

City of Taylor, Michigan

**Financial Report
with Supplemental Information
June 30, 2013**

City of Taylor, Michigan

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Independent Auditor's Report

To the City Council
City of Taylor, 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 Taylor, Michigan (the "City") as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the City of Taylor, Michigan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The District Court Funds of District No. 23 were not audited under *Government Auditing Standards*.

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.

To the City Council
City of Taylor, Michigan

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Taylor, Michigan as of June 30, 2013 and the respective changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As explained in Note 3, the financial statements include investments valued at \$35,232,132 (33.7 percent of the Police and Fire Retirement System net position) at June 30, 2013 whose fair values have been estimated by management in the absence of readily determinable market values. Management's estimates are based on information provided by the fund manager of the retirement system investments for the Police and Fire Retirement System. Our opinion has not been modified with respect to this matter.

As further disclosed in Note 20 to the financial statements, the City has a significant unassigned deficit in its General Fund. The condition is negatively impacting City operations and available cash flows. Our opinion has not been modified with respect to this matter.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension system schedules of funding progress and employer contributions, and the major fund budgetary comparison schedules, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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 supplemental 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 of Taylor, Michigan's basic financial statements. The other supplemental information is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

To the City Council
City of Taylor, Michigan

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2013 on our consideration of the City of Taylor, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Taylor, Michigan's internal control over financial reporting and compliance.

Plante & Moran, PLLC

December 18, 2013

City of Taylor, Michigan

Management's Discussion and Analysis

Our discussion and analysis of the City of Taylor, Michigan's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2013. Please read it in conjunction with the City's financial statements.

In the City's General Fund, the main operating fund of the City, revenue increased approximately \$3.6 million from 2012.

- Property tax related revenue, which is the largest source of revenue, continues to be challenged. With the continuing decreases in property values, the City estimates its tax revenue from the general operating tax millage to decrease approximately \$1 million in FYE 2014 and then remain flat for FYE 2015. The decrease is due to the continued decline in property values.
- State-shared revenue was \$6.5 million and our second largest revenue source. It was higher than the 2012 amount by \$218,000. The total state-shared revenue for the 2014 FYE is expected to be \$100,000 more than 2013.
- 23rd District Court revenue increased approximately \$100,000 from the prior year amount of \$2.8 million to approximately \$2.9 million for the year ended June 30, 2013.

General Fund expenditures were lower by approximately \$3.2 million compared to 2012. Wages and fringes are being allocated to individual departments. Public safety experienced a significant decrease due to a 10 percent reduction in wages for the fire department. Other wage costs declined due to a reduction in staffing that occurred in 2012 in various departments. Expenditures primarily consist of employee-related wage and fringe benefit expense and two unresolved union contracts remain open at June 30, 2013.

The fund balance of the General Fund (the cumulative difference between revenue and expenditures) shows cumulatively that recurring revenue has not been sufficient to pay for all expenditures, and indeed the unassigned fund balance at June 30, 2013 is a deficit of \$2.3 million. Current economic conditions continue to deteriorate. Because of the limits on the City's ability to increase revenue, it is imperative that management's focus be on immediate and long-term employee cost containment.

The City's golf courses continue to operate at deficits, substantially as a result of depreciation of assets and retirement benefits known as other postemployment benefit costs (OPEB) now currently being charged to golf operations due to a recent accounting standards change. The golf courses' plan to reduce costs appreciably in order to operate more profitably has resulted in positive cash flow during 2013 (second year of positive cash flow) adjusting for the effects of depreciation. Golf courses revenue continued to trend downward due to poor economic conditions in southeast Michigan. Constant review and evaluation of golf course operations are imperative which allows for timely adjustments that directly impact the golf courses' bottom line.

City of Taylor, Michigan

Management's Discussion and Analysis (Continued)

Total net assets related to the City's governmental activities at the end of the year were approximately \$142.2 million, a \$6.6 million decrease from the prior year's approximately \$148.8 million in net assets. The net decrease is mainly due to recording the increase in the annual OPEB obligation.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Taylor, Michigan's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements.

Government-wide Financial Statements - The statement of net position (deficit) and the statement of activities provide information about the activities of the City on a government-wide basis. They are designed to present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting, similar to a private sector business, so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

Fund Financial Statements - The fund financial statements are presented after the government-wide statements. They present a short-term view, and tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. The fiduciary fund statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

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

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information concerning the City's General Fund budget and the City's progress in funding its obligation to provide pension benefits to its employees. Other supplemental information is also presented in the form of combining statements for nonmajor governmental funds, fiduciary funds, and the Taylor Housing Commission component unit.

City of Taylor, Michigan

Management's Discussion and Analysis (Continued)

The City of Taylor as a Whole

The following table shows, in a condensed format, the net assets as of June 30, 2013 and 2012:

Summary Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2012	2013	2012	2013	2012	2013
Assets						
Current assets	\$ 17,617,965	\$ 27,949,562	23,073,661	17,772,695	\$ 40,691,626	\$ 45,722,257
Capital assets	196,274,876	189,968,082	130,378,803	131,996,103	326,653,679	321,964,185
Other noncurrent assets	3,080,212	1,940,852	8,343,606	9,503,151	11,423,818	11,444,003
Total assets	216,973,053	219,858,496	161,796,070	159,271,949	378,769,123	379,130,445
Liabilities						
Current liabilities	11,760,834	23,223,334	2,681,086	2,354,378	14,441,920	25,577,712
Long-term liabilities	56,425,295	54,463,717	50,645,341	43,252,562	107,070,636	97,716,279
Total liabilities	68,186,129	77,687,051	53,326,427	45,606,940	121,512,556	123,293,991
Net Position						
Invested in capital assets -						
Net of related debt	168,504,896	165,888,322	86,461,839	91,674,600	254,966,735	257,562,922
Restricted	11,097,601	10,803,588	6,315,720	7,389,349	17,413,321	18,192,937
Unrestricted (deficit) assets	(30,815,573)	(34,520,465)	15,692,084	14,601,060	(15,123,489)	(19,919,405)
Total net position	<u>\$ 148,786,924</u>	<u>\$ 142,171,445</u>	<u>\$ 108,469,643</u>	<u>\$ 113,665,009</u>	<u>\$ 257,256,567</u>	<u>\$ 255,836,454</u>

The City's combined net assets totaled \$255.8 million, a decrease of 0.56 percent from the prior year. As we look at the governmental activities separately from the business-type activities, we can see that the current level of unrestricted deficit increased by \$3.7 million for our governmental activities. The business-type activities unrestricted net assets decreased by \$1.1 million during 2013.

City of Taylor, Michigan

Management's Discussion and Analysis (Continued)

The following table shows the changes of the net assets during the current year:

Governmental Activities

The City's total governmental revenues were up from \$55.0 million to \$59.0 million, mainly due to the SAFER grant, state-shared revenue, and close of Michigan Tax Tribunal cases. The City's total governmental expenses decreased by approximately \$3 million, a 4.2 percent decrease from 2012. This is a result of contract negotiations, reduction of staffing, and closely monitored spending in all areas.

Summary Condensed Income Statement

	Governmental Activities		Business-type Activities		Total	
	2012	2013	2012	2013	2012	2013
Revenue						
Program revenue:						
Charges for services	\$ 8,862,996	\$ 8,094,170	\$ 19,059,649	\$ 18,920,210	\$ 27,922,645	\$ 27,014,380
Operating grants and contributions	5,661,669	8,221,172	-	-	5,661,669	8,221,172
Capital grants and contributions	1,055,784	1,638,194	396,657	214,403	1,452,441	1,852,597
General revenue:						
Property taxes	27,341,319	27,926,076	4,783,650	5,422,668	32,124,969	33,348,744
State-shared revenue	6,244,128	6,462,497	-	-	6,244,128	6,462,497
Unrestricted investment earnings	3,173	10,808	14,888	32,948	18,061	43,756
Rental income and fees	325,710	-	-	-	325,710	-
Loss on disposal of assets	-	-	(68,893)	-	(68,893)	-
Miscellaneous revenue	5,467,828	7,055,639	494,899	13,526	5,962,727	7,069,165
Total revenue	54,962,607	59,408,556	24,680,850	24,603,755	79,643,457	84,012,311
Program Expenses						
General government	11,628,102	10,267,012	-	-	11,628,102	10,267,012
Public safety	31,548,534	31,534,302	-	-	31,548,534	31,534,302
Public works	18,663,063	17,104,831	-	-	18,663,063	17,104,831
Community and economic development	1,585,325	1,394,090	-	-	1,585,325	1,394,090
Recreation and culture	4,313,422	4,180,442	-	-	4,313,422	4,180,442
Interest on long-term debt	1,216,480	1,543,358	-	-	1,216,480	1,543,358
Water	-	-	7,375,175	7,562,214	7,375,175	7,562,214
Sewer	-	-	7,832,327	7,720,109	7,832,327	7,720,109
Golf courses	-	-	3,983,859	3,876,471	3,983,859	3,876,471
Ecorse Creek	-	-	183,638	249,595	183,638	249,595
Total program expenses	68,954,926	66,024,035	19,374,999	19,408,389	88,329,925	85,432,424
Change in Net Position	\$ (13,992,319)	\$ (6,615,479)	\$ 5,305,851	\$ 5,195,366	\$ (8,686,468)	\$ (1,420,113)

City of Taylor, Michigan

Management's Discussion and Analysis (Continued)

Business-type Activities

The City's business-type activities consist of the Water, Sewer, Ecorse Creek, and Golf Course Enterprise Funds. The City leases the Taylor Sportsplex; therefore, those activities are no longer reported as a business-type activity and are now included in the governmental activities. The City provides water to residents from the Detroit Water System. The City also provides sewage treatment through a Wayne County-owned and operated sewage treatment plant. The City operates two outstanding golf courses. The Lakes of Taylor Golf Club is a championship caliber golf course designed to challenge golfers at every level. Taylor Meadows Golf Club is a links-style course, challenging yet still player-friendly. Both courses also provide food service and pro shop operations as well. The Sewer Fund accounts for the activity related to the City's participation in the Downriver Sewer System, including the tax levy mandated to pay for the City's share of debt issued by Wayne County to pay for the recent improvements to the system. The EPA levy is adjusted annually based on debt service for the upcoming year less any credits available at Wayne County. For all business-type activities in 2013, total revenues decreased approximately \$77,000. Total expenses were \$33,000 more than 2012.

The City of Taylor's Funds

Our analysis of the City's major funds begins on page 15, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the City of Taylor as a whole. The City creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as bond projects. The City's major governmental funds for 2013 are the General Fund and Act 179 Rubbish Fund.

The General Fund pays for most of the City's governmental services. The most significant are public safety, which incurred expenses of approximately \$18.1 million, and public works, which incurred expenses of \$4.2 million in 2013. Employee benefit expenses accounted for another \$9.3 million.

General Fund Budgetary Highlights

Over the course of the year, the City amended the budget to take into account the State of Michigan's requirement to approve and enact a deficit elimination plan. Overall, the General Fund's revenue budget was increased during the year by a net amount of approximately \$4.0 million. Major budget adjustments were increases to federal grants for the SAFER grant of \$2.3 million, state-shared revenue of \$192,000, and interest and rents of \$317,000.

The City's expenditure budget was increased approximately \$6.5 million during the fiscal year to \$42.8 million.

City of Taylor, Michigan

Management's Discussion and Analysis (Continued)

Capital Asset and Debt Administration

At the end of 2013, the City, including its component units, had approximately \$363.7 million (net of depreciation) invested in a broad range of capital assets, including buildings, roads, water and sewer lines, parks, and machinery and equipment. The City finances most of its capital improvements through the issuance of long-term debt.

The City's investment in capital assets, net of related debt, increased from approximately \$255 million to approximately \$258 million. The component units' investment in capital assets, net of related debt remained flat. The City's total debt was approximately \$138.8 million, including approximately \$70.1 million of component unit debt. Expected FYE 2014 debt service payments on all long-term obligations exclusive of interest are approximately \$15.1 million for the City and component units in total. The overall debt, while manageable and within legal limits, does limit the flexibility of the City to respond to the future needs of the community.

Economic Factors and Next Year's Budgets

Like most other communities in Michigan, particularly southeast Michigan, the City continues to struggle with providing necessary services with limited revenue. The City has operated with a structural deficit for too many years, with the difference between revenue and expenditures sharply exacerbated by the economic decline. The completion of fiscal year ended June 30, 2013 demonstrated the ability to make necessary adjustments so that expenditures did not exceed revenue in the General Fund, which provides a more stable outlook to improve and restore services to the community. For the fiscal year ended June 30, 2013, state-shared revenue has increased approximately \$216,000, and state-shared gas and oil tax distributions that are used for road maintenance and construction continue to remain relatively flat. The City's contribution to the Police and Fire Retirement System and General Employees' Retirement System continues to increase. Prior investment losses in both retirement systems will continue to affect future pension contribution rates.

