------|---------------------------------|---|--------------------|---------------------|------------------------------------|-----------------------|
|  | Expenses            | Charges for Services | Operating Grant and Contribution | Capital Grants and Contribution | Downtown Development Authority                    | Building Authority | Housing Commission  | Brownfield Redevelopment Authority | Total                 |
| <b>Downtown Development Authority</b>        |                     |                      |                                  |                                 |   |                    |                     |                                    |                       |
| Governmental Activities:                     |                     |                      |                                  |                                 |   |                    |                     |                                    |                       |
| General Government                           | \$ 478,638          | \$ -                 | \$ -                             | \$ -                            | \$ (478,638)                                      | \$ -               | \$ -                | \$ -                               | \$ (478,638)          |
| Interest & Fiscal Charges                    | 137,643             | -                    | -                                | -                               | (137,643)   | -                  | -                   | -                                  | (137,643)             |
| Depreciation Expense                         | 477,022             | -                    | -                                | -                               | (477,022)   | -                  | -                   | -                                  | (477,022)             |
| <b>Total Downtown Development Authority</b>  | <b>1,093,303</b>    | <b>-</b>             | <b>-</b>                         | <b>-</b>                        | <b>(1,093,303)</b>                                | <b>-</b>           | <b>-</b>            | <b>-</b>                           | <b>(1,093,303)</b>    |
| Building Authority                           | 53,438              | -                    | -                                | -                               | -   | (53,438)           | -                   | -                                  | (53,438)              |
| Housing Commission                           | 576,895             | -                    | 72,137                           | 85,367                          | -   | -                  | (419,391)           | -                                  | (419,391)             |
| Brownfield Redevelopment Authority           | 3,131,467           | -                    | -                                | -                               | -   | -                  | -                   | (3,131,467)                        | (3,131,467)           |
| <b>Total Component Units</b>                 | <b>\$ 4,855,103</b> | <b>\$ -</b>          | <b>\$ 72,137</b>                 | <b>\$ 85,367</b>                | <b>(1,093,303)</b>                                | <b>(53,438)</b>    | <b>(419,391)</b>    | <b>(3,131,467)</b>                 | <b>(4,697,599)</b>    |
| General Revenues:                            |                     |                      |                                  |                                 |   |                    |                     |                                    |                       |
| Property Taxes                               |                     |                      |                                  |                                 | \$ 954,430  | \$ -               | \$ -                | \$ 1,949,598                       | \$ 2,904,028          |
| Rentals                                      |                     |                      |                                  |                                 | -   | -                  | 232,677             | -                                  | 232,677               |
| Interest                                     |                     |                      |                                  |                                 | 2   | -                  | 1,133               | -                                  | 1,135                 |
| Miscellaneous                                |                     |                      |                                  |                                 | -   | -                  | 446,446             | 1,036                              | 447,482               |
|  |                     |                      |                                  |                                 | <u>954,432</u>                                    | <u>-</u>           | <u>680,256</u>      | <u>1,950,634</u>                   | <u>3,585,322</u>      |
| Change in Net Position                       |                     |                      |                                  |                                 | (138,871)   | (53,438)           | 260,865             | (1,180,833)                        | (1,112,277)           |
| <b>Net Position - Beginning</b>              |                     |                      |                                  |                                 | <u>3,783,472</u>                                  | <u>1,037,171</u>   | <u>937,186</u>      | <u>(9,048,769)</u>                 | <u>(3,290,940)</u>    |
| <b>Prior Period Adjustment</b>               |                     |                      |                                  |                                 | -   | -                  | (4,440)             | -                                  | (4,440)               |
| <b>Net Position - Beginning, as restated</b> |                     |                      |                                  |                                 | <u>-</u>  | <u>-</u>           | <u>932,746</u>      | <u>-</u>                           | <u>-</u>              |
| <b>Net Position - Ending</b>                 |                     |                      |                                  |                                 | <u>\$ 3,644,601</u>                               | <u>\$ 983,733</u>  | <u>\$ 1,193,611</u> | <u>\$ (10,229,602)</u>             | <u>\$ (4,407,657)</u> |

The notes to financial statements are an integral part of this statement.

## 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### A. Reporting Entity

The City of Allen Park was incorporated under the laws of the State of Michigan and is governed by an elected seven-member Council, although it is currently under the oversight of a State appointed Receivership Transition Advisory Board. The accompanying financial statements present the government and its component units. The discretely presented component units are reported in aggregate in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description).

#### *Discretely Presented Component Units*

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. The City's discretely presented component units are presented below:

#### Allen Park Downtown Development Authority

Act 197 of the Public Acts of 1975 of the State of Michigan, commonly referred to as the Downtown Development Authority Act, was created in part to correct and prevent deterioration of business districts; to promote economic growth and revitalization; to encourage historic preservation; to authorize the acquisition and disposal of interests in real and personal property; to authorize the creation of the authority; to authorize the levy and collection of taxes, the issuance of bonds and the use of tax increment financing in the accomplishment of specific downtown development activities contained in locally-adopted development plans.

The Act seeks to attend to problems of urban decline, strengthen existing areas and encourage new private developments in the downtown districts of Michigan communities. It seeks to accomplish this goal by providing communities with the necessary legal, monetary and organizational tools to revitalize downtown districts either through public-initiated projects or in concert with privately motivated development projects. The manner in which downtown development authorities chose to make use of these tools does, of course, depend on the problems and opportunities facing each particular downtown district and the development priorities sought by the community in the revitalization of its business area.

# CITY OF ALLEN PARK, MICHIGAN

Notes to the Financial Statements (Continued)  
June 30, 2015

## 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### A. Reporting Entity (Continued)

#### Allen Park Building Authority

The Allen Park Building Authority has constructed and funded, by use of bonding, the 24<sup>th</sup> District Court Building. The Allen Park Building Authority was not audited as it had no activity in 2015 other than depreciation. Its results are displayed in this report.

#### Allen Park Housing Commission

The Allen Park Housing Commission was formed to develop senior citizens housing. A senior citizen apartment complex was developed on Champaign Street in Allen Park, Michigan. The complex is funded partially by the U.S. Department of Housing and Urban Development (HUD) and rental fees received from the tenants. The Allen Park Housing Commission is audited by a separate auditor and those results are displayed in this report.

Complete financial statements of the Allen Park Housing Commission can be obtained from their administrative office at the following address:

Allen Park Housing Commission  
17000 Champaign Rd.  
Allen Park, MI 48101

#### Brownfield Redevelopment Authority

The Brownfield Redevelopment Authority was created, pursuant to Public Act 381 of 1996, to promote revitalization of environmentally distressed areas within the City. The Brownfield Redevelopment Authority is funded primarily by property tax revenue captures. The Brownfield Redevelopment Authority is governed by a seven-member board that is appointed by the mayor and confirmed by the City Council.

All of the information obtained from the above discretely presented component units is included in the audited annual financial statements.

### B. Government-Wide and Fund Financial Statements

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

## 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### B. Government-Wide and Fund Financial Statements (Continued)

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

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

### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses.

The various funds are reported by generic classification within the financial statements. The following fund types are used by the City.

## 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

#### **Governmental Funds:**

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

- a. General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- c. Debt Service Funds are used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.

#### **Proprietary Funds:**

The focus of proprietary funds measurement is upon determination of operating income, changes in net assets, financial position, and cash flows.

The City's policy for defining operating activities as reported on the statement of revenues, expenses, and changes in net position is to report those activities that generally result from exchange transactions, such as payments received from providing services and payments made for services or goods received.

Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services, rentals and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, rentals or (c) establishes fees and charges, rentals based on a pricing policy designed to recover similar costs.

## 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

#### Fiduciary Funds:

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The reporting focus is on net position and changes in net position and is reported using accounting principles similar to proprietary funds.

The emphasis in fund financial statements is on major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column. GASB *Statement No. 34* sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category and the governmental and enterprise combined) for the determination of major funds. The City did not elect to add funds, as major funds, which either had debt outstanding or specific community focus. The non-major funds are combined in a column in the fund financial statements

The City reports the following major governmental funds:

1. **General Fund** - see above for description.

The City reports the following major proprietary funds:

1. **Water and Sewer Fund** - Accounts for activities associated with providing water and sewer services to the public.
2. **Southfield Lease Properties Fund** - Accounts for activities associated with rental properties.

Additionally, the City reports the following non-major funds:

#### Special Revenue Funds:

1. **Major Highway Fund** - Accounts for the revenues and expenditures related to the maintenance of major streets located in the City limits.
2. **Local Highway Fund** - Accounts for the revenues and expenditures related to the maintenance of the local streets located in the City limits.

1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)**

**Special Revenue Funds: (Continued)**

3. **Building Fund** - Accounts for the revenues and expenditures related to building inspections throughout the City.
4. **Drug Law Enforcement Fund** - Accounts for the revenue and expenditures for maintaining and enforcing laws related to drug use and prevention.
5. **Library Fund** - Accounts for the revenue and expenditures related to the operation of the City's library.
6. **Rubbish Fund** - Accounts for the revenue and expenditures related to the rubbish collection.

**Debt Service Fund**

1. **Community Center Debt Fund** - Accounts for the debt service related to the bonds issued for the construction of an addition to present community center.

The City reports the following Fiduciary Funds:

1. **Pension Fund Accounts** - for the activities of the City's employee retirement system, this accumulates resources for pension, benefit payments to qualified employees.
2. **Tax Collection Fund** - Accounts for the collection and distribution of real and personal property taxes levied during the fiscal year.
3. **Trust and Agency Fund** – This fund accounts for assets held by the City in a trustee capacity.

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

## 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's proprietary fund relates to charges to customers for sales and services. The water and sewer fund also recognizes the portion of tap fees intended to recover current costs as operating revenue.

Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

### D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less of the date acquired by the City.

The City reports its investments according to GASB *Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools"* and GASB *Statement No. 40 "Deposit and Investment Risk Disclosures"*. Under these standards, certain investments are stated at fair value based on quoted market prices; other investments are stated at cost or amortized cost, except for investments in the pension trust fund, which are reported at fair value.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/due from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds".

**Ad Valorem Taxes** - All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Real and personal property taxes are levied on each July 1st and December 1st on the taxable valuation of the City as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed. The City Charter limits the ad valorem tax rate for operating purposes to 12.5 mills of valuation. The ad valorem rate during the year was 10.5985 mills. Additional millage levied included 2.5436 mills for rubbish, 0.8479 mills for library, 3.52 mills for sewage, 6.75 additional mills for police and fire, 0.58 mills for Community Center and 0.611 mills for Court Judgment levy.

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position (Continued)**

**Inventories and Prepaid items** - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

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

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, there was no interest expense that was capitalized as part of the cost of assets under construction.

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

|                                 |             |
|---------------------------------|-------------|
| Buildings                       | 40 years    |
| Building and Site Improvements  | 20-30 years |
| Water and Sewer Lines           | 40-60 years |
| Roads and Other Infrastructures | 40 years    |
| Vehicles                        | 5-10 years  |
| Machinery & Equipment           | 5-20 years  |

**Restricted Assets** - The judgment bonds of the water and sewer fund require amounts to be set aside for construction, debt service, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets, as well as amounts on deposit at the County being held for the construction or debt service of the City of Allen Park's water and sewer lines. Total restricted assets, held at the County for future debt payments, related to the County sewage disposal system bonds total \$2,450,136 at June 30, 2015. In addition, restricted assets of \$1,004,256 have been recorded relating to general obligation debt (approximately \$160,000) and for future replacements (approximately \$844,000).

**Deferred Outflows of Resources** - In addition to assets, the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City had \$4,537,092 as Deferred outflows of resources in the Governmental Activities and \$965,089 in the Business Type Activities as of June 30, 2015. These deferred outflows related to the Pensions for the difference between projected and actual investment earnings, differences between projected and actual experiences and changes in assumptions.

## 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position (Continued)

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

**Long-Term Obligations** - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs, previously reported as deferred charges and amortized over the term of the related debt are now expensed at the time of issuance under the provisions of GASB 65. In the fund financial statements, governmental fund types recognize bond premiums and discounts as other financing sources (uses). Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt services expenditures.

**Pension** - The City offers pension benefits to retirees. The City records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For 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 pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Other Postemployment Benefit Costs** - The City offers retiree healthcare benefits to retirees. The City receives an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. In the governmental funds, OPEB costs are recognized as contributions are made. For the governmental-wide statements and proprietary funds, the City reports the full accrual cost equal to the current year required contribution, adjusted for interest and "adjustment to the ARC" on the beginning of year underpaid amount, if any.

**Deferred Inflows of Resources** - In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues, which arises only under a modified accrual basis of accounting, from grants receivable.

## 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

### D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position (Continued)

**Deferred Inflows of Resources (Continued)** - These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. At June 30, 2015, the City had \$1,626,341 as deferred inflows of resources in the Governmental Activities and \$345,940 in the Business Type Activities representing differences between projected and actual experience of the pension plan. The City's governmental funds showed \$16,525 in deferred inflows related to revenues not meeting the availability criteria.

**Net Position** - When the City incurs an expense for which it may use either restricted or unrestricted net position, it uses restricted net position first unless unrestricted net position will have to be returned because they were not used. Net position includes the following:

- **Net Investment in Capital Assets** - The component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction, or improvement of those capital assets.
- **Restricted Assets** - Certain proceeds of the enterprise fund revenues are set aside for purposes of funding the replacement of water and sewer mains.
- **Unrestricted** - The difference between the assets and liabilities that is not reported in Net Investments in Capital Assets.

**Fund Balance** – GASB issued Statement No. 54, Fund Balance Reporting and Governmental Fund-type Definitions. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds.

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

- **Non-spendable** – amounts that are not in spendable form or are legally or contractually required to be maintained intact.
- **Restricted** – amounts that are legally restricted by outside parties, constitutional provisions or enabling legislation for use for a specific purpose.
- **Committed** – Amounts that have been formally set aside by the City Council for use for specific purposes. Commitments are made and can be rescinded only via resolution of the City Council.

## 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

### D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position (Continued)

#### Fund Balance (Continued)

- Assigned – Intent to spend resources on specific purposes expressed by the City Council or finance director, who is authorized by resolution approved by the governing body to make assignments.
- Unassigned – Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

**Use of Estimates** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

## 2) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

### Budgetary Information

The City prepares its annual budget on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds. All annual appropriations lapse at fiscal yearend.

All agencies of the government submit their requests for appropriation to the City Administrator so that a budget may be prepared. The budget is prepared by fund, function, and department, and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year.

The proposed budget is presented to the City's Council for review. The Council holds public hearings and may add to, subtract from, or change appropriations, but may not change the form of the budget. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of council.

The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. During the year, supplementary appropriations were necessary.

# CITY OF ALLEN PARK, MICHIGAN

Notes to the Financial Statements (Continued)  
June 30, 2015

## 2) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

### Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2015, expenditures exceeded appropriations in the following general fund accounts:

| <u>General Fund</u> | <u>Amount By Which<br/>Expenditures<br/>Exceed<br/>Appropriations</u> |
|---------------------|---|
| Assessor            | \$ 15,242   |
| City Clerk          | 3,371   |
| Treasurer           | 11,137  |
| City Hall           | 129,831   |
| Public Service      | 175,331   |
| Retiree Health Care | 1,062   |

**Fund Deficit** – The Southfield Lease Properties Fund has a net deficit of \$16,706,457. This fund received a \$1,200,000 operating transfer from the general fund to subsidize operations. During the year the City sold the Southfield lease property under a land contract agreement.

## 3) DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The City's cash and investments are deposited and invested in accordance with its investment policy, which is in accordance with Michigan Public Act 20 of the Public Acts of 1943, as amended.

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

# CITY OF ALLEN PARK, MICHIGAN

Notes to the Financial Statements (Continued)  
June 30, 2015

## 3) DEPOSITS AND INVESTMENTS (Continued)

### Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City minimizes custodial credit risk on deposits by assessing the credit worthiness of the individual institutions in which it deposits funds. The amount of deposits with each institution is assessed to determine the level of risk it may pose to the City in relation to deposits in excess of insured amounts. The assessments are performed by the City at least annually. As of June 30, 2015, the City's carrying amount of deposits was \$22,212,085. Of those amounts, \$479,877 was covered by the Federal Deposit Insurance Corporation (FDIC) and \$21,732,208 was uninsured and uncollateralized.

The carrying amount of deposits for the City's discretely presented component units was \$1,884,794 and of those amounts, \$1,612,702 was uninsured and uncollateralized.

### Interest Risk

At the end of the year, the City's pension fund had \$10,218,789 and \$ 9,579,843 in US Treasuries and corporate bonds, respectively. Of these securities, 18.5% mature within one year, 48.7% mature in one to five years, and 32.0% mature in six to ten years and 0.8% mature in eleven to fifteen years.

### Credit Risk

State law limits investments in commercial paper to the top two ratings by nationally recognized statistical rating organizations. As of year- end, the credit quality ratings of debt securities are as follows:

| Investments                     | Fair Value           | Rating | Rating Organization |
|---------------------------------|----------------------|--------|---------------------|
| Cash Equivalents - Money Market | \$ 1,500,907         | N/A    | N/A                 |
| Treasury Bonds                  | 10,218,789           | AAA    | Moody's             |
| Corporate Bonds                 | 901,192              | A1     | Moody's             |
| Corporate Bonds                 | 567,644              | A2     | Moody's             |
| Corporate Bonds                 | 1,244,707            | A3     | Moody's             |
| Corporate Bonds                 | 479,270              | AA1    | Moody's             |
| Corporate Bonds                 | 203,018              | AA2    | Moody's             |
| Corporate Bonds                 | 786,738              | AA3    | Moody's             |
| Corporate Bonds                 | 1,640,328            | AAA    | Moody's             |
| Corporate Bonds                 | 1,075,893            | BAA1   | Moody's             |
| Corporate Bonds                 | 1,272,888            | BAA2   | Moody's             |
| Corporate Bonds                 | 1,408,165            | BAA3   | Moody's             |
| Common Stocks                   | 26,873,000           | N/A    | N/A                 |
| Other Equity                    | 215,023              | N/A    | N/A                 |
| Mutual Funds                    | 37,400,535           | N/A    | N/A                 |
| <b>Total Investments</b>        | <b>\$ 85,788,097</b> |        |                     |

# CITY OF ALLEN PARK, MICHIGAN

Notes to the Financial Statements (Continued)  
June 30, 2015

## 3) DEPOSITS AND INVESTMENTS (Continued)

### Concentration of Credit Risk

The City's Pension Trust Fund places no limit on the amount the City may invest in anyone issuer except that cash shall not exceed 10% of the total assets of the retirement system.

### Foreign Currency

The City's Pension Trust Fund did not have investments in any foreign bonds as of June 30, 2015.

## 4) CAPITAL ASSETS

Capital asset activity for the City for the current year was as follows:

| <u>Governmental Activities:</u>             | <u>Balance<br/>June 30, 2014</u> | <u>Additions<br/>2014-15</u> | <u>Disposals<br/>2014-15</u> | <u>Balance<br/>June 30, 2015</u> |
|---|----------------------------------|------------------------------|------------------------------|----------------------------------|
| Capital Assets not being Depreciated:       |                                  |                              |                              |                                  |
| Land  | \$ 39,545,448                    | \$ -                         | \$ -                         | \$ 39,545,448                    |
| <b>Subtotal</b>                             | <u>39,545,448</u>                | <u>-</u>                     | <u>-</u>                     | <u>39,545,448</u>                |
| Capital Assets being Depreciated:           |                                  |                              |                              |                                  |
| Buildings and Site                          | 14,419,232                       | 240,789                      | (1,500)                      | 14,658,521                       |
| Land Improvements                           | 1,924,319                        | 22,332                       | -                            | 1,946,651                        |
| Furniture, Fixtures & Equipment             | 5,946,357                        | 761,205                      | (168,082)                    | 6,539,480                        |
| Vehicles                                    | 4,494,193                        | 244,718                      | (728,159)                    | 4,010,752                        |
| Infrastructure                              | 126,120,577                      | 593,142                      | -                            | 126,713,719                      |
| <b>Subtotal</b>                             | <u>152,904,678</u>               | <u>1,862,186</u>             | <u>(897,741)</u>             | <u>153,869,123</u>               |
| <b>Total Governmental Activities</b>        | <u>192,450,126</u>               | <u>1,862,186</u>             | <u>(897,741)</u>             | <u>193,414,571</u>               |
| Less: Accumulated depreciation for:         |                                  |                              |                              |                                  |
| Buildings and Site                          | 8,597,068                        | 214,843                      | (375)                        | 8,811,536                        |
| Land Improvements                           | 1,356,519                        | 68,719                       | -                            | 1,425,238                        |
| Furniture, Fixtures & Equipment             | 5,333,778                        | 234,629                      | (160,911)                    | 5,407,496                        |
| Vehicles                                    | 3,387,166                        | 237,613                      | (728,159)                    | 2,896,620                        |
| Infrastructure                              | 105,568,551                      | 3,167,843                    | -                            | 108,736,394                      |
| <b>Subtotal</b>                             | <u>124,243,082</u>               | <u>3,923,647</u>             | <u>(889,445)</u>             | <u>127,277,284</u>               |
| <b>Net Capital Assets being Depreciated</b> | <u>28,661,596</u>                | <u>(2,061,461)</u>           | <u>(8,296)</u>               | <u>26,591,839</u>                |
| <b>Net Capital Assets</b>                   | <u>\$ 68,207,044</u>             | <u>\$ (2,061,461)</u>        | <u>\$ (8,296)</u>            | <u>\$ 66,137,287</u>             |