City of Taylor, Michigan

Management's Discussion and Analysis (Continued)

In the four years leading up to December 31, 2012, the City of Taylor, Michigan lost significant taxable value. With the decline in market values of properties, the City is estimating a further decrease in general operating millage tax revenue for FYE 2013. Taxable values are not expected to recover anytime for the next several years. Tax appeals were rapidly settled by the Michigan Tax Tribunal (MTT) in 2013, which has allowed the City to adjust the estimated liability to reflect the results of closed MTT cases. The decline in property values still presents the opportunity for further tax appeals which may cost the City more in the future. Until the housing market rebounds, building fees and permit revenue will continue to be minimal. Because of the housing market collapse, the tax capture revenues to pay the debt on the Island Lakes (Midtown Basin) Brownfield bonds are much less than anticipated when the bonds were sold in 2005, and the developer's guarantee of support has been insufficient. The City had to budget \$500,000 from the General Fund in FYE 2014 to cover likely shortfalls in available debt service funding for the Island Lakes bonds. Current projections are that the shortfall between taxes captured and debt service that must be paid by the City could range from \$550,000 to \$850,000, which started annually in the fiscal year beginning July 1, 2012. Similarly, the reduction in tax revenue from the 1996 voted millage caused by the severe decline in taxable values will likely result in the need for voter support of an increase in the levy prior to the maturity of the related debt in September 2016.

Municipal revenue opportunities are systematically limited by state law as well as the current economic conditions, so the General Fund budget continues to depend on uncertain revenue such as state-shared revenue, cable franchise fees, court fines, and charges for services. With revenue limited, the City understands the need to continue to control expenditure budgets very closely. Due to the reduction of the number of employees, limiting or eliminating wage increases, implementing co-pay arrangements for health insurance, and reduction in overall spending, the City closed out fiscal year ended June 30, 2013 with revenue exceeding expenditures in the General Fund and a positive fund balance that totaled \$960,364.

The City's General Fund ended the FYE 2012 with a significant unassigned deficit. This deficit was reduced with the results of FYE 2013, which is providing a stable outlook for the City. The City has dramatically reduced staffing and unnecessary spending while maintaining city services. Unfortunately, it is not enough to entirely bring the City out of the deficit. The City continues to have several challenges ahead; the changes that have been made thus far are providing an optimistic future for the City's economic condition. The City will continue to seek new areas of revenue sources, as well as how to generate additional savings on overall expenditures, while providing efficient city services.

Contacting the City's Management

This financial report is intended to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances, and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the city clerk's office, 23555 Goddard Road, Taylor, MI 48180.

City of Taylor, Michigan

Statement of Net Position (Deficit) June 30, 2013

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 16,364,540	\$ 13,233,045	\$ 29,597,585	\$ 14,119,837
Receivables - Net:				
Taxes	2,821,749	-	2,821,749	-
Customers	-	3,997,875	3,997,875	-
Other	1,477,428	44,862	1,522,290	808,545
Due from other governmental units	3,084,849	214,403	3,299,252	-
Special assessments	2,996,672	-	2,996,672	-
Due from component units	64,168	-	64,168	-
Due from primary government	-	-	-	378,862
Internal balances (Note 6)	39,628	(39,628)	-	-
Inventories	-	321,778	321,778	-
Prepaid costs and other assets	1,100,528	-	1,100,528	167,979
Restricted assets (Note 8)	-	11,253,511	11,253,511	3,621,959
Long-term advances to (from) other funds	1,750,000	(1,750,000)	-	-
Properties held for resale	145,097	-	145,097	-
Other current assets	-	-	-	3,023,025
Capital assets:				
Nondepreciable capital assets	32,241,764	7,728,503	39,970,267	39,682,634
Depreciable capital assets	157,726,318	124,267,600	281,993,918	2,013,950
Unamortized bond issuance costs	45,755	-	45,755	86,310
Total assets	219,858,496	159,271,949	379,130,445	63,903,101
Liabilities				
Accounts payable	3,050,871	2,112,739	5,163,610	1,702,776
Due to other governmental units	1,046,688	1,813,461	2,860,149	-
Due to component units	378,953	-	378,953	-
Due to primary government	-	-	-	64,168
Interest-bearing advances from (to) other funds	7,500,000	(7,500,000)	-	-
Accrued and other liabilities	3,469,507	578,578	4,048,085	764,913
Deferred revenue (Note 4)	2,996,672	5,649	3,002,321	1,111,197
Current liabilities payable from restricted assets	-	4,526,919	4,526,919	-
Other current liabilities	-	-	-	325,328
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 7)	1,067,454	80,594	1,148,048	19,036
Workers' compensation claims	51,845	-	51,845	-
Current portion of long-term debt (Note 7)	3,661,344	736,438	4,397,782	6,180,684
Due in more than one year:				
Compensated absences (Note 7)	2,237,777	141,991	2,379,768	8,160
Notes payable (Note 7)	-	-	-	5,274,219
Workers' compensation claims (Note 7)	758,390	-	758,390	76,716
Net OPEB obligation (Note 16)	31,049,134	3,525,506	34,574,640	-
Long-term debt (Note 7)	20,418,416	39,585,065	60,003,481	58,591,206
Total liabilities	77,687,051	45,606,940	123,293,991	74,118,403

The Notes to Financial Statements are an
Integral Part of this Statement.

City of Taylor, Michigan

Statement of Net Position (Deficit) (Continued) June 30, 2013

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Net Position				
Net investment in capital assets	\$ 165,888,322	\$ 91,674,600	\$ 257,562,922	\$ 12,036,152
Restricted for:				
Roads	3,039,329	-	3,039,329	-
Police forfeiture	1,854,878	-	1,854,878	-
Debt service	1,220,523	6,726,592	7,947,115	-
Sewer grant expenditures	-	662,757	662,757	-
Special millages	4,124,234	-	4,124,234	-
Grants	564,624	-	564,624	-
Deposits	-	-	-	8,422,538
Unrestricted	(34,520,465)	14,601,060	(19,919,405)	(30,673,992)
Total net position	\$ 142,171,445	\$ 113,665,009	\$ 255,836,454	\$ (10,215,302)

City of Taylor, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 10,267,012	\$ 5,275,218	\$ 148,551	\$ 11,151
Public safety	31,534,302	1,675,622	3,370,972	20,799
Public works	17,104,831	560,732	3,798,886	1,585,094
Community and economic development	1,394,090	17,739	677,851	-
Recreation and culture	4,180,442	564,859	224,912	21,150
Interest on long-term debt	989,358	-	-	-
Total governmental activities	65,470,035	8,094,170	8,221,172	1,638,194
Business-type activities:				
Water	7,562,214	8,433,898	-	214,403
Sewer	7,720,109	6,596,633	-	-
Golf courses	3,876,471	3,333,960	-	-
Ecorse Creek	249,595	555,719	-	-
Total business-type activities	19,408,389	18,920,210	-	214,403
Total primary government	\$ 84,878,424	\$ 27,014,380	\$ 8,221,172	\$ 1,852,597
Component units	\$ 23,784,089	\$ 6,733,212	\$ 12,172,436	\$ -
General revenues:				
Property taxes				
State-shared revenue				
Interest income				
Cable franchise fees				
Other miscellaneous income				
Federal capital contributions				
Total general revenues				
Transfers				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

Statement of Activities
Year Ended June 30, 2013

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (4,832,092)	\$ -	\$ (4,832,092)	\$ -
(26,466,909)	-	(26,466,909)	-
(11,160,119)	-	(11,160,119)	-
(698,500)	-	(698,500)	-
(3,369,521)	-	(3,369,521)	-
(989,358)	-	(989,358)	-
(47,516,499)	-	(47,516,499)	-
-	1,086,087	1,086,087	-
-	(1,123,476)	(1,123,476)	-
-	(542,511)	(542,511)	-
-	306,124	306,124	-
-	(273,776)	(273,776)	-
(47,516,499)	(273,776)	(47,790,275)	-
-	-	-	(4,878,441)
27,926,076	5,422,668	33,348,744	5,637,012
6,462,497	-	6,462,497	-
10,808	32,948	43,756	19,106
945,430	-	945,430	-
6,110,209	13,526	6,123,735	-
-	-	-	108,640
41,455,020	5,469,142	46,924,162	5,764,758
(554,000)	-	(554,000)	554,000
(6,615,479)	5,195,366	(1,420,113)	1,440,317
148,786,924	108,469,643	257,256,567	(11,655,619)
\$ 142,171,445	\$ 113,665,009	\$ 255,836,454	\$ (10,215,302)

City of Taylor, Michigan

Governmental Funds Balance Sheet June 30, 2013

	General Fund	Act 179 Rubbish Fund	Nonmajor Funds	Total
Assets				
Cash and investments (Note 3)	\$ 5,269,306	\$ 3,120,693	\$ 7,974,541	\$ 16,364,540
Receivables - Net:				
Taxes	2,821,214	-	535	2,821,749
Special assessments	2,996,672	-	-	2,996,672
Other	1,306,179	171,249	-	1,477,428
Due from other governmental units	1,572,300	-	1,512,549	3,084,849
Due from component units	64,168	-	-	64,168
Due from other funds (Note 6)	1,792,013	-	545,430	2,337,443
Prepaid costs and other assets	1,100,528	-	-	1,100,528
Long-term advances to other funds	1,750,000	-	-	1,750,000
Properties held for resale	-	-	145,097	145,097
Total assets	\$ 18,672,380	\$ 3,291,942	\$ 10,178,152	\$ 32,142,474
Liabilities and Fund Balance				
Liabilities				
Accounts payable	\$ 1,314,866	\$ 362,166	\$ 1,373,839	\$ 3,050,871
Due to other governmental units	906,117	-	140,571	1,046,688
Due to component units	378,862	-	91	378,953
Due to other funds (Note 6)	1,201,888	316,661	779,266	2,297,815
Interest-bearing advances from other funds	7,500,000	-	-	7,500,000
Accrued and other liabilities	3,074,921	27,122	86,393	3,188,436
Deferred revenue (Note 4)	3,283,517	72,842	695,035	4,051,394
Provision for claims	51,845	-	-	51,845
Total liabilities	17,712,016	778,791	3,075,195	21,566,002
Fund Balances				
Nonspendable:				
Inventory	545	-	-	545
Prepays	1,099,983	-	-	1,099,983
Long-term receivable	1,750,000	-	-	1,750,000
Restricted:				
Roads	-	-	2,344,294	2,344,294
Police forfeitures	-	-	1,854,878	1,854,878
Debt service	-	-	1,220,538	1,220,538
Grants	419,527	-	145,097	564,624
Special millages	-	2,513,151	1,538,241	4,051,392
Unassigned	(2,309,691)	-	(91)	(2,309,782)
Total fund balance	960,364	2,513,151	7,102,957	10,576,472
Total liabilities and fund balance	\$ 18,672,380	\$ 3,291,942	\$ 10,178,152	\$ 32,142,474

City of Taylor, Michigan

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position (Deficit) June 30, 2013

Fund Balance Reported in Governmental Funds	\$ 10,576,472
Amounts reported for governmental activities in the statement of net assets (deficit) are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	189,968,082
Special assessment, grants, and other receivables are expected to be collected over several years and are not available to pay for current year expenditures	1,054,722
Unamortized bond issuance costs are not reported in the governmental funds	45,755
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds - Long-term debt	(24,079,760)
Workers' compensation claims	(758,390)
Compensated absences	(3,305,231)
Net OPEB or pension obligation	(31,049,134)
Accrued interest payable	(281,071)
Net Position of Governmental Activities	<u>\$ 142,171,445</u>

City of Taylor, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) Year Ended June 30, 2013

	General Fund	Act 179 Rubbish Fund	Nonmajor Funds	Total
Revenue				
Property taxes	\$ 21,473,094	\$ 4,254,352	\$ 4,029,195	\$ 29,756,641
Licenses and permits	1,252,866	-	1,419,499	2,672,365
Federal grants	2,725,382	-	1,585,228	4,310,610
State-shared revenue and grants	6,832,023	-	3,830,013	10,662,036
Charges for services	835,228	515,406	10,000	1,360,634
Fines and forfeitures	3,209,111	-	-	3,209,111
Interest income	-	2,358	15,017	17,375
Rental income	880,995	-	541,050	1,422,045
Other revenue	6,886,581	-	8,242	6,894,823
Total revenue	44,095,280	4,772,116	11,438,244	60,305,640
Expenditures				
Current:				
General government	6,790,328	-	-	6,790,328
Public safety	18,120,422	-	950,000	19,070,422
Public works and capital projects	4,204,785	3,219,219	6,471,392	13,895,396
Employee benefits	9,316,832	-	-	9,316,832
Economic and community development	197,467	-	736,705	934,172
Recreation and cultural	1,916,597	-	-	1,916,597
Capital outlay and other	-	-	385,033	385,033
Debt service	85,755	437,910	4,671,816	5,195,481
Total expenditures	40,632,186	3,657,129	13,214,946	57,504,261
Excess of Revenue Over (Under) Expenditures	3,463,094	1,114,987	(1,776,702)	2,801,379
Other Financing Sources (Uses)				
Transfers in (Note 6)	-	-	3,351,126	3,351,126
Transfers out (Note 6)	(554,000)	-	(3,351,126)	(3,905,126)
Total other financing uses	(554,000)	-	-	(554,000)
Net Change in Fund Balances	2,909,094	1,114,987	(1,776,702)	2,247,379
Fund Balances (Deficit) - Beginning of year	(1,948,730)	1,398,164	8,879,659	8,329,093
Fund Balances - End of year	<u>\$ 960,364</u>	<u>\$ 2,513,151</u>	<u>\$ 7,102,957</u>	<u>\$ 10,576,472</u>

City of Taylor, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) of Governmental Funds to the Statement of Activities Year Ended June 30, 2013

Net Change in Fund Balances - Total Governmental Funds	\$ 2,247,379
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are capitalized and expense is recorded over their estimated useful lives through depreciation	3,392,886
Statement of activities records depreciation on capital assets	(9,692,280)
Proceeds from asset sales are recorded in the governmental funds; on the statement of activities, a loss is recorded	(7,400)
Special assessment revenue is recorded in the statement of activities when the assessment is set; it is not reported in the funds until collected or collectible within 60 days of year end	(36,991)
Revenue is reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental funds (GASB No. 33)	257,797
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	3,504,340
Amortization of bond premium liabilities and deferred cost of financing are reported as expense on the governmental funds when issued	185,880
Amortization of bond issuance costs is reported as an expense in the governmental funds when issued	(7,672)
Change in accrued interest on long-term debt is not recorded in the governmental funds	50,436
Decrease in accumulated employee sick and vacation pay and other similar expenses reported in the statement of activities do not require the use of current resources and therefore are not reported in the fund statements until they come due for payment	99,740
Decrease in estimated workers' compensation liability is recorded in the statement of activities	186,441
The change in the net OPEB obligation is not included in the governmental funds	(6,796,035)
Change in Net Position	\$ (6,615,479)

City of Taylor, Michigan

Proprietary Funds Statement of Net Position June 30, 2013

	Enterprise Funds				Total
	Water	Sewer	Golf Courses	Nonmajor - Ecorse Creek	
Assets					
Current assets:					
Cash and investments (Note 3)	\$ 4,010,318	\$ 7,273,829	\$ 476,089	\$ 1,472,809	\$ 13,233,045
Receivables - Net:					
Customers	2,135,892	1,667,926	-	194,057	3,997,875
Other	14,655	6,214	23,993	-	44,862
Due from other governmental units	214,403	-	-	-	214,403
Due from other funds (Note 6)	213,871	729,731	107	30,869	974,578
Inventories	169,271	2,379	150,128	-	321,778
Interest-bearing advance to other funds	3,750,000	3,750,000	-	-	7,500,000
Total current assets	<u>10,508,410</u>	<u>13,430,079</u>	<u>650,317</u>	<u>1,697,735</u>	<u>26,286,541</u>
Noncurrent assets:					
Restricted assets (Note 8)	-	11,253,511	-	-	11,253,511
Capital assets - Net (Note 5):					
Assets not subject to depreciation	2,837,922	170,209	4,720,372	-	7,728,503
Assets subject to depreciation	17,953,907	95,465,766	8,730,582	2,117,345	124,267,600
Total noncurrent assets	<u>20,791,829</u>	<u>106,889,486</u>	<u>13,450,954</u>	<u>2,117,345</u>	<u>143,249,614</u>
Total assets	<u>31,300,239</u>	<u>120,319,565</u>	<u>14,101,271</u>	<u>3,815,080</u>	<u>169,536,155</u>
Liabilities					
Current liabilities:					
Accounts payable	1,563,140	397,469	151,639	491	2,112,739
Due to other governmental units	53,246	1,742,787	17,428	-	1,813,461
Due to other funds (Note 6)	666,888	205,552	140,248	1,518	1,014,206
Accrued and other liabilities	90,820	259,396	222,879	5,483	578,578
Deferred revenue	-	-	5,649	-	5,649
Liabilities payable from restricted assets	-	4,526,919	-	-	4,526,919
Current portion of compensated absences (Note 7)	37,116	32,872	10,606	-	80,594
Current portion of long-term debt (Note 7)	110,000	434,430	94,069	97,939	736,438
Total current liabilities	<u>2,521,210</u>	<u>7,599,425</u>	<u>642,518</u>	<u>105,431</u>	<u>10,868,584</u>
Noncurrent liabilities:					
Long-term advance from other funds (Note 6)	-	-	1,750,000	-	1,750,000
Provision for compensated absences (Note 7)	81,781	40,885	19,325	-	141,991
Net OPEB obligation	1,855,234	774,851	895,421	-	3,525,506
Long-term debt - Net of current portion (Note 7)	630,000	37,601,843	43,670	1,309,552	39,585,065
Total noncurrent liabilities	<u>2,567,015</u>	<u>38,417,579</u>	<u>2,708,416</u>	<u>1,309,552</u>	<u>45,002,562</u>
Total liabilities	<u>5,088,225</u>	<u>46,017,004</u>	<u>3,350,934</u>	<u>1,414,983</u>	<u>55,871,146</u>
Net Position					
Net investment in capital assets	20,051,829	57,599,702	13,313,215	709,854	91,674,600
Restricted:					
Debt service	-	6,726,592	-	-	6,726,592
Sewer grant expenditures	-	662,757	-	-	662,757
Unrestricted	6,160,185	9,313,510	(2,562,878)	1,690,243	14,601,060
Total net position	<u>\$ 26,212,014</u>	<u>\$ 74,302,561</u>	<u>\$ 10,750,337</u>	<u>\$ 2,400,097</u>	<u>\$ 113,665,009</u>

The Notes to Financial Statements are an
Integral Part of this Statement.

City of Taylor, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2013

	Enterprise Funds				
	Water	Sewer	Golf Courses	Nonmajor - Ecorse Creek	Total
Operating Revenue					
Water sales	\$ 7,055,215	\$ -	\$ -	\$ -	\$ 7,055,215
Sewage disposal services	-	5,716,265	-	-	5,716,265
Charges for services	1,378,479	880,368	1,871,867	555,719	4,686,433
Sale of merchandise	-	-	1,404,093	-	1,404,093
Other	204	-	58,000	-	58,204
Total operating revenue	8,433,898	6,596,633	3,333,960	555,719	18,920,210
Operating Expenses					
Cost of water operations	6,476,493	-	-	-	6,476,493
Cost of sewage disposal operations	-	4,826,332	-	-	4,826,332
Ecorse Creek user charge system	-	-	-	184,483	184,483
Cost of sales	-	-	657,238	-	657,238
Other operating and maintenance	-	-	1,148,384	-	1,148,384
General and administrative	30,689	57,067	1,317,034	-	1,404,790
Depreciation and amortization	1,019,515	1,657,491	745,381	43,211	3,465,598
Total operating expenses	7,526,697	6,540,890	3,868,037	227,694	18,163,318
Operating Income (Loss)	907,201	55,743	(534,077)	328,025	756,892
Nonoperating Revenue (Expenses)					
Property taxes	-	5,422,668	-	-	5,422,668
Interest income	12,135	18,233	416	2,164	32,948
Interest expense	(35,517)	(1,179,219)	(8,434)	(21,901)	(1,245,071)
Other	-	13,526	-	-	13,526
Total nonoperating (expenses) revenue	(23,382)	4,275,208	(8,018)	(19,737)	4,224,071
Income (Loss) - Before contributions	883,819	4,330,951	(542,095)	308,288	4,980,963
Capital Contributions - Donated assets	214,403	-	-	-	214,403
Change in Net Position	1,098,222	4,330,951	(542,095)	308,288	5,195,366
Net Position - Beginning of year	25,113,792	69,971,610	11,292,432	2,091,809	108,469,643
Net Position - End of year	<u>\$ 26,212,014</u>	<u>\$ 74,302,561</u>	<u>\$ 10,750,337</u>	<u>\$ 2,400,097</u>	<u>\$ 113,665,009</u>

City of Taylor, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2013

	Enterprise Funds				
	Water	Sewer	Golf Courses	Nonmajor - Ecorse Creek	Total
Cash Flows from Operating Activities					
Receipts from customers	\$ 8,783,593	\$ 6,618,193	\$ 3,282,590	\$ 554,422	\$ 19,238,798
Internal activity - Payments to other funds	(6,024,629)	5,009,836	99,258	137,692	(777,843)
Payments to suppliers	(3,869,911)	(2,740,144)	(1,852,371)	(427,090)	(8,889,516)
Payments to employees	(1,811,844)	(544,470)	(1,151,723)	-	(3,508,037)
Other receipts	204	-	40,000	-	40,204
Net cash (used in) provided by operating activities	(2,922,587)	8,343,415	417,754	265,024	6,103,606
Cash Flows from Noncapital Financing Activities					
Advances to other funds	-	-	8,472	-	8,472
Cash Flows from Capital and Related Financing Activities					
Receipt of capital grants	214,403	-	-	-	214,403
Property taxes	-	5,422,668	-	-	5,422,668
Purchase of capital assets	(2,669,966)	(242,737)	(36,051)	(415,232)	(3,363,986)
Change in capital related financing	(140,867)	(423,764)	(103,754)	633,399	(34,986)
Payments to the County	-	(5,422,668)	-	-	(5,422,668)
Net cash (used in) provided by capital and related financing activities	(2,596,430)	(666,501)	(139,805)	218,167	(3,184,569)
Cash Flows from Investing Activities					
Interest received on investments	5,921	12,019	416	2,164	20,520
Interest-bearing advances made to other funds	(2,689,428)	(2,756,031)	-	-	(5,445,459)
Net cash (used in) provided by investing activities	(2,683,507)	(2,744,012)	416	2,164	(5,424,939)
Net (Decrease) Increase in Cash and Cash Equivalents	(8,202,524)	4,932,902	286,837	485,355	(2,497,430)
Cash and Cash Equivalents - Beginning of year	12,212,842	13,594,438	189,252	987,454	26,983,986
Cash and Cash Equivalents - End of year	\$ 4,010,318	\$ 18,527,340	\$ 476,089	\$ 1,472,809	\$ 24,486,556
Balance Sheet Classification of Cash and Cash Equivalents					
Cash and investments	\$ 4,010,318	\$ 7,273,829	\$ 476,089	\$ 1,472,809	\$ 13,233,045
Restricted cash	-	11,253,511	-	-	11,253,511
Total cash and cash equivalents	\$ 4,010,318	\$ 18,527,340	\$ 476,089	\$ 1,472,809	\$ 24,486,556

City of Taylor, Michigan

Proprietary Funds Statement of Cash Flows (Continued) Year Ended June 30, 2013

	Enterprise Funds				
	Water	Sewer	Golf Courses	Nonmajor - Ecorse Creek	Total
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities					
Operating income (loss)	\$ 907,201	\$ 55,743	\$ (534,077)	\$ 328,025	\$ 756,892
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation and amortization	1,019,515	1,657,491	745,381	43,211	3,465,598
Changes in assets and liabilities:					
Receivables	349,899	21,560	(11,370)	(1,297)	358,792
Due from other funds	(6,024,629)	5,009,836	99,258	(189,768)	(1,105,303)
Inventories and other assets	(18,209)	(1,397)	(3,749)	(31,491)	(54,846)
Accrued liabilities	196,084	-	(25,132)	62,982	233,934
Accounts payable	468,725	1,488,860	(17,868)	(274,098)	1,665,619
Due to other funds	-	-	-	327,460	327,460
Accrued compensation	178,827	111,322	165,311	-	455,460
Net cash (used in) provided by operating activities	\$ (2,922,587)	\$ 8,343,415	\$ 417,754	\$ 265,024	\$ 6,103,606

Noncash Investing, Capital, and Financing Activities - During the year ended June 30, 2013, the City had several noncash transactions with the assets held at Wayne County, including debt payments of \$4,843,119 and interest payments of \$1,160,719.

In addition, as participants in the Downriver Sewage Disposal System and the Ecorse Creek Pollution Abatement District, the City was allocated \$1,791,442 and \$696,203, respectively, of additional debt in the current year. The City also entered into a lease arrangement resulting in new debt of \$6,239.

City of Taylor, Michigan

Fiduciary Funds Statement of Fiduciary Net Position June 30, 2013

	Pension and Other Employee Benefit Plans*	<u>Agency Funds</u>
Assets		
Cash and cash equivalents	\$ 11,184,591	\$ 1,154,632
Investments:		
U.S. government securities	11,222,940	-
Agency securities	2,152,880	-
Mortgages	116,732	-
Common and preferred stock	57,585,403	-
Corporate bonds	11,403,350	-
Mutual funds	14,905,979	-
Partnerships	35,232,132	-
Receivables - Net:		
Accrued interest receivable	279,159	-
Other	57,727	-
Due from other governmental units	-	408,073
Total assets	<u>144,140,893</u>	<u>\$ 1,562,705</u>
Liabilities		
Accounts payable	-	\$ 7,111
Due to other governmental units	-	1,441,918
Due to primary government	-	14,483
Accrued and other liabilities	-	47,089
Tax collections distributable	-	52,104
Total liabilities	<u>-</u>	<u>\$ 1,562,705</u>
Net Position Held in Trust for Pension and Other Employee Benefits	<u>\$ 144,140,893</u>	

* Balances are as of December 31, 2012 for the General Employees' Pension Plan and as of June 30, 2013 for the Police and Fire Retirement System.

City of Taylor, Michigan

Fiduciary Funds Statement of Changes in Fiduciary Net Position Year Ended June 30, 2013

	Pension and Other Employee Benefit Plans*
Additions	
Investment income (loss):	
Interest and dividends	\$ 4,666,609
Net increase in fair value of investments	13,969,798
Less investment expenses	<u>(525,922)</u>
Net investment income	18,110,485
Contributions:	
Employer	9,149,697
Employee	<u>957,384</u>
Total contributions	<u>10,107,081</u>
Total additions - Net of investment expenses	28,217,566
Deductions	
Benefit payments	17,525,579
General and administrative	<u>60,715</u>
Total deductions	<u>17,586,294</u>
Net Increase in Net Position Held in Trust	10,631,272
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year	<u>133,509,621</u>
Net Position Held in Trust for Pension and Other Employee Benefits - End of year	<u>\$ 144,140,893</u>

* Balances are as of December 31, 2012 for the General Employees' Pension Plan and as of June 30, 2013 for the Police and Fire Retirement System.