Depreciation was allocated to the following functional categories for the year ended June 30, 2015.

|                        |                     |
|------------------------|---------------------|
| General Government     | \$ 113,975          |
| Public Safety          | 298,558             |
| Highways and Streets   | 3,268,259           |
| Recreation and Culture | 242,855             |
|                        | <u>\$ 3,923,647</u> |

# CITY OF ALLEN PARK, MICHIGAN

## Notes to the Financial Statements (Continued) June 30, 2015

### 4) CAPITAL ASSETS (Continued)

| <u>Water &amp; Sewer Fund:</u>              | <u>Balance<br/>June 30, 2014</u> | <u>Additions<br/>2014-15</u> | <u>Disposals<br/>2014-15</u> | <u>Balance<br/>June 30, 2015</u> |
|---|----------------------------------|------------------------------|------------------------------|----------------------------------|
| Business-Type Activities                    |                                  |                              |                              |                                  |
| Capital Assets not being Depreciated:       |                                  |                              |                              |                                  |
| Land  | \$ 60,000                        | \$ -                         | \$ -                         | \$ 60,000                        |
| <b>Subtotal</b>                             | <u>60,000</u>                    | <u>-</u>                     | <u>-</u>                     | <u>60,000</u>                    |
| Capital Assets being Depreciated:           |                                  |                              |                              |                                  |
| Buildings                                   | 2,359,811                        | 8,046                        | -                            | 2,367,857                        |
| Infrastructure                              | 75,999,766                       | 1,971,533                    | -                            | 77,971,299                       |
| Meters                                      | 2,283,197                        | -                            | -                            | 2,283,197                        |
| Machinery and Equipment                     | 1,885,952                        | 80,443                       | -                            | 1,966,395                        |
| <b>Subtotal</b>                             | <u>82,528,726</u>                | <u>2,060,022</u>             | <u>-</u>                     | <u>84,588,748</u>                |
| <b>Total Water &amp; Sewer</b>              | <u>82,588,726</u>                | <u>2,060,022</u>             | <u>-</u>                     | <u>84,648,748</u>                |
| Less: Accumulated Depreciation for:         |                                  |                              |                              |                                  |
| Buildings                                   | 1,527,764                        | 70,545                       | -                            | 1,598,309                        |
| Site Improvements                           | 18,605,912                       | 1,602,786                    | -                            | 20,208,698                       |
| Meters                                      | 1,872,188                        | 106,079                      | -                            | 1,978,267                        |
| Machinery and Equipment                     | 1,647,424                        | 41,342                       | -                            | 1,688,766                        |
| <b>Subtotal</b>                             | <u>23,653,288</u>                | <u>1,820,752</u>             | <u>-</u>                     | <u>25,474,040</u>                |
| <b>Net Capital Assets being Depreciated</b> | <u>58,875,438</u>                | <u>239,270</u>               | <u>-</u>                     | <u>59,114,708</u>                |
| <b>Net Capital Assets</b>                   | <u>\$ 58,935,438</u>             | <u>\$ 239,270</u>            | <u>\$ -</u>                  | <u>\$ 59,174,708</u>             |

# CITY OF ALLEN PARK, MICHIGAN

Notes to the Financial Statements (Continued)  
June 30, 2015

## 4) CAPITAL ASSETS (Continued)

| <u>Southfield Properties:</u>               | <u>Balance<br/>June 30, 2014</u> | <u>Additions<br/>2014-2015</u> | <u>Disposals<br/>2014-15</u> | <u>Balance<br/>June 30, 2015</u> |
|---|----------------------------------|--------------------------------|------------------------------|----------------------------------|
| Business-Type Activities                    |                                  |                                |                              |                                  |
| Capital Assets not being Depreciated:       |                                  |                                |                              |                                  |
| Land  | \$ 6,859,800                     | \$ -                           | \$ (6,859,800)               | \$ -                             |
| Less: Impairment                            | (1,621,800)                      | -                              | 1,621,800                    | -                                |
| <b>Subtotal</b>                             | <u>5,238,000</u>                 | <u>-</u>                       | <u>(5,238,000)</u>           | <u>-</u>                         |
| Capital Assets being Depreciated:           |                                  |                                |                              |                                  |
| Buildings                                   | 18,864,114                       | -                              | (18,864,114)                 | -                                |
| Less: Impairment                            | (4,702,114)                      | -                              | 4,702,114                    | -                                |
| Building Improvements                       | 388,100                          | -                              | (388,100)                    | -                                |
| Site Improvements                           | 166,246                          | -                              | (166,246)                    | -                                |
| Furniture and Equipment                     | 105,435                          | -                              | (105,435)                    | -                                |
| Tenant Improvements                         | 71,181                           | -                              | (71,181)                     | -                                |
| <b>Subtotal</b>                             | <u>14,892,962</u>                | <u>-</u>                       | <u>(14,892,962)</u>          | <u>-</u>                         |
| <b>Total Southfield Properties</b>          | <u>20,130,962</u>                | <u>-</u>                       | <u>(20,130,962)</u>          | <u>-</u>                         |
| Less: Accumulated Depreciation for:         |                                  |                                |                              |                                  |
| Buildings                                   | 3,450,446                        | -                              | (3,450,446)                  | -                                |
| Building Improvements                       | 91,493                           | -                              | (91,493)                     | -                                |
| Site Improvements                           | 33,802                           | -                              | (33,802)                     | -                                |
| Furniture and Equipment                     | 42,176                           | -                              | (42,176)                     | -                                |
| Tenant Improvements                         | 27,288                           | -                              | (27,288)                     | -                                |
| <b>Subtotal</b>                             | <u>3,645,205</u>                 | <u>-</u>                       | <u>(3,645,205)</u>           | <u>-</u>                         |
| <b>Net Capital Assets being Depreciated</b> | <u>11,247,757</u>                | <u>-</u>                       | <u>(11,247,757)</u>          | <u>-</u>                         |
| <b>Net Capital Assets</b>                   | <u>\$ 16,485,757</u>             | <u>\$ -</u>                    | <u>\$ (16,485,757)</u>       | <u>\$ -</u>                      |

# CITY OF ALLEN PARK, MICHIGAN

Notes to the Financial Statements (Continued)  
June 30, 2015

## 4) CAPITAL ASSETS (Continued)

Capital Asset activity for Component Units was as follows:

| <b>Downtown Development Authority:</b>      | <b>Balance<br/>June 30, 2014</b> | <b>Additions<br/>2014-15</b> | <b>Disposals<br/>2014-15</b> | <b>Balance<br/>June 30, 2015</b> |
|---|----------------------------------|------------------------------|------------------------------|----------------------------------|
| Business-Type Activities                    |                                  |                              |                              |                                  |
| Capital Assets not being Depreciated:       |                                  |                              |                              |                                  |
| Land  | \$ 84,293                        | \$ -                         | \$ -                         | \$ 84,293                        |
| <b>Subtotal</b>                             | <b>84,293</b>                    | <b>-</b>                     | <b>-</b>                     | <b>84,293</b>                    |
| Capital Assets being Depreciated:           |                                  |                              |                              |                                  |
| Buildings                                   | 386,721                          | -                            | -                            | 386,721                          |
| Site Improvements                           | 11,485,675                       | 246,428                      | -                            | 11,732,103                       |
| Furniture and Equipment                     | 17,816                           | -                            | -                            | 17,816                           |
| Construction in Progress                    | -                                | 605,792                      | -                            | 605,792                          |
| <b>Subtotal</b>                             | <b>11,890,212</b>                | <b>852,220</b>               | <b>-</b>                     | <b>12,742,432</b>                |
| <b>Total Downtown Development Auth.</b>     | <b>11,974,505</b>                | <b>852,220</b>               | <b>-</b>                     | <b>12,826,725</b>                |
| Less: Accumulated Depreciation for:         |                                  |                              |                              |                                  |
| Buildings                                   | 128,444                          | 9,668                        | -                            | 138,112                          |
| Site Improvements                           | 5,851,087                        | 467,354                      | -                            | 6,318,441                        |
| Furniture and Equipment                     | 17,816                           | -                            | -                            | 17,816                           |
| <b>Subtotal</b>                             | <b>5,997,347</b>                 | <b>477,022</b>               | <b>-</b>                     | <b>6,474,369</b>                 |
| <b>Net Capital Assets being Depreciated</b> | <b>5,892,865</b>                 | <b>375,198</b>               | <b>-</b>                     | <b>6,268,063</b>                 |
| <b>Net Capital Assets</b>                   | <b>\$ 5,977,158</b>              | <b>\$ 375,198</b>            | <b>\$ -</b>                  | <b>\$ 6,352,356</b>              |

# CITY OF ALLEN PARK, MICHIGAN

Notes to the Financial Statements (Continued)  
June 30, 2015

## 4) CAPITAL ASSETS (Continued)

| <u>Allen Park Building Authority:</u>       | <u>Balance<br/>June 30, 2014</u> | <u>Additions<br/>2014-2015</u> | <u>Disposals<br/>2014-2014</u> | <u>Balance<br/>June 30, 2015</u> |
|---|----------------------------------|--------------------------------|--------------------------------|----------------------------------|
| Business-Type Activities                    |                                  |                                |                                |                                  |
| Capital Assets not being Depreciated:       |                                  |                                |                                |                                  |
| Land  | \$ 100,000                       | \$ -                           | \$ -                           | \$ 100,000                       |
| <b>Subtotal</b>                             | <u>100,000</u>                   | <u>-</u>                       | <u>-</u>                       | <u>100,000</u>                   |
| Capital Assets being Depreciated:           |                                  |                                |                                |                                  |
| Buildings                                   | 2,029,861                        | -                              | -                              | 2,029,861                        |
| Furniture and Equipment                     | 170,029                          | -                              | -                              | 170,029                          |
| <b>Subtotal</b>                             | <u>2,199,890</u>                 | <u>-</u>                       | <u>-</u>                       | <u>2,199,890</u>                 |
| Total Building Authority                    | <u>2,299,890</u>                 | <u>-</u>                       | <u>-</u>                       | <u>2,299,890</u>                 |
| Less: Accumulated depreciation for:         |                                  |                                |                                |                                  |
| Buildings                                   | 1,095,677                        | 50,747                         | -                              | 1,146,424                        |
| Furniture and Equipment                     | 170,029                          | -                              | -                              | 170,029                          |
| <b>Subtotal</b>                             | <u>1,265,706</u>                 | <u>50,747</u>                  | <u>-</u>                       | <u>1,316,453</u>                 |
| <b>Net Capital Assets being Depreciated</b> | <u>934,184</u>                   | <u>(50,747)</u>                | <u>-</u>                       | <u>883,437</u>                   |
| <b>Net Capital Assets</b>                   | <u>\$ 1,034,184</u>              | <u>\$ (50,747)</u>             | <u>\$ -</u>                    | <u>\$ 983,437</u>                |

# CITY OF ALLEN PARK, MICHIGAN

## Notes to the Financial Statements (Continued) June 30, 2015

### 4) CAPITAL ASSETS (Continued)

| Allen Park Housing Commission:                        | Balance<br>June 30, 2014 | Additions<br>2014-2015 | Disposals<br>2014-2015 | Balance<br>June 30, 2015 |
|---|--------------------------|------------------------|------------------------|--------------------------|
| Capital Assets not being Depreciated:                 |                          |                        |                        |                          |
| Land  | \$ 68,050                | \$ -                   | \$ -                   | \$ 68,050                |
| Construction in progress                              | -                        | 293,845                | -                      | 293,845                  |
| Subtotal  | 68,050                   | 293,845                | -                      | 361,895                  |
| Capital Assets being Depreciated:                     |                          |                        |                        |                          |
| Buildings and improvements                            | 1,877,633                | 88,567                 | (168,860)              | 1,797,340                |
| Furniture, Equipment and<br>machinery-dwelling        | 115,509                  | -                      | -                      | 115,509                  |
| Furniture, Equipment and<br>machinery-administration  | 29,107                   | -                      | -                      | 29,107                   |
| <b>Subtotal</b>                                       | 2,022,249                | 88,567                 | (168,860)              | 1,941,956                |
| Total Housing Commission                              | 2,090,299                | 382,412                | (168,860)              | 2,303,851                |
| Less: Accumulated Depreciation for:                   |                          |                        |                        |                          |
| Buildings and Improvements                            | 1,230,175                | 55,269                 | (67,843)               | 1,217,601                |
| Furniture, Equipment and<br>machinery-dwelling        | 100,434                  | 3,774                  | -                      | 104,208                  |
| Furniture, Equipment and<br>machinery- administration | 24,734                   | 2,080                  | -                      | 26,814                   |
| <b>Subtotal</b>                                       | 1,355,343                | 61,123                 | (67,843)               | 1,348,623                |
| <b>Net Capital Assets being Depreciated</b>           | 666,906                  | 27,444                 | (101,017)              | 593,333                  |
| <b>Net Capital Assets</b>                             | \$ 734,956               | \$ 321,289             | \$ (101,017)           | \$ 955,228               |

# CITY OF ALLEN PARK, MICHIGAN

Notes to the Financial Statements (Continued)  
June 30, 2015

## 5) INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of inter-fund balances is as follows:

| <u>Fund Due To</u>  | <u>Fund Due From</u>               | <u>Amount</u>    |
|---|------------------------------------|------------------|
| <b>Due to/from Primary Government and Component Units</b> |                                    |                  |
| General Fund  | Brownfield Redevelopment Authority | \$ 12,496        |
|   |                                    | <u>\$ 12,496</u> |

The composition of interfund transfers is as follows:

| <u>Fund Transferred In</u> | <u>Fund Transferred Out</u> | <u>Amount</u>       |
|----------------------------|-----------------------------|---------------------|
| Local Highway Fund         | Major Highway Fund          | \$ 500,000          |
| Southfield Lease Property  | General Fund                | 1,200,000           |
|                            |                             | <u>\$ 1,700,000</u> |

The transfer from Major Highway Fund to Local Highway Fund was to finance local street projects and was in compliance with the requirements of Public Act 51. The transfer from the General Fund to the Southfield Lease Property Fund was to help subsidize required debt service payments.

## 6) LAND CONTRACT RECEIVABLE

On August 22, 2014, the City sold the property at 16630 Southfield Road, reported in the Southfield Lease Property Fund. The Building was sold for \$12 million, with \$8.4 million to be paid to the City through a land contract. The land contract carries an interest rate of 3% and calls for 89 monthly payments of \$46,586 with a final balloon payment of \$5,853,160 due in February 2022. The balance on the land contract at June 30, 2015 was \$7,205,541.

## 7) LONG-TERM DEBT

General Obligation Bonds - The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general governmental and proprietary activities. In addition, general obligation bonds have been issued to refund both general obligations and revenue bonds. General obligations bonds are direct obligations and pledge the full faith and credit of the City.

# CITY OF ALLEN PARK, MICHIGAN

## Notes to the Financial Statements (Continued) June 30, 2015

### 7) LONG-TERM DEBT (Continued)

These bonds generally are issued as 25-year serial bonds, except for refunding issues, with equal amounts of principal maturing each year. Judgment bonds are bonds issued to finance an amount to be paid or collected by the City as the result of a court decision.

Long-term liability activity for the fiscal year ended June 30, 2015 was as follows:

|   | Balance<br>July 1, 2014 | Additions            | Reductions          | Balance<br>June 30, 2015 | Due Within<br>One Year |
|---|-------------------------|----------------------|---------------------|--------------------------|------------------------|
| <b>Governmental Activities</b>            |                         |                      |                     |                          |                        |
| Bonds Payable                             |                         |                      |                     |                          |                        |
| Loan Payable - State of Michigan          | \$ -                    | \$ 2,600,000         | \$ -                | \$ 2,600,000             | \$ 250,000             |
| General Obligation Bonds                  | 5,550,000               | -                    | 150,000             | 5,400,000                | 175,000                |
| Bond Discount                             | 44,252                  | -                    | 2,329               | 41,923                   | 2,329                  |
| Other Post Employment Benefit Obligation  | 28,923,303              | 3,656,578            | -                   | 32,579,881               | -                      |
| Accumulated Compensated Absences          | 1,472,502               | 47,789               | -                   | 1,520,291                | 152,029                |
| Pension Payable                           | -                       | 11,492,822           | -                   | 11,492,822               | -                      |
| <b>Total Governmental Activities</b>      | <b>\$ 35,990,057</b>    | <b>\$ 17,797,189</b> | <b>\$ 152,329</b>   | <b>\$ 53,634,917</b>     | <b>\$ 579,358</b>      |
| <b>Business-type Activities</b>           |                         |                      |                     |                          |                        |
| General Obligation Bonds                  | \$ 33,335,000           | \$ -                 | \$ 875,000          | \$ 32,460,000            | \$ 905,000             |
| Judgement Bonds                           | 14,779,061              | 703,014              | 1,962,915           | 13,519,160               | 1,951,364              |
| SRF Bonds                                 | 10,790,988              | -                    | 525,000             | 10,265,988               | 535,000                |
| Bond Discount                             | 78,655                  | -                    | 6,148               | 72,507                   | 58,309                 |
| <b>Total Installment Debt Obligations</b> | <b>58,983,704</b>       | <b>703,014</b>       | <b>3,369,063</b>    | <b>56,317,655</b>        | <b>3,449,673</b>       |
| Other Post Employment Benefit Obligation  | 2,710,120               | 497,538              | -                   | 3,207,658                | -                      |
| Accumulated Compensated Absences          | 57,205                  | -                    | 8,572               | 48,633                   | 4,863                  |
| Pension Payable                           | -                       | 2,444,648            | -                   | 2,444,648                | -                      |
| <b>Total Business-type Activities</b>     | <b>\$ 61,751,029</b>    | <b>\$ 3,645,200</b>  | <b>\$ 3,377,635</b> | <b>\$ 62,018,594</b>     | <b>\$ 3,454,536</b>    |

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

| Year      | Governmental Activities |                     |                      | Business-Type Activities |                      |                      |
|-----------|-------------------------|---------------------|----------------------|--------------------------|----------------------|----------------------|
|           | Principal               | Interest            | Total                | Principal                | Interest             | Total                |
| 2016      | 425,000                 | 308,414             | 733,414              | 3,391,364                | 2,716,844            | 6,108,208            |
| 2017      | 415,000                 | 295,713             | 710,713              | 3,434,231                | 2,605,299            | 6,039,530            |
| 2018      | 445,000                 | 282,427             | 727,427              | 3,521,755                | 2,489,715            | 6,011,470            |
| 2019      | 450,000                 | 268,334             | 718,334              | 3,078,991                | 2,376,211            | 5,455,202            |
| 2020      | 455,000                 | 253,976             | 708,976              | 2,749,030                | 2,271,523            | 5,020,553            |
| 2021-2025 | 2,480,000               | 856,900             | 3,336,900            | 12,114,259               | 9,792,800            | 21,907,059           |
| 2026-2030 | 1,810,000               | 690,741             | 2,500,741            | 11,439,917               | 7,131,887            | 18,571,804           |
| 2031-2035 | 1,520,000               | 260,625             | 1,780,625            | 9,010,601                | 4,323,918            | 13,334,519           |
| 2036-2039 | -                       | -                   | -                    | 7,505,000                | 1,379,256            | 8,884,256            |
|           | <b>\$ 8,000,000</b>     | <b>\$ 3,217,130</b> | <b>\$ 11,217,130</b> | <b>\$ 56,245,148</b>     | <b>\$ 35,087,453</b> | <b>\$ 91,332,601</b> |

| Component Units                           | Interest<br>Rate<br>Ranges | Principal<br>Maturity<br>Ranges | Balance<br>July 1, 2014 | Additions   | Reductions        | Balance<br>June 30, 2015 | Due Within<br>One Year |
|---|----------------------------|---------------------------------|-------------------------|-------------|-------------------|--------------------------|------------------------|
|   |                            |                                 |                         |             |                   |                          |                        |
| <b>Downtown Development Authority</b>     |                            |                                 |                         |             |                   |                          |                        |
| Bonds Payable                             | 3.8%                       | \$250,000-                      |                         |             |                   |                          |                        |
| General Obligation Bonds                  | 4.4%                       | \$385,000                       | \$ 3,415,000            | \$ -        | \$ 240,000        | \$ 3,175,000             | \$ 250,000             |
| <b>Brownfield Redevelopment Authority</b> |                            |                                 |                         |             |                   |                          |                        |
| Bonds Payable                             | 4.25%                      | \$500,000-                      |                         |             |                   |                          |                        |
| Revenue Bonds                             | 5.0%                       | \$975,000                       | 12,225,000              | -           | 500,000           | 11,725,000               | 500,000                |
|   |                            |                                 | <b>\$ 15,640,000</b>    | <b>\$ -</b> | <b>\$ 740,000</b> | <b>\$ 14,900,000</b>     | <b>\$ 750,000</b>      |