City of Taylor, Michigan

Component Units Statement of Net Position (Deficit) June 30, 2013

	Local Development Financing Authority	Tax Increment Financing Authority	Brownfield Redevelopment Authority	Downtown Development Authority	Housing Commission*	Total
Assets						
Cash and investments (Note 3)	\$ 107,248	\$ 2,797,683	\$ 2,282,338	\$ 415,216	\$ 8,517,352	\$ 14,119,837
Accounts receivable	-	-	743,673	-	64,872	808,545
Due from primary government	16,976	257,991	67,104	36,791	-	378,862
Prepaid costs and other assets	-	-	-	-	167,979	167,979
Restricted assets (Note 8)	-	-	-	-	3,621,959	3,621,959
Other assets	-	-	-	-	3,023,025	3,023,025
Capital assets (Note 5)	17,745	13,536,684	77,187	859,375	27,205,593	41,696,584
Unamortized bond issuance costs	-	-	86,310	-	-	86,310
Total assets	<u>141,969</u>	<u>16,592,358</u>	<u>3,256,612</u>	<u>1,311,382</u>	<u>42,600,780</u>	<u>63,903,101</u>
Liabilities						
Accounts payable	-	655,035	67,275	719	979,747	1,702,776
Due to primary government	-	-	-	-	64,168	64,168
Accrued and other liabilities	-	126,609	387,284	18,391	232,629	764,913
Deferred revenue (Note 4)	-	-	743,673	-	367,524	1,111,197
Other current liabilities	-	-	-	-	325,328	325,328
Due within one year (Note 7):						
Compensated absences	-	-	-	-	19,036	19,036
Current portion of long-term debt	-	2,726,435	421,079	225,000	2,808,170	6,180,684
Due in more than one year (Note 7):						
Compensated absences	-	-	-	-	8,160	8,160
Notes payable	-	-	-	-	5,274,219	5,274,219
Other loans and notes payable	-	-	-	-	76,716	76,716
Long-term debt	-	20,356,643	15,249,563	740,000	22,245,000	58,591,206
Total liabilities	<u>-</u>	<u>23,864,722</u>	<u>16,868,874</u>	<u>984,110</u>	<u>32,400,697</u>	<u>74,118,403</u>
Net Position (Deficit)						
Net investment in capital assets	17,745	13,536,684	77,187	859,375	(2,454,839)	12,036,152
Restricted - Deposits	-	-	-	-	8,422,538	8,422,538
Unrestricted	124,224	(20,809,048)	(13,689,449)	(532,103)	4,232,384	(30,673,992)
Total net position (deficit)	<u>\$ 141,969</u>	<u>\$ (7,272,364)</u>	<u>\$ (13,612,262)</u>	<u>\$ 327,272</u>	<u>\$ 10,200,083</u>	<u>\$ (10,215,302)</u>

* Balances are as of March 31, 2013 for the Housing Commission and as of June 30, 2013 for the Taylor Community Development Corp., its component unit.

City of Taylor, Michigan

Functions/Programs	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Local Development Financing Authority	\$ -	\$ -	\$ -	\$ -
Tax Increment Financing Authority	3,935,925	-	-	-
Brownfield Redevelopment Authority - Public works	910,714	-	-	-
Downtown Development Authority - Public works	109,742	-	-	-
Housing Commission	18,827,708	6,733,212	12,172,436	-
Total component units	\$ 23,784,089	\$ 6,733,212	\$ 12,172,436	\$ -
General revenue:				
Property taxes				
Federal capital contributions				
Interest income				
Total general revenue				
Transfers				
Change in Net Position				
Net Position (Deficit) - Beginning of year				
Net Position (Deficit) - End of year				

* Balances are as of March 31, 2013 for the Housing Commission and as of June 30, 2013 for the Taylor Community Development Corp., its component unit.

**Component Units
Statement of Activities
Year Ended June 30, 2013**

Net (Expense) Revenue and Changes in Net Assets					
Local Development Financing Authority	Tax Increment Financing Authority	Brownfield Redevelopment Authority	Downtown Development Authority	Housing Commission	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	(3,935,925)	-	-	-	(3,935,925)
-	-	(910,714)	-	-	(910,714)
-	-	-	(109,742)	-	(109,742)
-	-	-	-	77,940	77,940
-	(3,935,925)	(910,714)	(109,742)	77,940	(4,878,441)
79,371	4,648,039	446,472	463,130	-	5,637,012
-	-	-	-	108,640	108,640
202	13,900	3,566	1,438	-	19,106
79,573	4,661,939	450,038	464,568	108,640	5,764,758
-	(38,000)	779,000	(187,000)	-	554,000
79,573	688,014	318,324	167,826	186,580	1,440,317
62,396	(7,960,378)	(13,930,586)	159,446	10,013,503	(11,655,619)
\$ 141,969	\$ (7,272,364)	\$ (13,612,262)	\$ 327,272	\$ 10,200,083	\$ (10,215,302)

Note I - Nature of Business and Significant Accounting Policies

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

Reporting Entity

The City of Taylor, Michigan is governed by an elected seven-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the City's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City (see discussion below for description).

Blended Component Units - The Taylor Building Authority is governed by a board that is appointed by the mayor. Although it is legally separate from the City, it is reported as if it were part of the primary government because its primary purpose is to finance and construct the City's public buildings.

The 23rd Judicial District Court is reported within the Trust and Agency Fund. Although it is legally separate from the City, it is reported as if it were part of the primary government because of the fiduciary relationship it has with the City.

Discretely Presented Component Units - The Local Development Financing Authority and the Tax Increment Financing Authority (the "Authorities") were created to promote economic development within a seven-square mile district of the City and are funded primarily by property tax revenue captures. The Authorities are governed by 11-member and 13-member boards, respectively, which are appointed by the mayor and confirmed by the City Council.

The Downtown Development Authority (DDA) was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within that district. The DDA's governing body, which consists of 13 members, is appointed by the mayor and confirmed by the City Council. In addition, the DDA's budget is subject to approval by the City Council.

The Brownfield Redevelopment Authority was created, pursuant to Public Act 381 of 1996, to promote revitalization of environmentally distressed areas within the 24-square mile boundary of the City. The Brownfield Redevelopment Authority is funded primarily by property tax revenue captures. The Brownfield Redevelopment Authority is governed by a 13-member board that is appointed by the mayor and confirmed by the City Council.

Note I - Nature of Business and Significant Accounting Policies (Continued)

Separate financial statements for the above discretely presented component units are not prepared.

The Taylor Housing Commission is a nonprofit corporation that was organized under the laws of the State of Michigan to provide low-rent housing for qualified individuals in accordance with the rules and regulations prescribed by the U.S. Department of Housing and Urban Development (HUD). The Taylor Housing Commission operates with a fiscal year ended March 31. The Taylor Housing Commission is governed by a five-member board that is appointed by the mayor and confirmed by the City Council.

The Taylor Community Development Corporation (TCDC) is a nonprofit organization formed by its sole member, the Taylor Housing Commission, to acquire, renovate, and operate certain apartment complexes located within the City of Taylor, Michigan. The City acquired these apartment complexes, now known as the Villages of Taylor (the "Project"), and then donated the complexes to the TCDC. The TCDC is operated by a seven-member board of directors appointed by the Taylor Housing Commission. The TCDC is a component unit of the Taylor Housing Commission.

The Project is operated and regulated by a use agreement with the U.S. Department of Housing and Urban Development (HUD) with respect to rental charges and operating methods. The Project's major program is its Section 8 housing assistance payment agreements with HUD. During the year ended June 30, 2013, rental revenue from HUD totaled approximately \$5,200,000, representing 48 percent of net rental revenue.

A complete financial statement for the Taylor Housing Commission can be obtained at 15270 Plaza South, Taylor, Michigan 48180.

Government-wide and Fund Financial Statements

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

Note I - Nature of Business and Significant Accounting Policies (Continued)

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Note I - Nature of Business and Significant Accounting Policies (Continued)

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

The City had two major governmental funds for June 30, 2013, the General Fund and the Act 179 Rubbish Fund.

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

Act 179 Rubbish Fund - The Act 179 Rubbish Fund accounts for property taxes levied specifically for rubbish disposal and related debt service.

The City reports the following major proprietary funds:

Water Fund - The Water Fund accounts for the activities of the water distribution system.

Sewer Fund - The Sewer Fund accounts for the activities of the sewage collection system.

Golf Courses Fund - The Golf Courses Fund accounts for the activity related to the City's two golf courses, Taylor Meadows and Lakes of Taylor.

Additionally, the City reports the following fiduciary activities:

Pension Trust Fund - The Pension Trust Fund accounts for the activities of the City's two defined benefit pension plans, including the Police and Fire Retirement System and the General Employees' Pension Plan. The General Employees' Pension Plan is audited as of December 31, 2012. Therefore, the General Employees' Pension Plan is included in this report as of December 31, 2012. The plans accumulate resources for pension benefit payments to qualified employees.

Agency Funds - The agency funds account for assets held by the City in a trustee capacity. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of the results of operations. The City's agency funds are its Tax Receiving Fund, Agency Fund, and the 23rd District Court Fund.

Note I - Nature of Business and Significant Accounting Policies (Continued)

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

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

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales, rentals, and services. The Water and Sewer Funds also recognize the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative and operating expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property Tax Revenue

Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The City's 2012 tax is levied and collectible on July 1, 2012 and is recognized as revenue in the year ended June 30, 2013, when the proceeds of the levy are budgeted and available for the financing of operations.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

The 2012 taxable valuation of the City totaled \$1,053,933,678, on which taxes levied consisted of 8.4211 mills for operating purposes, 0.8862 mills for library services, 6.9437 mills for public safety pension, 1.4331 mills for disposal authority, 2.6591 mills for garbage and rubbish services, 0.0370 mills for publicity services, 2.1888 mills for building authority, 4.0573 for EPA debt, and 0.9601 mills for the Southend Project. This resulted in approximately \$8,900,000 for operating purposes, \$936,000 for library services, \$9,200,000 for public safety pension, \$1,500,000 for disposal authority, \$2,800,000 for garbage and rubbish services, \$39,000 for publicity services, \$2,900,000 for the building authority, \$5,400,000 for EPA debt, and \$1,300,000 for the Southend Project. These amounts are recognized in the respective General Fund, special revenue funds, debt service funds, and enterprise funds financial statements as tax revenue.

Assets, Liabilities, and Net Position or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

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.

Restricted Assets - Restricted deposits in the Taylor Housing Commission represent assets held under various bond agreements in a separate account for replacement of property and other project expenditures as approved by the mortgagee. Restricted deposits of approximately \$3,600,000 at June 30, 2013 are held in a separate account and generally are not available for operating purposes. In August 2010, TCDC closed on a loan under the Green Retrofit Program.

Note I - Nature of Business and Significant Accounting Policies (Continued)

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

Capital Assets - Capital assets, which include property, plant, equipment, intangible assets, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$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.

Assets are depreciated using the straight-line method over the following useful lives:

Roads and sidewalks	10-65 years
Buildings	15-50 years
Sanitary sewer system	15-50 years
Water mains and meters	15-67 years
Improvements other than buildings	20 years
Machinery and equipment	2-20 years
Vehicles	4-10 years
Furniture and fixtures	10-20 years

Compensated Absences (Vacation and Sick Leave) - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. 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 for employee terminations as of year end.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

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, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Pension and Other Postemployment Benefit Costs - The City offers both pension and 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, pension and OPEB costs are recognized as contributions are made. For the government-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.

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

- **Nonspendable:** Amounts that are not in spendable form or are legally or contractually required to be maintained intact
- **Restricted:** Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose
- **Committed:** Amounts that have been formally set aside by the City Council for use for specific purposes. Commitments are made and can be rescinded only via resolution of the City Council.
- **Assigned:** Intent to spend resources on specific purposes expressed by the Honorable Mayor and members of the City Council

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

- 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.

A significant estimate in the financial statements is management's estimate for self-insured workers' compensation, pension and other postemployment benefit obligations, potential property tax chargebacks and MTT settlements, and unbilled water and sewer receivables. Management's assessment of inventory utility is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

Accounting Change - Effective July 1, 2012, the City implemented the provisions of Governmental Accounting Standards Board Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates into GASB literature certain accounting and financial reporting guidance issued on or before November 30, 1989 that is included in FASB statements and interpretations, APB opinions, and accounting research bulletins of the AICPA Committee on Accounting Procedure. This statement did not have a significant impact on the City's financial statements.

Effective July 1, 2012, the City implemented the provisions of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provided a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. This statement impacted the format and report of the balance sheet at the government-wide level and also at the fund level.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all special revenue funds except that operating transfers, debt proceeds, bond premiums, and sales of fixed assets have been included in the “revenue” and/or “expenditure” categories, rather than as “other financing sources (uses).” All annual appropriations lapse at fiscal year end. The annual budget is prepared by the City's management and adopted by the City Council; subsequent amendments are approved by the City Council.