# CITY OF ALLEN PARK, MICHIGAN

Notes to the Financial Statements (Continued)  
June 30, 2015

## 7) LONG-TERM DEBT – (Continued)

Annual debt service requirements to maturity for general obligation bonds of the Downtown Development Authority are as follows:

| <u>Fiscal Year<br/>Ending June 30,</u> | <u>Principal</u>    | <u>Interest</u>   |
|--|---------------------|-------------------|
| 2016                                   | \$ 250,000          | \$ 131,642        |
| 2017                                   | 265,000             | 122,268           |
| 2018                                   | 280,000             | 111,933           |
| 2019                                   | 295,000             | 100,732           |
| 2020                                   | 310,000             | 88,785            |
| 2021-2025                              | <u>1,775,000</u>    | <u>237,115</u>    |
|  | <u>\$ 3,175,000</u> | <u>\$ 792,475</u> |

Annual debt service requirements to maturity for general obligation bonds of the Brownfield Redevelopment Authority are as follows:

| <u>Fiscal Year<br/>Ending June 30,</u> | <u>Principal</u>     | <u>Interest</u>     |
|--|----------------------|---------------------|
| 2016                                   | \$ 500,000           | \$ 568,781          |
| 2017                                   | 500,000              | 547,531             |
| 2018                                   | 525,000              | 526,281             |
| 2019                                   | 525,000              | 503,968             |
| 2020                                   | 550,000              | 481,000             |
| 2021-2025                              | 3,200,000            | 1,977,500           |
| 2026-2030                              | 4,025,000            | 1,097,500           |
| 2031-2032                              | <u>1,900,000</u>     | <u>143,750</u>      |
|  | <u>\$ 11,725,000</u> | <u>\$ 5,846,311</u> |

# CITY OF ALLEN PARK, MICHIGAN

Notes to the Financial Statements (Continued)  
June 30, 2015

## 8) JOINTLY GOVERNED ORGANIZATION

The City of Allen Park in conjunction with the City of Melvindale governs the 24th District Court. The two cities are referred to as District Control Units. The Court receives its operating revenue mainly from fines and fees. Based on a joint agreement the City of Allen Park receives 2/3 of the revenue received by the Court through fines and fees and the City of Melvindale receives 1/3. The Allen Park City Council and the Melvindale City Council approve the Court's annual budget each year and contribute to the Court monthly a share of the annual budget based on the same ratio that revenues are distributed by the Court to the DCD's. A copy of the 24th District Court's separate financial statements can be obtained at 16850 Southfield Road, Allen Park, Michigan. Financial segment information as of and for the year ended June 30, 2015 is presented below.

|                                  |              |
|----------------------------------|--------------|
| Total Assets                     | \$ 1,161,289 |
| Deferred Outflow of Resources    | 1,371,517    |
| Total Liabilities                | 9,372,090    |
| Deferred Inflow of Resources     | 756,359      |
| Total Net Position (Deficit)     | (7,595,643)  |
| Total Revenue                    | 2,613,942    |
| Total Expenses                   | 3,300,250    |
| Change in Net Position           | (686,308)    |
| Total Outstanding Long-Term Debt | 99,412       |

## 9) POST EMPLOYEE HEALTH CARE BENEFITS

**Plan Description** - The City provides retiree health care benefits to eligible employees upon retirement in accordance with labor contracts. Currently, 289 retired employees receive this benefit. At the fund level, the expense is recognized by the City as the payments to the employees are made. During the year, this amounted to \$2,908,543.

**Funding Policy** - The City has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a "pay-as-you go" basis). The City has made no contributions in advance.

# CITY OF ALLEN PARK, MICHIGAN

Notes to the Financial Statements (Continued)  
June 30, 2015

## 9) POST EMPLOYEE HEALTH CARE BENEFITS (Continued)

For the year ended June 30, 2015, the City has estimated the cost of providing retiree healthcare benefits through an actuarial study that complies with the requirements of GASB No. 45. The study computes an annual required contribution that, if paid on an outgoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The computed contribution and actual funding are summarized as follows:

|   |                             |
|---|-----------------------------|
| <b>Annual Required Contribution (Recommended)</b> | \$ 5,955,493                |
| <b>Interest on Net OPEB Obligation</b>            | 1,107,166                   |
| <b>Total</b>                                      | <u>7,062,659</u>            |
| Amounts Contributed:                              |                             |
| Payments of Current Premiums                      | <u>(2,908,543)</u>          |
| Increase in OPEB Obligation                       | 4,154,116                   |
| <b>OPEB Obligation - Beginning of Year</b>        | <u>31,633,323</u>           |
| <b>OPEB Obligation - End of Year</b>              | <u><u>\$ 35,787,439</u></u> |

The OPEB Obligation is recorded as follows:

|                                      |                             |
|--------------------------------------|-----------------------------|
| Governmental Activities              | 32,579,781                  |
| Business-Type Activities             | <u>3,207,658</u>            |
| <b>OPEB Obligation - End of Year</b> | <u><u>\$ 35,787,439</u></u> |

The annual OPEB costs, the percentage contributed to the Plan, and the net OPEB obligation for the current and three preceding years were as follows:

| <u>Fiscal Year Ended</u> | <u>Actuarial Valuation Date</u> | <u>Annual OPEB Costs</u> | <u>Percentage Contributed</u> | <u>Net OPEB Obligation</u> |
|--------------------------|---------------------------------|--------------------------|-------------------------------|----------------------------|
| 6/30/2012                | 12/31/2011                      | \$ 8,920,461             | 35.3%                         | \$ 20,792,374              |
| 6/30/2013                | 12/31/2011                      | 9,483,198                | 33.3%                         | 27,121,009                 |
| 6/30/2014                | 12/31/2013                      | 6,904,728                | 34.6%                         | 31,633,323                 |
| 6/30/2015                | 12/31/2013                      | 7,062,659                | 41.2%                         | 35,787,439                 |

The funding progress of the plan as of the most recent valuation date is as follows:

### Schedule of Funding Progress

| <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets (a)</u> | <u>Actuarial Accrued Liability (AAL) (b)</u> | <u>Unfunded AAL (UAAL) (b-a)</u> | <u>Funded Ratio (Percent) (a/b)</u> | <u>Annual Covered Payroll (c)</u> | <u>Ratio of UAAL to Covered Payroll</u> |
|---------------------------------|--------------------------------------|--|----------------------------------|-------------------------------------|-----------------------------------|---|
| 12/31/08                        | \$ -                                 | \$ 120,225,807                               | \$ 120,225,807                   | 0%                                  | \$ 9,131,710                      | 1317%                                   |
| 12/31/11                        | \$ -                                 | \$ 139,884,352                               | \$ 139,884,352                   | 0%                                  | \$ 7,088,572                      | 1973%                                   |
| 12/31/13                        | \$ -                                 | \$ 93,108,019                                | \$ 93,108,019                    | 0%                                  | \$ 6,077,675                      | 1532%                                   |

# CITY OF ALLEN PARK, MICHIGAN

Notes to the Financial Statements (Continued)  
June 30, 2015

## 10) DEFINED BENEFIT PENSION PLAN

### Plan Description, Contribution Information and Funding Policies

The City participates in a multiple-employer public employee retirement system. Assets are held separately and may be used only for the payment of benefits to the members of the plan.

The following is a summary of funding policies, contribution methods and benefit provisions:

|   | <u>Retirement System</u>  |
|---|---|
| Year Established and Governing Authority  | 1949; City Council Ordinance  |
| Determination of Contribution             | On the Basis of the Revised December 31, 2014 Actuarial requirement Valuation, the Employer Rates were Determined to be as follows: |
| Contributions for                         | Percent of Active Member Payroll  |
| Normal Cost (Weighted Average)            | 12.54%  |
| Accrued Liabilities (Full Funding Credit) | <u>35.31%</u>   |
| <b>Total Employer Rate</b>                | 47.85%  |
| <b>Employer:</b>                          |   |
| <u>City of Allen Park</u>                 |   |
| General                                   | 19.58%  |
| Police-Fire                               | 19.97%  |
| Water                                     | 19.58%  |
| <u>24<sup>th</sup> District Court</u>     |   |
| Court                                     | 19.58% of Covered Payroll   |
| Plan Members Contributions:               | 7.00% of Covered Payroll For General and Firefighters   |
|   | 8.00% for Police Officers   |
| Funding of Administrative Costs           | Investment Earnings   |

# CITY OF ALLEN PARK, MICHIGAN

Notes to the Financial Statements (Continued)  
June 30, 2015

## 10) DEFINED BENEFIT PENSION PLAN – (Continued)

### Plan Description, Contribution Information and Funding Policies – (Continued)

|  |  |
|--|--|
| Period Required to Vest                                | 10 Years   |
| Eligibility for Distribution<br>General, Water & Court | Age 53 with 10 or more years of service (8 years for administrative/appointees). Closed to new AFSCME hires, effective October 2005 and Administrative appointed new hires effective January 2008. |
| Police/Fire  | Age 52 with 10 or more years of services if hired before December 31, 2012, Age 55 with 25 or more years of service if hired on or after January 1, 2013.  |
| <u>Provisions for:</u>                                 |  |
| Disability Benefits                                    | Yes  |
| Death Benefits   | Yes  |

Memberships of the plan are as follows:

|  |                   |
|--|-------------------|
| Non-vested Active Members                                  | 27                |
| Fully vested Active Members                                | 58                |
| Retirees and Beneficiaries Currently<br>Receiving Benefits | <u>224</u>        |
| <b>Total</b>   | <u><u>309</u></u> |

**Benefits Provided** – Benefits vary based upon employment category and are based on a percentage of the employee's final average compensation multiplied by years of service.

# CITY OF ALLEN PARK, MICHIGAN

Notes to Financial Statements (Continued)  
June 30, 2015

## 10) DEFINED BENEFIT PENSION PLAN – (Continued)

### Net Pension Liability

The net pension liability reported at June 30, 2015 was determined using a measure of the total pension liability and the pension net position as of December 31, 2014. The December 31, 2014 total pension liability was determined by an actuarial valuation performed as of that date.

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

|   |                  |                                    |
|---|------------------|------------------------------------|
| <b>Net Pension Liability at January 1, 2014</b>   |                  | <b>\$ 12,971,097</b>               |
| <b>Total Pension Liability (TPL):</b>             |                  |                                    |
| TPL Balance at January 1, 2014                    |                  | 77,392,505                         |
| Service Costs                                     | 946,983          |                                    |
| Interest on TPL @ 8%                              | 5,258,488        |                                    |
| Changes in Benefit Terms                          | (216,820)        |                                    |
| Experience Differences                            | (2,248,064)      |                                    |
| Changes in Actuarial Assumptions                  | 5,413,233        |                                    |
| Benefit Payments                                  | (5,404,661)      |                                    |
| Refunds   | (79,527)         |                                    |
| Change in TPL                                     | <u>3,669,632</u> |                                    |
| TPL Balance at December 31, 2014                  |                  | <u>81,062,137</u>                  |
| <b>Plan Net Position (PNP):</b>                   |                  |                                    |
| PNP Balance at January 1, 2014                    |                  | 64,421,408                         |
| Investment Earnings                               | 3,956,614        |                                    |
| Contributions - Employer                          | 3,932,142        |                                    |
| Contributions - Employee                          | 333,291          |                                    |
| Benefit Payments                                  | (5,404,661)      |                                    |
| Administrative Costs                              | (38,760)         |                                    |
| Other   | 4,150            |                                    |
| Refunds   | (79,517)         |                                    |
| Change in PNP                                     | <u>2,703,259</u> |                                    |
| PNP Balance at December 31, 2014                  |                  | <u>67,124,667</u>                  |
| <b>Net Pension Liability at December 31, 2014</b> |                  | <b><u><u>\$ 13,937,470</u></u></b> |

# CITY OF ALLEN PARK, MICHIGAN

Notes to Financial Statements (Continued)  
June 30, 2015

## 10) DEFINED BENEFIT PENSION PLAN (Continued)

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

For the year ended June 30, 2015, the City recognized pension expense of \$2,092,668. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| Source  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| Net difference between projected and actual earnings on pension plan investments. | \$ 4,740,950                         | \$ 1,972,281                        |
| Employer contributions to the plan subsequent to the measurement date.            | 761,231                              | -                                   |
| <b>Total</b>  | <b>\$ 5,502,181</b>                  | <b>\$ 1,972,281</b>                 |

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

| Years Ending<br>June 30 | Amount       |
|-------------------------|--------------|
| 2016                    | \$ 1,453,398 |
| 2017                    | 692,167      |
| 2018                    | 692,167      |
| 2019                    | 692,168      |

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

|                           |  |
|---------------------------|--|
| Inflation                 | 2.5 %  |
| Salary Increases          | 3 %  |
| Investment Rate of Return | 7.0 % Gross of pension plan investment expense, including inflation. |

**10) DEFINED BENEFIT PENSION PLAN (Continued)**

Mortality rates were based on the RP-2014 Mortality tables. Separate tables were used for pre-retirees, post retirees and disabled retirees.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of the 2014 actuarial experience study.

**Discount Rate** – The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

**Long-term Expected Return on Plan Assets**

The assumed rate of investment return was adopted by the plan’s trustees after considering input from the plan’s investment consultant(s) and actuary. Additional information about the assumed rate of investment return is included in our actuarial valuation report as of December 31, 2014. The target asset allocation and real return expectation are provided by the plan’s investment consultant.

**Single Discount Rate**

A Single Discount Rate of 7.00% was used to measure the Total Pension Liability. This Single Discount Rate was based on the expected rate of return on pension plan investments of 7.00%. The projection of cash flows used to determine this Single Discount Rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan’s Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. 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.

**Sensitivity of the Net Position Liability to Changes in the Discount Rate** – The following presents the net position liability of the City, calculated using the discount rate of 7.00 percent, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

|                                   | <u>1% Decrease<br/>(6.00%)</u> | <u>Current Discount<br/>Rate (7.00%)</u> | <u>1% Increase<br/>(8.00%)</u> |
|-----------------------------------|--------------------------------|--|--------------------------------|
| Net Pension Liability of the City | \$ 23,192,514                  | \$ 13,937,470                            | \$ 6,153,173                   |

## 11) EMPLOYEE DEFINED CONTRIBUTION PLAN

Effective April 1, 2005, a Defined Contribution Plan was established for all new hires, as defined in Article IV of the employee handbook, which will be funded through MERS. The details of this plan are as follows: 7% Employer Contributions; 5% Employee Contributions; 3 years 20%, 4 years 40%, 5 years 60%, 6 years 80% and 7 years 100% vesting; loans are allowed from the plan effective September 11, 2012 and rollovers are allowed in the plan. An update to the plan states that all appointees are fully vested after two years of service.

## 12) RISK MANAGEMENT

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for medical benefits claims, participates in the Michigan Municipal League risk pool for claims relating to workers' compensation and the Michigan Municipal Risk Management Authority state risk pool for property loss, torts, errors and omissions. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage carried by the City while a participant of the Michigan Municipal Liability and Property Pool.

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

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

## 13) BROWNFIELD REDEVELOPMENT AUTHORITY CONTINGENT LIABILITY

The Brownfield Redevelopment Authority was obligated to reimburse the costs of \$10,715,702, initially paid by Clay Park Development, contingent upon the capture of future tax revenues, amounting to \$10,715,702, for Phase II of the development project, per the September 12, 2003 reimbursement agreement. The Brownfield Redevelopment Authority has reimbursed Clay Park Development \$5,328,333 as of June 30, 2015. These reimbursements reduce the Brownfield Redevelopment Authority's contingent liability to \$5,387,369 (\$5,722,236 including accrued interest) which will be paid contingent upon the capture of future tax revenues.

## 14) ADOPTION OF NEW ACCOUNTING POLICIES

Effective July 1, 2014, the City adopted the provisions of GASB 67. Statement No. 67 was issued to improve financial reporting by state and local governmental pension plans. The Statement establishes standards of financial reporting for separately issued financial reports and specifies the required approach to measuring the pension liability of employers. The Statement also details new note disclosure requirements.

Effective July 1, 2014, the City also adopted the provisions of GASB 68.

# CITY OF ALLEN PARK, MICHIGAN

Notes to the Financial Statements (Continued)  
June 30, 2015

## 14) ADOPTION OF NEW ACCOUNTING POLICIES (Continued)

Statement No. 68 requires governments providing defined benefit pensions to recognize unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide, proprietary and discretely presented component units statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The Statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). This change does not impact the General fund or any other Governmental fund.

As a result of the adoption of GASB 68, the beginning Net Position of the City was restated as below:

|   | <u>Governmental<br/>Activities</u> | <u>Business Type<br/>Activities</u> |
|---|------------------------------------|-------------------------------------|
| Net Position At 6/30/2014                         | \$ 35,180,967                      | \$ 26,844,393                       |
| Change Due to Net Position Liability At 6/30/2014 | <u>(9,931,769)</u>                 | <u>(2,112,595)</u>                  |
| Net Position At 6/30/2014                         | <u>\$ 25,249,198</u>               | <u>\$ 24,731,798</u>                |

## 15) SUBSEQUENT EVENTS

We examined subsequent events through December 18, 2015, the date the report was available to be issued. On November 18, 2015, the City was able to tender \$16,435,000 of the 2009A and 2009B bonds related to the Southfield Lease Property. Bonds were issued through the Michigan Finance Authority as federally taxable obligations with an initial rate fixed to September 1, 2016. On September 1, 2016, the bonds will either be tendered and remarketed, or the interest rate will change to an assumed rate of 5.75%.

## 16) UPCOMING ACCOUNTING PRONOUNCEMENTS

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement will require governments to disclose in their financial statements information related to tax abatement agreements. The City is currently evaluating the impact this standard will have on the financial statements when adopted, during the 2017 fiscal year.

In February 2015, the Governmental Accounting Standards Board issued GASB Statement No. 72, *Fair Value Measurement and Application*. The requirements of this statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. The City is currently evaluating the impact this standard will have on the financial statements when adopted, during the City's 2015-2016 fiscal years.

## 16) UPCOMING ACCOUNTING PRONOUNCEMENTS (Continued)

In June 2015, the GASB issued two new standards addressing accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, addresses reporting by OPEB plans, whereas GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses accounting and reporting by employer governments that provide OPEB benefit to their employees. Along with the currently required statement of fiduciary net position and statement of changes in fiduciary net position, OPEB plans will now be required to include in the financial statement more extensive note disclosures and required supplemental information related to the measurement of the OPEB liabilities for which assets have been accumulated. In addition, the City will, after adoption of GASB Statement No. 75, recognize on the face of the financial standards its net OPEB liability. The City is currently evaluating the impact these standards will have on the financial statements when adopted. GASB Statement No. 74 is effective for fiscal year beginning after June 15, 2016 whereas GASB Statement No. 75 is effective one year later.