The budget process is initiated in January, when the departments are given information and guidelines to assist them in formulating their budget requests. The department heads summarize the departmental appropriation requests and submit them to the mayor on or before March 1. During the month of March, the mayor reviews the appropriation requests, meets with the departments, and puts the budget together. The budget is submitted to the City Council on or before April 1. During the next month, the City Council reviews the budget and considers any changes. After a public hearing, the final budget is adopted by resolution no later than May 1.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the activity basis level.

The amount of encumbrances outstanding at June 30, 2013 has not been calculated. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Fund Deficits - On the modified accrual basis, the General Fund and Neighborhood Stabilization Program have unassigned fund balance deficits at June 30, 2013. The component units are presented on the full accrual basis in the basic financial statements, resulting in deficits on that basis in the Tax Increment Financing Authority, Brownfield Redevelopment Authority, and Downtown Development Authority. The Golf Courses Fund has an unrestricted net position deficit as of June 30, 2013. There are no other proprietary funds with a deficit at June 30, 2013.

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase 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 pension trust fund is also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The City has designated two banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above. The City's deposits and investment policies are in accordance with statutory authority.

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

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$31,876,688 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. In addition, the City's component units had \$13,586,551 of bank deposits that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

City of Taylor, Michigan

Notes to Financial Statements June 30, 2013

Note 3 - Deposits and Investments (Continued)

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity; U.S. Treasury bills and U.S. Treasury notes or bonds must mature within one year. The General Employees' Pension Plan does not restrict investment maturities, other than fixed-income portfolios which can only be purchased with less than a 20-year maturity.

At year end, the City had the following investments and maturities:

General Employees' Pension Plan	Fair Value	Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years
Corporate bonds	\$ 6,752,608	\$ 1,414,232	\$ 2,965,410	\$ 2,372,966	\$ -
U.S. government securities	5,249,866	2,602,918	2,646,948	-	-
Agency securities	1,573,246	-	1,573,246	-	-
Total	<u>\$ 13,575,720</u>	<u>\$ 4,017,150</u>	<u>\$ 7,185,604</u>	<u>\$ 2,372,966</u>	<u>\$ -</u>

Police and Fire Retirement System	Fair Value	Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years
Corporate bonds	\$ 4,650,742	\$ 110,266	\$ 1,868,462	\$ 2,672,014	\$ -
U.S. government securities	5,973,074	-	3,480,572	2,492,502	-
Agency securities	579,634	-	-	-	579,634
Mortgages	116,732	-	-	-	116,732
Total	<u>\$ 11,320,182</u>	<u>\$ 110,266</u>	<u>\$ 5,349,034</u>	<u>\$ 5,164,516</u>	<u>\$ 696,366</u>

Note 3 - Deposits and Investments (Continued)

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. The General Employees' Pension Plan's investment policy does not restrict investment ratings, other than convertible securities which should be rated B- or higher at time of purchase and fixed-income securities which should be rated BBB- or higher at time of purchase. In addition, asset-backed securities, mortgage-backed securities, and CMOs should be rated AAA at the time of purchase. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Component Units			
Bank investment pools	\$ 603,593	Not rated	N/A
General Employees' Pension Plan			
Corporate bonds	475,012	AA+	S&P
Corporate bonds	1,927,782	A+	S&P
Corporate bonds	1,937,188	A	S&P
Corporate bonds	839,266	A-	S&P
Corporate bonds	510,730	BBB+	S&P
Corporate bonds	594,268	BBB	S&P
Corporate bonds	468,362	BBB-	S&P
U.S. government securities	5,249,866	AAA	S&P
Agency securities	1,573,246	AAA	S&P
Police and Fire Retirement System			
Agency securities	579,634	Not rated	N/A
Corporate bonds	139,303	A1	Moody's
Corporate bonds	317,843	A2	Moody's
Corporate bonds	705,151	A3	Moody's
Corporate bonds	56,650	Aa1	Moody's
Corporate bonds	117,237	Aa2	Moody's
Corporate bonds	217,678	Aa3	Moody's
Corporate bonds	282,125	Aaa	Moody's
Corporate bonds	40,075	B1	Moody's
Corporate bonds	230,870	Ba1	Moody's
Corporate bonds	58,231	Ba2	Moody's
Corporate bonds	98,538	Ba3	Moody's
Corporate bonds	401,530	Baa1	Moody's
Corporate bonds	1,433,868	Baa2	Moody's
Corporate bonds	628,463	Baa3	Moody's
Corporate bonds	39,913	Not rated	N/A
Mortgage-backed bonds	116,732	Aaa	Moody's
U.S. government securities	5,973,074	Aaa	Moody's

Note 3 - Deposits and Investments (Continued)

Risks and Uncertainties - The City invests in various securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the balance sheet.

Alternative Investment Valuation - Approximately 33.7 percent of the Police and Fire Retirement System assets is not publicly traded and therefore does not have a readily determinable market value. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ significantly from the values that would have been used had a ready market for these securities existed. The difference could be material.

Note 4 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Governmental Funds		
	Unavailable	Unearned	Total
Special assessments	\$ 60,030	\$ 2,996,672	\$ 3,056,702
Grant receivables	737,580	-	737,580
ALS receivables	119,424	-	119,424
Other	137,688	-	137,688
Total	<u>\$ 1,054,722</u>	<u>\$ 2,996,672</u>	<u>\$ 4,051,394</u>

In addition, the component units have recorded \$743,673 of deferred revenue which relates to a reserve against a grant receivable.

Note 5 - Capital Assets

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

	Balance July 1, 2012	Reclassifications	Additions	Disposals	Balance June 30, 2013
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 29,387,567	\$ -	\$ -	\$ (3,000)	\$ 29,384,567
Construction in progress	1,347,673	(48,352)	1,557,876	-	2,857,197
Subtotal	30,735,240	(48,352)	1,557,876	(3,000)	32,241,764
Capital assets being depreciated:					
Buildings and improvements	87,708,280	-	33,650	-	87,741,930
Machinery and equipment	38,219,235	-	163,458	(82,265)	38,300,428
Other improvements	18,564,674	31,432	35,526	-	18,631,632
Roads and sidewalks	247,532,358	16,920	1,602,376	-	249,151,654
Subtotal	392,024,547	48,352	1,835,010	(82,265)	393,825,644
Accumulated depreciation:					
Buildings and improvements	29,319,237	-	2,062,878	-	31,382,115
Machinery and equipment	29,722,766	-	1,623,059	(77,865)	31,267,960
Other improvements	13,272,977	-	893,665	-	14,166,642
Roads and sidewalks	154,169,931	-	5,112,678	-	159,282,609
Subtotal	226,484,911	-	9,692,280	(77,865)	236,099,326
Net capital assets being depreciated	165,539,636	48,352	(7,857,270)	(4,400)	157,726,318
Net capital assets	\$ 196,274,876	\$ -	\$ (6,299,394)	\$ (7,400)	\$ 189,968,082
Business-type Activities					
Capital assets not being depreciated:					
Land	\$ 4,758,372	\$ -	\$ -	\$ -	\$ 4,758,372
Construction in progress	1,877,300	(131,976)	1,224,807	-	2,970,131
Subtotal	6,635,672	(131,976)	1,224,807	-	7,728,503
Capital assets being depreciated:					
Water mains and meters	34,747,193	-	2,020	(5,018)	34,744,195
Sanitary sewer system	119,873,930	-	1,791,442	-	121,665,372
Buildings and improvements	10,105,582	-	-	-	10,105,582
Machinery and equipment	3,087,650	-	11,274	-	3,098,924
Vehicles	573,125	-	-	-	573,125
Furniture and fixtures	1,206,178	-	24,777	-	1,230,955
Land improvements	8,802,119	-	-	-	8,802,119
Intangible ECPAD improvement	-	131,976	2,028,580	-	2,160,556
Subtotal	178,395,777	131,976	3,858,093	(5,018)	182,380,828
Accumulated depreciation:					
Water mains and meters	16,077,752	-	953,228	(5,018)	17,025,962
Sanitary sewer system	24,684,172	-	1,617,699	-	26,301,871
Buildings and improvements	3,171,743	-	227,799	-	3,399,542
Machinery and equipment	2,346,550	-	189,756	-	2,536,306
Vehicles	455,379	-	28,185	-	483,564
Furniture and fixtures	1,003,790	-	40,616	-	1,044,406
Land improvements	6,913,260	-	365,106	-	7,278,366
Intangible ECPAD improvement	-	-	43,211	-	43,211
Subtotal	54,652,646	-	3,465,600	(5,018)	58,113,228
Net capital assets being depreciated	123,743,131	131,976	392,493	-	124,267,600
Net capital assets	\$ 130,378,803	\$ -	\$ 1,617,300	\$ -	\$ 131,996,103

Note 5 - Capital Assets (Continued)

	Local Development Financing Authority	Tax Increment Financing Authority	Brownfield Redevelopment Authority	Downtown Development Authority	Housing Commission	Total
Component Units						
Capital assets not being depreciated:						
Land	\$ 17,745	\$ 13,536,684	\$ 77,187	\$ 859,375	\$ 8,522,488	\$ 23,013,479
Construction in progress	-	-	-	-	20,445	20,445
Subtotal	17,745	13,536,684	77,187	859,375	8,542,933	23,033,924
Capital assets being depreciated:						
Building and building improvements	-	-	-	-	36,740,991	36,740,991
Furniture, equipment, and machinery	-	-	-	-	10,900,343	10,900,343
Subtotal	-	-	-	-	47,641,334	47,641,334
Accumulated depreciation	-	-	-	-	28,978,674	28,978,674
Net capital assets being depreciated	-	-	-	-	18,662,660	18,662,660
Net capital assets	\$ 17,745	\$ 13,536,684	\$ 77,187	\$ 859,375	\$ 27,205,593	\$ 41,696,584

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

Governmental activities:		
General government		\$ 882,078
Public safety		989,492
Public works		6,330,122
Economic development		200,383
Recreation and culture		1,290,205
Total governmental activities		<u>\$ 9,692,280</u>
Business-type activities:		
Water		\$ 1,019,515
Sewer		1,657,491
Ecorse Creek		43,213
Golf		745,381
Total business-type activities		<u>\$ 3,465,600</u>
Component unit activities - Housing Commission		<u>\$ 2,561,735</u>

City of Taylor, Michigan

Notes to Financial Statements June 30, 2013

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Due to/from Other Funds		
General Fund	Ecorse Creek Fund	\$ 1,518
	Golf Courses Fund	121,323
	Water Fund	368,133
	Sewer Fund	205,112
	Act 179 Rubbish Fund	316,661
	Other nonmajor governmental funds	<u>779,266</u>
	Total General Fund	1,792,013
Other nonmajor governmental funds	General Fund	525,962
	Golf Courses Fund	18,925
	Water Fund	<u>543</u>
	Total nonmajor governmental funds	545,430
Water Fund	General Fund	213,871
Sewer Fund	Water Fund	267,676
	General Fund	<u>462,055</u>
	Total Sewer Fund	729,731
Ecorse Creek	Water Fund	30,429
	Sewer Fund	<u>440</u>
	Total Ecorse Creek	30,869
Golf Courses Fund	Water Fund	<u>107</u>
	Total	<u>\$ 3,312,021</u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur as well as to cover cash flow, transactions are recorded in the accounting system, and payments between funds are made.

City of Taylor, Michigan

Notes to Financial Statements June 30, 2013

Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

Receivable Fund	Payable Fund	Amount
Advances from/to Other Funds		
General Fund	Golf Courses Fund	\$ 1,750,000
Water Fund	General Fund	3,750,000
Sewer Fund	General Fund	3,750,000
	Total	<u>\$ 9,250,000</u>

Receivable Fund	Payable Fund	Amount
Due to/from Primary Government and Component Units		
Downtown Development Authority	General Fund	\$ 36,791
Local Development Financing Authority	General Fund	16,976
Brownfield Redevelopment Authority	General Fund	67,104
Tax Increment Financing Authority	General Fund	257,991
Housing Commission	Nonmajor governmental funds	91
General Fund	Housing Commission	64,168
	Total	<u>\$ 443,121</u>

The advance from the General Fund to the Golf Courses Fund is expected to be repaid based on anticipated revenue from the golf courses in future years and is considered long term. The advances from the Water and Sewer Funds are expected to be repaid in fiscal year 2014 at a 1 percent interest rate.

City of Taylor, Michigan

Notes to Financial Statements June 30, 2013

Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

Interfund transfers reported in the fund financial statements are comprised of the following:

Transfer In	Transfer Out	Amount
Other nonmajor governmental funds	Other nonmajor governmental funds	\$ 3,351,126
Brownfield Redevelopment Authority (BRDA)	Downtown Development Authority (DDA)	187,000
	Tax Increment Financing Authority (TIFA)	38,000
	General Fund	<u>554,000</u>
	Total Brownfield Redevelopment Authority (BRDA)	<u>\$ 779,000</u>

Transfers between other nonmajor governmental funds were mainly between the City's two street funds to redistribute Act 51 revenue from the Major Streets Fund to the Local Streets Fund where the funds were utilized for budgeted activities and to transfer funds from the Major Streets Fund to the 2008 MI Transportation Bond Construction Fund to service road related debt. Transfers between the DDA and BRDA is an interlocal agreement to assist in paying the BRDA debt for Island Lakes from taxes. The TIFA to BRDA is an interlocal agreement related to the BRDA Northstone #31. The General Fund transfer to the BRDA is for debt service related to the Island Lakes properties.

Note 7 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the government.