**REQUIRED SUPPLEMENTAL INFORMATION**

# CITY OF ALLEN PARK, MICHIGAN

## Required Supplemental Information Budgetary Comparison Schedule General Fund Year Ended June 30, 2015

|  | Original<br>Budget  | Amended<br>Budget   | Actual              | Variance<br>Favorable<br>(Unfavorable) |
|--|---------------------|---------------------|---------------------|--|
| <b>Revenues:</b>                                   |                     |                     |                     |  |
| <b>Tax Collections:</b>                            |                     |                     |                     |  |
| Current  | \$ 6,835,089        | \$ 7,297,056        | \$ 7,785,007        | \$ 487,951                             |
| Delinquent Tax Chargebacks                         | -                   | -                   | (40,353)            | (40,353)                               |
| Police & Fire Millage                              | 4,561,788           | 4,561,788           | 4,536,384           | (25,404)                               |
| <b>Total Tax</b>                                   | <u>11,396,877</u>   | <u>11,858,844</u>   | <u>12,281,038</u>   | <u>422,194</u>                         |
| <b>State of Michigan:</b>                          |                     |                     |                     |  |
| Liquor License Fee                                 | 20,500              | 20,500              | 18,977              | (1,523)                                |
| Sales Tax  | 2,561,664           | 2,561,664           | 2,537,683           | (23,981)                               |
| <b>Total State</b>                                 | <u>2,582,164</u>    | <u>2,582,164</u>    | <u>2,556,660</u>    | <u>(25,504)</u>                        |
| <b>Other Revenue:</b>                              |                     |                     |                     |  |
| Federal Grant                                      | 120,000             | 120,000             | 264,735             | 144,735                                |
| Federal Grant - Fire                               | 920,000             | 920,000             | 500,945             | (419,055)                              |
| State Grant  | 60,000              | 60,000              | 50,181              | (9,819)                                |
| District Court                                     | 1,650,000           | 1,650,000           | 1,923,110           | 273,110                                |
| License & Fees                                     | 1,906,227           | 1,906,227           | 2,326,476           | 420,249                                |
| Charges for Services                               | 1,770,943           | 1,770,943           | 1,421,435           | (349,508)                              |
| Interest   | 15,000              | 15,000              | 41,394              | 26,394                                 |
| Transfer   | 223,303             | 223,303             | 203,741             | (19,562)                               |
| Local Sources                                      | 47,000              | 247,000             | 145,265             | (101,735)                              |
| Miscellaneous                                      | 100,000             | 530,450             | 325,107             | (205,343)                              |
| <b>Total Other Revenue</b>                         | <u>6,812,473</u>    | <u>7,442,923</u>    | <u>7,202,389</u>    | <u>(240,534)</u>                       |
| <b>Total Revenues</b>                              | <u>20,791,514</u>   | <u>21,883,931</u>   | <u>22,040,087</u>   | <u>156,156</u>                         |
| <b>Expenditures:</b>                               |                     |                     |                     |  |
| Mayor & Council                                    | 23,346              | 70,263              | 69,785              | 478                                    |
| District Court                                     | 1,605,749           | 1,605,749           | 1,605,749           | -                                      |
| Community Development                              | 682,743             | 682,743             | 628,924             | 53,819                                 |
| Assessor   | 156,226             | 286,495             | 301,737             | (15,242)                               |
| Finance  | 183,659             | 335,053             | 301,625             | 33,428                                 |
| City Clerk   | 248,952             | 303,961             | 307,332             | (3,371)                                |
| Administrator                                      | 2,290,285           | 2,805,252           | 1,908,576           | 896,676                                |
| Treasurer  | 106,205             | 121,205             | 132,342             | (11,137)                               |
| City Hall  | 600,177             | 653,202             | 783,033             | (129,831)                              |
| Police   | 2,035,351           | 3,370,230           | 2,958,243           | 411,988                                |
| Fire   | 1,662,421           | 2,434,264           | 1,992,959           | 441,304                                |
| Police Funded through Special Millage              | 2,737,073           | 2,737,073           | 2,721,830           | 15,242                                 |
| Fire Funded through Special Millage                | 1,824,715           | 1,824,715           | 1,814,554           | 10,162                                 |
| Public Service                                     | 1,151,150           | 1,518,471           | 1,693,802           | (175,331)                              |
| Recreation   | 296,204             | 647,997             | 531,551             | 116,446                                |
| Retiree Health Care                                | 2,730,000           | 2,737,666           | 2,738,728           | (1,062)                                |
| <b>Total Expenditures</b>                          | <u>18,334,256</u>   | <u>22,134,339</u>   | <u>20,490,770</u>   | <u>1,643,569</u>                       |
| <b>Excess of Revenue Over (Under) Expenditures</b> | <u>2,457,258</u>    | <u>(250,408)</u>    | <u>1,549,317</u>    | <u>1,799,725</u>                       |
| <b>Other Financing Sources (Uses):</b>             |                     |                     |                     |  |
| Loan Proceeds                                      | -                   | 2,600,000           | 2,600,000           | -                                      |
| Interfund Transfers Out                            | (1,200,000)         | (1,200,000)         | (1,200,000)         | -                                      |
| <b>Total Other Financing Sources (Uses)</b>        | <u>(1,200,000)</u>  | <u>1,400,000</u>    | <u>1,400,000</u>    | <u>-</u>                               |
| Net Change in Fund Balances (Deficit)              | 1,257,258           | 1,149,592           | 2,949,317           | 1,799,725                              |
| <b>Fund Balance - July 1, 2014</b>                 | <u>3,268,705</u>    | <u>3,268,705</u>    | <u>3,268,705</u>    | <u>-</u>                               |
| <b>Fund Balance - June 30, 2015</b>                | <u>\$ 4,525,963</u> | <u>\$ 4,418,297</u> | <u>\$ 6,218,022</u> | <u>\$ 1,799,725</u>                    |

# CITY OF ALLEN PARK, MICHIGAN

## Required Supplemental Information Post Employee Health Care Benefits Schedule of Funding Progress Year Ended June 30, 2015

The Schedule of Funding Progress is as follows:

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (Percent) (a/b) | Annual Covered Payroll (c) | Ratio of UAAL to Covered Payroll |
|--------------------------|-------------------------------|---------------------------------------|---------------------------|------------------------------|----------------------------|----------------------------------|
| 12/31/08                 | \$ -                          | \$ 120,225,807                        | \$ 120,225,807            | 0%                           | \$ 9,131,710               | 1317%                            |
| 12/31/11                 | \$ -                          | \$ 139,884,352                        | \$ 139,884,352            | 0%                           | \$ 7,088,572               | 1973%                            |
| 12/31/13                 | \$ -                          | \$ 93,108,019                         | \$ 93,108,019             | 0%                           | \$ 6,077,675               | 1532%                            |

The Schedule of Employer Contributions:

| Fiscal Year Ended | Actuarial Valuation Date | Annual OPEB Costs | Percentage Contributed | Net OPEB Obligation |
|-------------------|--------------------------|-------------------|------------------------|---------------------|
| 6/30/2012         | 12/31/2011               | \$ 8,920,461      | 35.3%                  | \$ 20,792,374       |
| 6/30/2013         | 12/31/2011               | 9,483,198         | 33.3%                  | 27,121,009          |
| 6/30/2014         | 12/31/2013               | 6,904,728         | 34.6%                  | 31,633,323          |
| 6/30/2015         | 12/31/2013               | 7,062,659         | 41.2%                  | 35,787,439          |

**Actuarial Methods and Assumptions** - 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 future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

In the December 31, 2013 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 3.5 percent investment rate of return (net of administrative costs) and, a projected salary increase rate of 2.7 to 5.8 percent. The UAAL is being amortized over 30 years on an open basis.

# CITY OF ALLEN PARK, MICHIGAN

## Required Supplemental Information Schedule of Changes in the City Net Position Liability and Related Ratios Last Fiscal Year Year Ended June 30, 2015

|   |                  |                             |
|---|------------------|-----------------------------|
| <b>Net Pension Liability at January 1, 2014</b>   |                  | <b>\$ 12,971,097</b>        |
| <b>Total Pension Liability (TPL):</b>             |                  |                             |
| TPL Balance at January 1, 2014                    |                  | 77,392,505                  |
| Service Costs                                     | 946,983          |                             |
| Interest on TPL @ 8%                              | 5,258,488        |                             |
| Changes in Benefit Terms                          | (216,820)        |                             |
| Experience Differences                            | (2,248,064)      |                             |
| Changes in Actuarial Assumptions                  | 5,413,233        |                             |
| Benefit Payments                                  | (5,404,661)      |                             |
| Refunds   | (79,527)         |                             |
| Change in TPL                                     | <u>3,669,632</u> |                             |
| TPL Balance at December 31, 2014                  |                  | <u>81,062,137</u>           |
| <b>Plan Net Position (PNP):</b>                   |                  |                             |
| PNP Balance at January 1, 2014                    |                  | 64,421,408                  |
| Investment Earnings                               | 3,956,614        |                             |
| Contributions - Employer                          | 3,932,142        |                             |
| Contributions - Employee                          | 333,291          |                             |
| Benefit Payments                                  | (5,404,661)      |                             |
| Administrative Costs                              | (38,760)         |                             |
| Other   | 4,150            |                             |
| Refunds   | (79,517)         |                             |
| Change in PNP                                     | <u>2,703,259</u> |                             |
| PNP Balance at December 31, 2014                  |                  | <u>67,124,667</u>           |
| <b>Net Pension Liability at December 31, 2014</b> |                  | <b><u>\$ 13,937,470</u></b> |

# CITY OF ALLEN PARK, MICHIGAN

## Required Supplemental Information Schedule of Changes in the City Net Position Liability and Related Ratios Last Fiscal Year Year Ended June 30, 2015

|  | <u>2015</u>                |
|--|----------------------------|
| <b>Total Pension Liability</b>   |                            |
| Service Cost   | \$ 87,818                  |
| Interest   | 559,292                    |
| Benefit Payments, including Refunds  | <u>(393,574)</u>           |
| Net Change in Total Pension Liability  | 253,536                    |
| <b>Total Pension Liability - Beginning of Year</b>                           | <u>7,213,572</u>           |
| <b>Total Pension Liability - End of Year</b>                                 | <u><u>\$ 7,467,108</u></u> |
| <b>Plan Fiduciary Net Position</b>   |                            |
| Contributions - Employer   | 213,506                    |
| Contributions - Employee   | 3,057                      |
| Net Investment Income  | 247,919                    |
| Administrative Expenses  | -                          |
| Benefit Payment, including Refunds   | <u>(393,574)</u>           |
| Net Change in Plan Fiduciary Net Position                                    | 70,908                     |
| <b>Plan Fiduciary Net Position - Beginning of Year</b>                       | <u>4,420,335</u>           |
| <b>Plan Fiduciary Net Position - End of Year</b>                             | <u><u>\$ 4,491,243</u></u> |
| <b>City's Net Pension Liability - Ending</b>                                 | \$ 2,975,865               |
| <b>Plan Fiduciary Net Position as a Percent of Total Pension Liability</b>   | 82.81%                     |
| <b>Covered Employee Payroll</b>  | \$ 5,250,588               |
| <b>City's Net Pension Liability as a Percent of Covered Employee Payroll</b> | 339.38%                    |

# CITY OF ALLEN PARK, MICHIGAN

## Required Supplemental Information Schedule of City Contributions Last Ten Fiscal Years Year Ended June 30, 2015

|   | <u>2014</u>         | <u>2013</u>         | <u>2012</u>         | <u>2011</u>      | <u>2010</u>         | <u>2009</u>         | <u>2008</u>        | <u>2007</u>      | <u>2006</u>        | <u>2005</u>        |
|---|---------------------|---------------------|---------------------|------------------|---------------------|---------------------|--------------------|------------------|--------------------|--------------------|
| Actuarially Determined Contribution                                     | \$ 2,302,748        | \$ 3,334,274        | \$ 4,032,651        | \$ 2,971,831     | \$ 2,414,020        | \$ 2,267,351        | \$ 1,870,102       | \$ 1,983,324     | \$ 1,846,188       | \$ 1,721,588       |
| Contributions in Relation to the<br>Actuarially Determined Contribution | <u>5,028,314</u>    | <u>2,204,685</u>    | <u>1,310,580</u>    | <u>2,971,831</u> | <u>3,177,149</u>    | <u>2,545,881</u>    | <u>1,962,336</u>   | <u>1,916,145</u> | <u>1,871,800</u>   | <u>1,740,077</u>   |
| <b>Contribution Deficiency (Excess)</b>                                 | <u>\$ 7,331,062</u> | <u>\$ 1,129,589</u> | <u>\$ 2,722,071</u> | <u>\$ -</u>      | <u>\$ (763,129)</u> | <u>\$ (278,530)</u> | <u>\$ (92,234)</u> | <u>\$ 67,179</u> | <u>\$ (25,612)</u> | <u>\$ (18,489)</u> |
| <b>Covered Payroll</b>  | 5,300,000           | 5,800,000           | 6,800,000           | 7,100,000        | 7,700,000           | 9,200,000           | 9,100,000          | 8,900,000        | 9,300,000          | 9,800,000          |
| <b>Contributions as a Percentage of<br/>Covered Payroll</b>             | 95.77%              | 38.0%               | 19.3%               | 41.9%            | 41.3%               | 27.7%               | 21.6%              | 21.5%            | 20.1%              | 17.8%              |