City of Taylor, Michigan

Notes to Financial Statements June 30, 2013

Note 7 - Long-term Debt (Continued)

Long-term debt activity can be summarized as follows:

	Interest Rate Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities						
Bonds and contractual obligations:						
Building Authority Bonds - Series 2000 - Amount of issue - \$10,475,000	5.125%	\$ 755,000	\$ -	\$ 755,000	\$ -	\$ -
Building Authority Public Facilities Bonds - Series 2003 - Amount of issue - \$13,750,000	2.50%	9,340,000	-	625,000	8,715,000	645,000
2004 Building Authority Public Facilities Bonds - Amount of issue - \$1,250,000	2.00%	895,000	-	60,000	835,000	60,000
General Obligation Bonds - Series 2004 - Storm - Amount of issue - \$945,000	3.00%-4.40%	415,000	-	55,000	360,000	55,000
Limited Tax General Obligation Bonds - Series 2005 - Amount of issue - \$14,795,000	5.00%	7,485,000	-	1,290,000	6,195,000	1,390,000
2008 Ambulance lease - Amount of issue - \$313,074	4.38%	68,095	-	68,095	-	-
2008 Michigan Transportation Fund Bonds - Amount of issue - \$3,075,000	4.30%	2,090,000	-	260,000	1,830,000	275,000
Avaya Phone System - Amount of issue \$198,848	4.13%	129,416	-	66,245	63,171	63,171
2011 Installment purchase contract trash totes - Amount of issue - \$1,880,000	3.83%	1,722,000	-	164,000	1,558,000	170,000
2011 Installment purchase contract trash trucks - Amount of issue - \$1,232,000	4.36%	1,077,000	-	161,000	916,000	168,000
Building Authority Refunding Bonds 2005 (with Sportsplex)	5.00%	3,401,600	-	-	3,401,600	790,400
Less deferred amounts - Deferred costs of financing		(233,335)	-	(46,667)	(186,668)	(46,667)
Total bonds payable		27,144,776	-	3,457,673	23,687,103	3,569,904
Other long-term obligations:						
Workers' compensation claims		996,676	418,999	605,440	810,235	51,845
Bond premium		625,204	-	232,547	392,657	91,440
Compensated absences		3,404,971	1,034,845	1,134,585	3,305,231	1,067,454
Total governmental activities		\$ 32,171,627	\$ 1,453,844	\$ 5,430,245	\$ 28,195,226	\$ 4,780,643

City of Taylor, Michigan

Notes to Financial Statements June 30, 2013

Note 7 - Long-term Debt (Continued)

	Interest Rate Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities						
General obligation bonds:						
Series 2004 - Water and Sewer - Amount of issue - \$1,655,000	3.00%-4.40%	\$ 975,000	\$ -	\$ 120,000	\$ 855,000	\$ 110,000
1994 Downriver Sewage Disposal System Bonds - Amount of issue - \$87,367,763	Various	45,378,906	1,791,442	4,722,159	42,448,189	4,961,349
Series 2009A - ECPAD I CWRF - Amount of issue - \$3,717,000	2.50%	752,870	696,203	41,583	1,407,490	97,939
Lease purchase agreement - Golf carts for LTGC - Amount of issue - \$191,368	4.44%	87,631	-	49,241	38,390	38,389
Lease purchase agreement - Beverage carts for LTGC - Amount of issue - \$14,820	5.75%	7,434	-	3,611	3,823	3,822
Lease purchase agreement - Golf carts for TMGC - Amount of issue - \$195,810	4.44%	137,990	-	48,294	89,696	50,423
Lease purchase agreement - Two Ranger Xarts split 50/50 TMGC/LTGC	5.75%	-	6,239	405	5,834	1,435
Total bonds payable		47,339,831	2,493,884	4,985,293	44,848,422	5,263,357
Other long-term obligation - Compensated absences		176,617	107,758	61,790	222,585	80,594
Total business-type activities		\$ 47,516,448	\$ 2,601,642	\$ 5,047,083	\$ 45,071,007	\$ 5,343,951

Note 7 - Long-term Debt (Continued)

	Interest Rate Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Component Unit Activities						
TIFA:						
TIFA Bonds - 2000-A HUD Section						
108 Loan - Senior Activities Center - Amount of issue - \$1,500,000	7.35%-7.65%	\$ 180,000	\$ -	\$ 180,000	\$ -	\$ -
Tax Increment Bonds - Series 2001 - Amount of issue - \$36,000,000	5.00%-5.50%	23,390,000	-	23,390,000	-	-
Sportsplex Building Authority Bonds - Series 2000 - Amount of issue - \$5,525,000	4.65%-5.125%	420,000	-	420,000	-	-
2005 Building Authority Refunding Bonds - Amount of issue - \$1,870,000	5.0%	1,913,400	-	-	1,913,400	444,600
2013 Refunding - Series A - Amount of issue - \$15,995,000	2.00%-3.25%	-	15,995,000	-	15,995,000	2,220,000
2013 Refunding - Series B - Amount of issue - \$4,680,000	4.00%	-	4,680,000	-	4,680,000	-
Other long-term obligation - Bond premium		-	494,678	-	494,678	61,835
Total TIFA		25,903,400	21,169,678	23,990,000	23,083,078	2,726,435
Brownfield:						
Brownfield Redevelopment Tax Increment Bonds, tax exempt - Series 2006 - Amount of issue - \$3,100,000	5.70%-6.00%	2,575,000	-	105,000	2,470,000	115,000
Brownfield Redevelopment Tax Increment Bonds, tax exempt - Series 2005 - Amount of issue - \$11,080,000	3.625%-5.00%	10,720,000	-	140,000	10,580,000	150,000
Brownfield Redevelopment Tax Increment Bonds, taxable Series 2005 - Amount of issue - \$3,080,000	4.75%-5.30%	2,745,000	-	140,000	2,605,000	155,000
Other long-term obligation - Bond premium		16,720	-	1,078	15,642	1,079
Total Brownfield		16,056,720	-	386,078	15,670,642	421,079
DDA - DDA Bonds - Downtown Development Bond - Series 2002 - Amount of issue - \$2,500,000	4.45%-4.70%	1,180,000	-	215,000	965,000	225,000
Housing Commission - Bonds and mortgage payable	Various	32,374,347	117,819	2,088,061	30,404,105	2,808,170
Total bonds payable		\$ 75,514,467	\$ 21,287,497	\$ 26,679,139	\$ 70,122,825	\$ 6,180,684

Note 7 - Long-term Debt (Continued)

Component Unit Debt

The Housing Commission's debt represents the debt owed by its component unit, the TCDC. The debt represents \$23,235,000 of MSHDA bonds, a mortgage loan, and commercial loans payable. The debt is comprised mainly of Michigan State Housing Development Authority (MSHDA) Limited Obligation Multifamily Housing Revenue Bonds, Series 2003A (the "Bonds"). In 2002, the TCDC formed three single-member limited liability companies, of which the TCDC is the sole member. The Ponds of Taylor Limited Dividend Housing Association LLC (the "Ponds"), The Parks of Taylor Limited Dividend Housing Association LLC (the "Parks"), and the Courtyards of Taylor Limited Dividend Housing Association LLC (the "Courtyards") were formed with their sole assets to be those of each corresponding apartment complex. On this same date, the Parks, Ponds, and Courtyards entered into agreements to issue the MSHDA bonds and to obtain taxable supplemental real estate loans.

The Bonds have a tax-exempt variable interest rate that is determined weekly based on the remarketing agent's submitting the Bonds to the market for bidding. During the audit period, the weekly interest rate fluctuated and averaged approximately .2911 percent (APR). The interest on the three bonds is due monthly, and they also have principal reserve (sinking fund) requirements. These requirements began on September 15, 2002 and September 15, 2009 for two of the bonds and will begin on September 15, 2013 for the remaining bond. The interest rate on the taxable loans is fixed throughout the term. Their principal and interest payment is also paid monthly. The respective loans are secured by all of the assets of each respective LLC.

The fair value of the Bonds and commercial loans payable is estimated based on the current rates offered to the TCDC for debt of the same remaining maturities. At June 30, 2013, the fair value of the Bonds approximates the amounts recorded in the financial statements.

In September 2004, the TCDC obtained a commercial mortgage with a bank for \$2,500,000 in order to finance the demolition of the Springs Apartment buildings. The mortgage requires monthly payments of \$14,603, including interest of 5.68 percent per annum until October 13, 2013, when the remaining unpaid principal balance is due. The balance outstanding on this mortgage at June 30, 2013 was \$2,150,391.

Note 7 - Long-term Debt (Continued)

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

Years Ending June 30	Governmental Activities			Business-type Activities			Component Unit Activities		
	Principal*	Interest	Total	Principal	Interest	Total	Principal*	Interest	Total
2014	\$ 3,616,571	\$ 1,019,486	\$ 4,636,057	\$ 5,263,357	\$ 1,157,120	\$ 6,420,477	\$ 6,180,684	\$ 1,671,162	\$ 7,851,846
2015	3,742,600	855,948	4,598,548	5,193,169	1,020,035	6,213,204	4,240,558	1,477,376	5,717,934
2016	3,946,400	683,562	4,629,962	5,214,392	885,221	6,099,613	4,560,310	1,374,401	5,934,711
2017	4,172,200	499,324	4,671,524	5,163,289	752,223	5,915,512	3,989,800	1,201,875	5,191,675
2018	1,602,000	367,241	1,969,241	5,231,543	618,015	5,849,558	3,170,000	1,069,796	4,239,796
2019-2023	5,714,000	925,045	6,639,045	12,571,263	1,651,207	14,222,470	16,463,017	3,920,263	20,383,280
2024-2028	1,080,000	26,881	1,106,881	4,752,142	630,468	5,382,610	10,309,635	2,309,950	12,619,585
2029-2033	-	-	-	1,459,267	52,799	1,512,066	12,554,656	1,220,340	13,774,996
2034-2038	-	-	-	-	-	-	8,653,535	109,670	8,763,205
Total	\$ 23,873,771	\$ 4,377,487	\$ 28,251,258	\$ 44,848,422	\$ 6,767,088	\$ 51,615,510	\$ 70,122,195	\$ 14,354,833	\$ 84,477,028

* Balances exclude deferred costs of financing.

In conjunction with the issuance of \$20,675,000 for the Tax Increment Financing Authority (TIFA) bond Series 2013A and Series 2013B, the component unit is required to maintain debt service reserves in the amount of \$2,067,500. In order to cover the reserve requirement, the TIFA component unit has obtained insurance coverage totaling \$2,067,500 for this purpose. In addition to the reserves and in conjunction with the above debt issue, the City has agreed to certain covenants, including, but not limited to, restriction on amendments to the TIFA plan districts and continued compliance with the State of Michigan regulations and statutes affecting the TIFA bond indenture.

No Commitment Debt - Excluded from long-term debt are bonds issued under the Economic Development Corporation Act of 1974, as amended, which authorizes the formation of economic development corporations and their participation in economic development projects in the City. The revenue bonds issued are payable solely from the net revenue derived from the respective leases and are not a general obligation of the City. After these bonds are issued, all financial activity is taken over by the paying agent. The bonds and related lease contracts are not reflected in the City's financial statements. Information regarding the status of each bond issue, including possible default, must be obtained from the paying agent or other knowledgeable source.

Advance and Current Refundings - During the year, the City issued \$20,675,000 in revenue bonds at a premium totaling \$494,678 with interest rates ranging from 2.00-4.00 percent. The proceeds of these bonds along with TIFA-related monies were used to advance refund \$23,390,000 of outstanding 2001 TIFA bonds with interest rates ranging from 5.00-5.50 percent. The net proceeds of \$23,998,734 (after payment of \$781,519 in underwriting fees and other issuance costs) were used to purchase U.S. government securities and were deposited in an irrevocable trust with an escrow agent to provide for payment on the refunded debt on May 1, 2013.

City of Taylor, Michigan

Notes to Financial Statements June 30, 2013

Note 8 - Restricted Assets

The restricted assets are restricted for the following purposes:

	Business-type Activities	Component Units
Assets held at Wayne County for future debt payments	\$ 8,882,214	\$ -
Assets held at Wayne County for sewer operations	2,371,297	-
Restricted deposits held by lender	-	3,621,959
Total restricted assets	<u>\$ 11,253,511</u>	<u>\$ 3,621,959</u>

The above contractual obligations to the county are the result of the county issuance of bonds on the City's behalf. The City has pledged substantially all revenue of the Sewer Fund, net of operating expenses, to repay \$8,897,861 of the obligations. In addition, it has pledged to raise property taxes, to the extent permitted by law, to fund \$33,550,328 of the obligation to repay the county. Proceeds from the county bonds provided financing for the construction of the expansion of the Downriver Wastewater Treatment Plant and System. The remaining principal and interest to be paid on the revenue bonds total \$48,874,993. During the current year, net revenue of the system was \$1,847,972 compared to the annual debt requirements of \$511,736. Annual tax collections related to the debt were \$5,685,313 compared to the annual debt requirements of \$5,400,494.