## **OTHER SUPPLEMENTAL INFORMATION**

# CITY OF ALLEN PARK, MICHIGAN

## Non-Major Governmental Funds Combining Balance Sheet June 30, 2015

|   | Special Revenue Funds |                     |                   |                           |                   | Debt Service Fund | Total Non-Major Governmental Funds |                            |
|---|-----------------------|---------------------|-------------------|---------------------------|-------------------|-------------------|------------------------------------|----------------------------|
|   | Major Highway Fund    | Local Highway Fund  | Building Fund     | Drug Law Enforcement Fund | Library Fund      | Rubbish Fund      |                                    | Community Center Debt Fund |
| <b>Assets:</b>  |                       |                     |                   |                           |                   |                   |                                    |                            |
| Cash and Cash Equivalents   | \$ 1,647,852          | \$ 998,648          | \$ 682,808        | \$ 561,617                | \$ 276,372        | \$ 298,374        | \$ 159,669                         | \$ 4,625,340               |
| Receivables:  |                       |                     |                   |                           |                   |                   |                                    |                            |
| Due from Other Governmental Units   | 211,039               | 76,260              | -                 | -                         | 105,421           | -                 | -                                  | 392,720                    |
| Prepaid Expenditures  | -                     | -                   | -                 | -                         | 13,134            | -                 | -                                  | 13,134                     |
| <b>Total Assets</b>   | <b>\$ 1,858,891</b>   | <b>\$ 1,074,908</b> | <b>\$ 682,808</b> | <b>\$ 561,617</b>         | <b>\$ 394,927</b> | <b>\$ 298,374</b> | <b>\$ 159,669</b>                  | <b>\$ 5,031,194</b>        |
| <b>Liabilities and Fund Balances</b>                                      |                       |                     |                   |                           |                   |                   |                                    |                            |
| <b>Liabilities:</b>   |                       |                     |                   |                           |                   |                   |                                    |                            |
| Accounts Payable  | 29,435                | 421,923             | 15,154            | 12,892                    | 56,454            | 291,246           | -                                  | 827,104                    |
| Accrued Payroll and Liabilities   | -                     | -                   | 3,061             | -                         | 8,431             | -                 | -                                  | 11,492                     |
| Unearned Revenue  | 950,031               | -                   | -                 | -                         | -                 | -                 | -                                  | 950,031                    |
| Due to Other Funds  | -                     | -                   | -                 | -                         | -                 | -                 | -                                  | -                          |
| Escrow Funds and Deposits   | -                     | -                   | 22,282            | -                         | -                 | -                 | -                                  | 22,282                     |
| <b>Total Liabilities</b>  | <b>979,466</b>        | <b>421,923</b>      | <b>40,497</b>     | <b>12,892</b>             | <b>64,885</b>     | <b>291,246</b>    | <b>-</b>                           | <b>1,810,909</b>           |
| <b>Deferred Inflows of Resources</b>                                      |                       |                     |                   |                           |                   |                   |                                    |                            |
| Unavailable Revenue   | -                     | -                   | -                 | -                         | 16,525            | -                 | -                                  | 16,525                     |
| <b>Fund Balances:</b>   |                       |                     |                   |                           |                   |                   |                                    |                            |
| Nonspendable for Prepaid Expenditures                                     | -                     | -                   | -                 | -                         | 13,134            | -                 | -                                  | 13,134                     |
| Restricted:for Highway Expenditures                                       | 879,425               | 652,985             | -                 | -                         | -                 | -                 | -                                  | 1,532,410                  |
| Restricted:for Law Enforcement Expenditures                               | -                     | -                   | -                 | 548,725                   | -                 | -                 | -                                  | 548,725                    |
| Restricted:for Debt Service Expenditures                                  | -                     | -                   | -                 | -                         | -                 | -                 | 159,669                            | 159,669                    |
| Restricted:for Library Expenditures                                       | -                     | -                   | -                 | -                         | 300,383           | -                 | -                                  | 300,383                    |
| Restricted for Building Fund  | -                     | -                   | 642,311           | -                         | -                 | -                 | -                                  | 642,311                    |
| Restricted for Rubbish Expenditures                                       | -                     | -                   | -                 | -                         | -                 | 7,128             | -                                  | 7,128                      |
| <b>Total Fund Balances</b>  | <b>879,425</b>        | <b>652,985</b>      | <b>642,311</b>    | <b>548,725</b>            | <b>313,517</b>    | <b>7,128</b>      | <b>159,669</b>                     | <b>3,203,760</b>           |
| <b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b> | <b>\$ 1,858,891</b>   | <b>\$ 1,074,908</b> | <b>\$ 682,808</b> | <b>\$ 561,617</b>         | <b>\$ 394,927</b> | <b>\$ 298,374</b> | <b>\$ 159,669</b>                  | <b>\$ 5,031,194</b>        |

# CITY OF ALLEN PARK, MICHIGAN

## Non-Major Governmental Funds Combining Statement of Revenues, Expenditures and Changes in Fund Balances For the Year Ended June 30, 2015

|  | Special Revenue Funds |                    |                   |                           |                   |                  | Debt Service Fund          | Total Non-Major Governmental Funds |
|--|-----------------------|--------------------|-------------------|---------------------------|-------------------|------------------|----------------------------|------------------------------------|
|  | Major Highway Fund    | Local Highway Fund | Building Fund     | Drug Law Enforcement Fund | Library Fund      | Rubbish Fund     | Community Center Debt Fund |                                    |
| <b>Revenues:</b>   |                       |                    |                   |                           |                   |                  |                            |                                    |
| Taxes  | \$ -                  | \$ -               | \$ -              | \$ -                      | \$ 571,425        | \$ 1,719,073     | \$ 427,454                 | \$ 2,717,952                       |
| Delinquent Tax Chargebacks   | -                     | -                  | -                 | -                         | (1,998)           | (5,947)          | (3,462)                    | (11,407)                           |
| Intergovernmental:   |                       |                    |                   |                           |                   |                  |                            |                                    |
| Federal Grants   | -                     | -                  | -                 | 129,350                   | -                 | 46,940           | -                          | 176,290                            |
| State-shared Revenue and Grants  | 1,336,599             | 593,625            | -                 | 30,795                    | 8,514             | -                | -                          | 1,969,533                          |
| Fees   | -                     | -                  | 481,782           | -                         | -                 | -                | -                          | 481,782                            |
| Interest Income  | 1                     | -                  | -                 | -                         | 88                | -                | -                          | 89                                 |
| Local Sources  | 6                     | -                  | 84,412            | 3,150                     | 160,805           | 2,904            | -                          | 251,277                            |
| <b>Total Revenues</b>  | <b>1,336,606</b>      | <b>593,625</b>     | <b>566,194</b>    | <b>163,295</b>            | <b>738,834</b>    | <b>1,762,970</b> | <b>423,992</b>             | <b>5,585,516</b>                   |
| <b>Expenditures:</b>   |                       |                    |                   |                           |                   |                  |                            |                                    |
| Current:   |                       |                    |                   |                           |                   |                  |                            |                                    |
| General Government   | -                     | -                  | 393,016           | -                         | 717,530           | -                | -                          | 1,110,546                          |
| Highway and Streets  | 768,667               | 1,146,395          | -                 | -                         | -                 | -                | -                          | 1,915,062                          |
| Public Safety  | -                     | -                  | -                 | 243,087                   | -                 | -                | -                          | 243,087                            |
| Public Works   | -                     | -                  | -                 | -                         | -                 | 1,794,534        | -                          | 1,794,534                          |
| Debt Service:  |                       |                    |                   |                           |                   |                  |                            |                                    |
| Principal Retirements  | -                     | -                  | -                 | -                         | -                 | -                | 150,000                    | 150,000                            |
| Interest   | -                     | -                  | -                 | -                         | -                 | -                | 258,637                    | 258,637                            |
| <b>Total Expenditures</b>  | <b>768,667</b>        | <b>1,146,395</b>   | <b>393,016</b>    | <b>243,087</b>            | <b>717,530</b>    | <b>1,794,534</b> | <b>408,637</b>             | <b>5,471,866</b>                   |
| Excess (Deficiency) of Revenues Over Expenditures                            | 567,939               | (552,770)          | 173,178           | (79,792)                  | 21,304            | (31,564)         | 15,355                     | 113,650                            |
| <b>Other Financing Sources (Uses):</b>                                       |                       |                    |                   |                           |                   |                  |                            |                                    |
| Interfund Transfers In (Note 5)  | -                     | 500,000            | -                 | -                         | -                 | -                | -                          | 500,000                            |
| Interfund Transfers Out (Note 5)   | (500,000)             | -                  | -                 | -                         | -                 | -                | -                          | (500,000)                          |
| <b>Total Other Financing Sources (Uses)</b>                                  | <b>(500,000)</b>      | <b>500,000</b>     | <b>-</b>          | <b>-</b>                  | <b>-</b>          | <b>-</b>         | <b>-</b>                   | <b>-</b>                           |
| Excess of Revenue and Other Sources Over (Under) Expenditures And Other Uses | 67,939                | (52,770)           | 173,178           | (79,792)                  | 21,304            | (31,564)         | 15,355                     | 113,650                            |
| <b>Fund Balances:</b>  |                       |                    |                   |                           |                   |                  |                            |                                    |
| Beginning of Year  | 811,486               | 705,755            | 469,133           | 628,517                   | 292,213           | 38,692           | 144,314                    | 3,090,110                          |
| End of Year  | <u>\$ 879,425</u>     | <u>\$ 652,985</u>  | <u>\$ 642,311</u> | <u>\$ 548,725</u>         | <u>\$ 313,517</u> | <u>\$ 7,128</u>  | <u>\$ 159,669</u>          | <u>\$ 3,203,760</u>                |