Note 9 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for medical and property claims and for risk related to torts and errors and omissions and is uninsured for workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 9 - Risk Management (Continued)

The City estimates the liability for workers' compensation claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported. Changes in the estimated liability for the past two fiscal years were as follows:

	2013	2012
Unpaid claims - Beginning of year	\$ 996,676	\$ 1,260,781
Incurred claims, including adjustments to claims incurred but not reported	418,999	248,496
Claim payments (net of insurance refunds)	(605,440)	(512,601)
Unpaid claims - End of year	<u>\$ 810,235</u>	<u>\$ 996,676</u>

Note 10 - Defined Benefit Pension Plan - Police and Fire Retirement System

Plan Description

The Police and Fire Retirement System is a single-employer defined benefit pension plan that is administered by the City of Taylor, Michigan; this plan covers almost all police and fire employees of the City. The system provides retirement disability and death benefits to plan members and their beneficiaries. At June 30, 2012, the date of the most recent actuarial valuation, membership consisted of 259 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them and 92 current active employees. The plan does not issue a separate financial report.

Contributions

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

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's collective bargaining units and requires a contribution from the employees of 5 percent. The funding policy provides for periodic employer contributions at actuarially determined rates.

City of Taylor, Michigan

Notes to Financial Statements June 30, 2013

Note 10 - Defined Benefit Pension Plan - Police and Fire Retirement System (Continued)

Annual Pension Cost

For the year ended June 30, 2013, the City's contribution of approximately \$6,071,000 equaled the annual pension cost.

The three-year trend information for the Police and Fire Retirement Systems is as follows:

	Fiscal Year Ended June 30		
	2013	2012	2011
Annual pension cost (APC)	\$ 6,071,000	\$ 6,060,000	\$ 5,918,000
Percentage of APC contributed	100.0 %	100.0 %	100.0 %
Net pension obligation	\$ -	\$ -	\$ -

The schedule of funding progress, presented as required supplemental information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Funded Status and Funding Progress - The funding status for the three most recent years is as follows:

	Fiscal Year Ended June 30		
	2013	2012	2011
Actuarial value of assets	\$ 99,683,637	\$ 103,934,745	\$ 104,077,490
Actuarial accrued liability (AAL)			
(entry age)	\$ 160,414,696	\$ 155,333,797	\$ 150,774,376
Unfunded AAL (UAAL)	\$ 60,731,059	\$ 51,399,052	\$ 46,696,886
Funded ratio	62.1 %	66.9 %	69.0 %
Covered payroll	\$ 9,389,710	\$ 12,007,248	\$ 12,813,161
UAAL as a percentage of covered payroll	646.8 %	428.1 %	364.4 %

Note 10 - Defined Benefit Pension Plan - Police and Fire Retirement System (Continued)

Actuarial Methods and Assumptions - The annual required contribution was determined as part of an actuarial valuation at June 30, 2012 using the individual entry age actuarial cost method. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 7.6 percent per year compounded annually, of which 3.5 percent is attributable to inflation and (b) projected salary increases of 0 to 6.5 percent per year compounded annually, attributable to inflation of 3.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll. The remaining amortization period is 25 years.

Reserves - As of June 30, 2013, the plan's legally required reserves have been recorded as follows:

Police and Fire Retirement System:

Reserve for employees' contributions	\$ 7,243,998
Reserve for retired benefit payments	114,815,588

For the Police and Fire Retirement System, the reserves were more than the net position of the plan as of June 30, 2013.

Note 11 - Defined Benefit Pension Plan - General Employees' Pension Plan

Plan Description

The General Employees' Pension Plan is a single-employer defined benefit pension plan that is administered by the City of Taylor, Michigan; this plan covers all employees other than court, police, and fire employees. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. At December 31, 2010, the date of the most recent actuarial valuation, membership consisted of 238 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them and 102 current active employees. The plan does not issue a separate financial report.

Contributions

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

Note 11 - Defined Benefit Pension Plan - General Employees' Pension Plan (Continued)

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's collective bargaining units and requires a contribution from the employees of 5 percent. The funding policy provides for periodic employer contributions at actuarially determined rates.

Annual Pension Cost

For the year ended December 31, 2012, the City's annual pension cost of approximately \$3,079,000 for the plan was equal to the City's required contribution.

Three-year trend information for the General Employees' Pension Plan is as follows:

	Fiscal Year Ended December 31		
	2012	2011	2010
Annual pension cost (APC)	\$ 3,079,000	\$ 2,658,000	\$ 2,424,000
Percentage of APC contributed	100.0 %	100.0 %	100.0 %
Net pension obligation	\$ -	\$ -	\$ -

The schedule of funding progress, presented as required supplemental information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

Funded Status and Funding Progress - As of the date of the report, the actuarial valuation as of December 31, 2011 was in process. The funding status for the three most recent actuarial valuations is as follows:

	Fiscal Year Ended June 30		
	2010	2009	2008
Actuarial value of assets	\$ 47,695,134	\$ 49,527,962	\$ 50,454,804
Actuarial accrued liability (AAL)			
(entry age)	\$ 73,085,049	\$ 70,995,543	\$ 70,388,231
Unfunded AAL (UAAL)	\$ 25,389,915	\$ 21,467,581	\$ 19,933,427
Funded ratio	66.0 %	69.7 %	71.7 %
Covered payroll	\$ 5,600,000	\$ 7,100,000	\$ 8,100,000
UAAL as a percentage of covered payroll	439.3 %	302.4 %	246.1 %

Note 11 - Defined Benefit Pension Plan - General Employees' Pension Plan (Continued)

Actuarial Methods and Assumptions

The annual required contribution was determined as part of an actuarial valuation at December 31, 2010 using the aggregate cost method. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 8.0 percent per year compounded annually, (b) projected salary increases of 2.5 percent per year compounded annually, attributable to inflation, and (c) the assumption that benefits will not increase after retirement. The actuarial value of assets was determined based on market value. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as level dollar on a closed basis. The remaining amortization period is 13 years.

Note 12 - Defined Benefit Pension Plan - Michigan Municipal Employees' Retirement System

Plan Description

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

Contributions

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

Note 12 - Defined Benefit Pension Plan - Michigan Municipal Employees' Retirement System (Continued)

Funding Policy

The obligation to contribute to and maintain the System for these employees was established by negotiation with the City's competitive bargaining units and requires a contribution from the employees of 5 percent. The funding policy provides for periodic employer contributions at actuarially determined rates.

Annual Pension Cost

For the year ended June 30, 2013, the City's actual pension cost of \$36,360 was equal to the City's required contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2010 using the entry age normal cost method. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 8.0 percent per year compounded annually, 4.5 percent (1 percent for calendar years 2011-2014) plus a percentage based on an age-related scale to reflect merit, longevity, and promotional pay increases, and (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 28 years.

The three-year trend information for the Michigan Municipal Employees' Retirement System is as follows:

	Fiscal Year Ended June 30		
	2013	2012	2011
Annual pension cost (APC)	\$ 36,360	\$ 25,901	\$ 32,120
Percentage of APC contributed	100.0 %	100.0 %	100.0 %
Net pension obligation	\$ -	\$ -	\$ -

	Fiscal Year Ended December 31		
	2011	2010	2009
Actuarial value of assets	\$ 2,700,534	\$ 2,637,607	\$ 2,521,749
Actuarial accrued liability (AAL) (entry age)	\$ 2,977,601	\$ 2,816,618	\$ 2,522,533
Unfunded AAL (UAAL)	\$ 277,067	\$ 179,011	\$ 784
Funded ratio	90.7 %	93.6 %	100.0 %
Covered payroll	\$ 653,492	\$ 675,118	\$ 690,803
UAAL as a percentage of covered payroll	42.4 %	26.5 %	0.1 %

City of Taylor, Michigan

Notes to Financial Statements June 30, 2013

Note 13 - Pension and Other Employee Benefit Trust Funds

As of June 30, 2013, the statement of net position and the statement of changes in net position for the pension plan are as follows:

	Police and Fire System	General Employees' Pension Plan*	Total
<u>Statement of Net Position</u>			
Cash and investments	\$104,172,491	\$ 39,631,516	\$ 143,804,007
Other assets	240,393	96,493	336,886
Net position	<u>\$104,412,884</u>	<u>\$ 39,728,009</u>	<u>\$ 144,140,893</u>
<u>Statement of Changes in Net Position</u>			
Investment income - Net of investment expenses	\$ 14,247,707	\$ 3,862,778	\$ 18,110,485
Contributions	6,813,044	3,294,037	10,107,081
Benefit payments	11,276,686	6,248,893	17,525,579
Other deductions	13,630	47,085	60,715
Net change in net position	<u>\$ 9,770,435</u>	<u>\$ 860,837</u>	<u>\$ 10,631,272</u>

* Balances are as of December 31, 2012

Note 14 - Defined Contribution Pension Plan

The City provides benefits to recently hired employees that are not eligible for the defined benefit plans through a defined contribution plan established July 1, 2003. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate from the date of hire. As established by various collective bargaining agreements, the employees are permitted to contribute up to 4 percent of their pretax earnings and up to 25 percent of their after-tax earnings. The City contributes between 50 percent and 200 percent of no greater than 4 percent of the employee contributions as an employer match. Employee contributions are immediately vested. Earnings and the employer match are fully vested after five years of service.

The City's total payroll during the current year was \$18,493,519. The current year contribution was calculated based on covered payroll of \$1,951,599, resulting in an employer contribution of \$82,023 and employee contributions of \$78,064.

Note 15 - Contingent Liabilities

The City has been named as a defendant in numerous claims and lawsuits requesting damages of various amounts, the majority of which do not state a specific maximum. The various proceedings have not yet progressed to the point where a legal opinion can be reached as to the ultimate liability, if any, after consideration of available insurance, where applicable, that may result from the resolution of these matters. In addition, the City is involved in certain labor negotiation discussions. The City has not recorded an estimate of any liabilities that may result from these matters at June 30, 2013.

In 2005, the City issued Brownfield Redevelopment Tax Increment Bonds in the amount of \$14,160,000. The plan for payment on the bonds was to use the tax revenue captured from the building of approximately 200 residential homes. Due to current economic conditions, the development and sale of the homes are not occurring at the anticipated rate. As a result, during the year ended June 30, 2010, the City drew upon a \$1,500,000 letter of credit issued by a bank and funded by the developer. The ability of the City to draw upon this letter of credit is currently being contested by the developer. If there is any future shortfall in the captured tax revenue needed to repay the bonds, the City will be required to subsidize the repayment of the loan. In May 2013, the arbitrator issued an opinion requiring the City to hold approximately \$178,000 and \$106,000 for attorney fees and interest, respectively, in escrow as well as the full \$1,500,000 drawn on the letter of credit. This opinion is not legally binding until approved by a circuit court.

Construction Commitments - The City has active construction projects at year end. At year end, the City's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Street projects:		
Component units	\$ 344,519	\$ 9,461
Primary government	1,850,106	851,888
Enterprise funds	4,321,812	1,184,365
Total	<u>\$ 6,516,437</u>	<u>\$ 2,045,714</u>

Note 16 - Other Postemployment Benefits

Plan Description - The City provides healthcare benefits to all full-time employees upon retirement, in accordance with labor contracts. The City includes pre-Medicare retirees and their dependents in its insured healthcare plan. This is a single employer defined benefit plan administered by the City.

City of Taylor, Michigan

Notes to Financial Statements June 30, 2013

Note 16 - Other Postemployment Benefits (Continued)

Funding Policy - The labor contracts require contributions for optical and dental for all employees and medical contributions for some of the new Command Union retirees. 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).

Funding Progress - For the year ended June 30, 2013, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2012. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation’s computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 13,674,671
Interest on the prior year's net OPEB obligation	1,095,280
Less adjustment to the annual required contribution	<u>(1,056,491)</u>
Annual OPEB cost	13,713,460
Amounts contributed - Payments of current premiums	<u>6,520,812</u>
Increase in net OPEB obligation	7,192,648
OPEB obligation - Beginning of year	<u>27,381,992</u>
OPEB obligation - End of year	<u><u>\$ 34,574,640</u></u>

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

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Percentage of ARC Contributed	Net OPEB Obligation
6/30/11	6/30/10	\$ 13,465,246	51.0	\$ 21,305,072
6/30/12	6/30/10	13,692,138	55.8	27,381,992
6/30/13	6/30/12	13,674,671	47.7	34,574,640

The funding progress of the plan 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)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/08	\$ -	\$ 173,173,410	\$ 173,173,410	-	%	-
6/30/10	-	208,546,075	208,546,075	-	-	-
6/30/12	-	232,697,568	232,697,568	-	-	-

Note 16 - Other Postemployment Benefits (Continued)

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 June 30, 2012 actuarial valuation, the individual entry age actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return per year compounded annually, which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 9.0 percent initially, reduced by decrements to an ultimate rate of 3.5 percent after 10 years. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2012 was 30 years.

Note 17 - Use Agreement

The TCDC and HUD entered into a use agreement that contains restrictions governing the rental operations of the Villages of Taylor. The use agreement required the TCDC to make certain renovations specified in the *Application for Transfer of Physical Assets* submitted to HUD on March 12, 1998, to maintain a replacement reserve with its mortgagor, to relocate tenants as agreed, and to rent 77 percent of the project's units in accordance with affordability restrictions until September 1, 2013. In addition, the use agreement contains restrictions on the amount of rental charges and distributions.

The use agreement requires allocation of any distribution of income from operations or upon the sale of individual units as follows:

- Repayment of mortgage loan
- Repayment of the City's equity investment of \$17,633,330 plus 6 percent interest compounded annually

Note 17 - Use Agreement (Continued)

- Repayment of HUD's equity investment of \$16,276,340 plus interest at 6 percent compounded annually
- Any remaining distribution to the City to fund programs that benefit low- and moderate-income residents

If the distributions are the result of a sale or refinancing of the project or a portion of the project, the distribution first repays the mortgage, equally pays the City's and HUD's equity investments, and pays the City for programs that benefit low- and moderate-income residents.

There were no distributions of net assets during the year ended June 30, 2013.

Note 18 - Subsequent Events

The City is a member of the Downriver Sewage Disposal Authority. Subsequent to year end, Wayne County issued State Revolving Fund bonds in the amount of \$11,955,000 at 2 percent interest on September 17, 2013. These revenue bonds have "interest-only" payments due through April 2016. These bonds are to be allocated to the communities based on the five-year average flow methodology. The City's percent allocation of this debt is 18.54 percent. The purpose of the bonds is to provide funding for the Solids Complex renovation costs. For each community participating, the County will develop amortization schedules based on the five-year average flow methodology.

Note 19 - Upcoming Accounting Pronouncements

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented for financial statements for periods beginning after December 15, 2012. Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources. Statement No. 65 will be implemented for the City as of June 30, 2014.

Note 19 - Upcoming Accounting Pronouncements (Continued)

In June 2012, the GASB issued two new pension standards, GASB Statement No. 67, *Financial Reporting for Pension Plans*, and No. 68, *Accounting and Financial Reporting for Pensions*. These new standards significantly revise the current accounting and reporting for pensions both from an employer perspective as well as from a plan perspective. Employers providing defined benefit pensions to its employees must now, under these new standards, recognize their 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 and expanded note disclosures and required supplemental information (RSI). Statement No. 67 is required to be adopted for the year ending June 30, 2014 and Statement No. 68 one year later.

Note 20 - Unassigned General Fund Deficit

At June 30, 2013, the City has an unassigned deficit totaling \$2,309,691 in its General Fund. This unassigned deficit is the cumulative result of a structural deficit situation which had accumulated over multiple years. City management and City Council are currently updating an established deficit elimination plan to address the unassigned deficit position, including the related negative impact on available cash flows.

The City has implemented or is making the following efforts to address the unassigned deficit position:

- Negotiating concessions in open employee contracts
- Reducing staffing through layoffs and attrition when feasible
- Working to preserve revenue opportunities including earning EVIP monies
- Delaying projects and other capital items to reduce expenditures
- Establishing a new police contract provision which allows for new hires at a lower pay and benefit structure
- Implementing high deductible healthcare plans to reduce costs

Management believes these efforts, along with other initiatives, will help to reduce and eliminate the unassigned deficit position over the remaining deficit elimination plan timeframe.

Required Supplemental Information

City of Taylor, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2013

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 20,409,391	\$ 20,374,391	\$ 21,473,094	\$ 1,098,703
Fees and permits	1,095,000	1,097,500	1,252,866	155,366
Federal grants	224,000	2,679,900	2,725,382	45,482
State-shared revenue and grants	6,591,561	6,783,310	6,832,023	48,713
Charges for services	921,500	882,730	835,228	(47,502)
Fines and forfeitures	3,585,000	3,264,800	3,209,111	(55,689)
Rental income	543,000	875,400	880,995	5,595
Other revenue	5,471,000	6,873,630	6,886,581	12,951
Total revenue	38,840,452	42,831,661	44,095,280	1,263,619
Expenditures - Current				
General government	6,442,288	7,213,881	6,790,328	423,553
Public safety	16,816,695	18,930,880	18,120,422	810,458
Public works	4,498,000	4,242,600	4,204,785	37,815
Employee benefits	6,366,000	9,558,000	9,316,832	241,168
Economic and community development	295,000	217,500	197,467	20,033
Recreation and culture	1,193,730	1,988,700	1,916,597	72,103
Debt service	750,000	70,345	85,755	(15,410)
Total expenditures	36,361,713	42,221,906	40,632,186	1,589,720
Excess of Revenue Over Expenditures	2,478,739	609,755	3,463,094	2,853,339
Other Financing Uses -				
Transfers out	-	(609,755)	(554,000)	55,755
Net Change in Fund Balance	2,478,739	-	2,909,094	2,909,094
Fund Balance (Deficit) - Beginning of year	(1,948,730)	(1,948,730)	(1,948,730)	-
Fund Balance (Deficit) - End of year	<u>\$ 530,009</u>	<u>\$ (1,948,730)</u>	<u>\$ 960,364</u>	<u>\$ 2,909,094</u>

City of Taylor, Michigan

Required Supplemental Information Pension System Schedule Year Ended June 30, 2013

Police and Fire Retirement System

The schedule of funding progress is as follows (dollar amounts in millions):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/07	\$ 105.3	\$ 138.9	\$ 33.6	75.8	\$ 14.3	235.0
6/30/08	107.6	143.6	36.0	74.9	14.0	257.1
6/30/09	106.0	146.4	40.4	72.4	13.9	290.6
6/30/10	104.1	150.8	46.7	69.0	12.8	364.4
6/30/11	104.0	155.0	51.0	67.1	12.0	425.0
6/30/12	99.7	160.4	60.7	62.2	9.4	645.7

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Percentage Contributed
6/30/08	6/30/06	\$ 4,977,904	100.0
6/30/09	6/30/07	5,483,018	100.0
6/30/10	6/30/08	5,613,904	100.0
6/30/11	6/30/09	5,917,992	100.0
6/30/12	6/30/10	6,059,600	100.0
6/30/13	6/30/12	6,070,834	100.0

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of June 30, 2012, the latest actuarial valuation, is as follows:

Actuarial cost method	Individual entry age
Amortization method	Level percent
Amortization period	25 years
Asset valuation method	Five-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.6%
Projected salary increases	0% until 2017 then 3.5% thereafter

City of Taylor, Michigan

Required Supplemental Information Pension System Schedule (Continued) Year Ended June 30, 2013

General Employees' Pension Plan

The schedule of funding progress is as follows (dollar amounts in millions):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
12/31/05 *	\$ 52.8	\$ 52.8	\$ -	100.0	\$ 10.1	-
12/31/06 *	49.4	64.8	15.4	76.2	8.4	183.3
12/31/07 *	51.6	67.4	15.8	76.6	8.1	195.1
12/31/08 *	50.5	70.4	19.9	71.7	8.1	245.7
12/31/09 *	49.5	71.0	21.5	69.7	7.1	302.8
12/31/10 *	47.7	72.3	24.6	66.0	5.6	439.3

* Reflects the entry age normal actuarial cost method

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Percentage Contributed
12/31/07	12/31/05	\$ 2,086,320	100.0
12/31/08	12/31/06	2,327,966	100.0
12/31/09	12/31/07	2,514,943	100.0
12/31/10	12/31/08	2,424,245	100.0
12/31/11	12/31/09	2,657,993	100.0
12/31/12	12/31/10	3,078,863	100.0

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2010, the latest actuarial valuation, follows:

Actuarial cost method	Aggregate
Amortization method	Level dollar, closed
Amortization period (perpetual)	13 years
Asset valuation method	Five-year smoothed market
Actuarial assumptions:	
Investment rate of return	8% *
Projected salary increases	2.5% *
*Includes inflation at	2.5%
Cost of living adjustments	None

City of Taylor, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Fund Act 179 Rubbish Fund Year Ended June 30, 2013

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 4,150,000	\$ 4,150,000	\$ 4,254,352	\$ 104,352
Charges for services	510,000	507,500	515,406	7,906
Interest income	-	100	2,358	2,258
Other revenue	-	13,650	-	(13,650)
Total revenue	<u>4,660,000</u>	<u>4,671,250</u>	<u>4,772,116</u>	<u>100,866</u>
Expenditures				
Current - Public works	4,222,075	4,233,340	3,219,219	1,014,121
Debt service	<u>437,925</u>	<u>437,910</u>	<u>437,910</u>	<u>-</u>
Total expenditures	<u>4,660,000</u>	<u>4,671,250</u>	<u>3,657,129</u>	<u>1,014,121</u>
Net Change in Fund Balance	-	-	1,114,987	1,114,987
Fund Balance - Beginning of year	<u>1,398,164</u>	<u>1,398,164</u>	<u>1,398,164</u>	-
Fund Balance - End of year	<u><u>\$ 1,398,164</u></u>	<u><u>\$ 1,398,164</u></u>	<u><u>\$ 2,513,151</u></u>	<u><u>\$ 1,114,987</u></u>

Other Supplemental Information

City of Taylor, Michigan

Special Revenue Funds

	Major Streets	Local Streets	Police Forfeiture	Treasury Forfeiture	Justice Forfeiture	Community Development Block Grant	Building Department
Assets							
Cash and investments	\$ 1,932,680	\$ 1,259,947	\$ 856,931	\$ 443,987	\$ 637,041	\$ 36,887	\$ 228,025
Accounts receivable:							
Taxes	-	-	-	-	-	-	-
Due from other governmental units	1,155,560	165,143	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-
Properties held for resale	-	-	-	-	-	-	-
Total assets	\$ 3,088,240	\$ 1,425,090	\$ 856,931	\$ 443,987	\$ 637,041	\$ 36,887	\$ 228,025
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ 1,045,950	\$ 208,850	\$ 34,264	\$ -	\$ -	\$ 21,689	\$ 2,071
Due to other governmental units	-	-	-	-	-	-	-
Due to component units	-	-	-	-	-	-	-
Due to other funds	40,450	179,166	48,792	-	25	15,198	219,223
Accrued and other liabilities	-	-	-	-	-	-	6,731
Deferred revenue	695,035	-	-	-	-	-	-
Total liabilities	1,781,435	388,016	83,056	-	25	36,887	228,025
Fund Balances							
Restricted:							
Roads	1,306,805	1,037,074	-	-	-	-	-
Drug enforcement	-	-	773,875	443,987	637,016	-	-
Debt service	-	-	-	-	-	-	-
Grants	-	-	-	-	-	-	-
Special millages	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
Total fund balances	1,306,805	1,037,074	773,875	443,987	637,016	-	-
Total liabilities and fund balances	\$ 3,088,240	\$ 1,425,090	\$ 856,931	\$ 443,987	\$ 637,041	\$ 36,887	\$ 228,025

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013**

Special Revenue Funds			Debt Service Funds			Total
DARE/ GREAT	Neighborhood Stabilization Program	Taylor Building Authority	Taylor Building Authority Debt	2008 MI Transportation Bond Debt	1996 Voted Levy	Nonmajor Governmental Funds
\$ 33,689	\$ 5	\$ 1,324,663	\$ 15	\$ 415	\$ 1,220,256	\$ 7,974,541
-	-	-	-	-	535	535
-	191,846	-	-	-	-	1,512,549
-	-	460,927	-	-	84,503	545,430
-	145,097	-	-	-	-	145,097
\$ 33,689	\$ 336,948	\$ 1,785,590	\$ 15	\$ 415	\$ 1,305,294	\$ 10,178,152
\$ 2,043	\$ 8,673	\$ 50,299	\$ -	\$ -	\$ -	\$ 1,373,839
-	-	97,711	-	-	42,860	140,571
-	91	-	-	-	-	91
1,780	183,178	91,454	-	-	-	779,266
29,866	-	7,885	-	-	41,911	86,393
-	-	-	-	-	-	695,035
33,689	191,942	247,349	-	-	84,771	3,075,195
-	-	-	-	415	-	2,344,294
-	-	-	-	-	-	1,854,878
-	-	-	15	-	1,220,523	1,220,538
-	145,097	-	-	-	-	145,097
-	-	1,538,241	-	-	-	1,538,241
-	(91)	-	-	-	-	(91)
-	145,006	1,538,241	15	415	1,220,523	7,102,957
\$ 33,689	\$ 336,948	\$ 1,785,590	\$ 15	\$ 415	\$ 1,305,294	\$ 10,178,152

City of Taylor, Michigan

Special Revenue Funds

	Major Streets	Local Streets	Police Forfeiture	Treasury Forfeiture	Justice Forfeiture	Community Development Block Grant	Building Department
Revenue							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	1,419,499
Federal grants	-	-	-	75,366	526,666	565,084	-
State-shared revenue and grants	2,789,440	997,399	43,174	-	-	-	-
Charges for services	-	10,000	-	-	-	-	-
Interest income	4,653	2,047	1,831	814	1,875	-	257
Rental income	-	-	-	-	-	-	-
DMA/911 and other revenue	-	-	-	-	-	-	-
Total revenue	2,794,093	1,009,446	45,005	76,180	528,541	565,084	1,419,756
Expenditures							
Current:							
Public safety	-	-	-	-	950,000	-	-
Public works	2,121,747	2,218,724	-	-	-	-	1,419,756
Community development	-	-	-	-	-	431,515	-
Capital outlay	87,475	55,209	203,196	-	30,809	-	-
Debt service	-	72,692	-	-	-	-	-
Total expenditures	2,209,222	2,346,625	203,196	-	980,809	431,515	1,419,756
Excess of Revenue Over (Under) Expenditures	584,871	(1,337,179)	(158,191)	76,180	(452,268)	133,569	-
Other Financing Sources (Uses)							
Transfers in	-	1,164,457	-	-	-	-	-
Transfers out	(1,276,163)	-	-	-	-	-	-
Total other financing (uses) sources	(1,276,163)	1,164,457	-	-	-	-	-
Net Change in Fund Balances	(691,292)	(172,722)	(158,191)	76,180	(452,268)	133,569	-
Fund Balances (Deficit) - Beginning of year	1,998,097	1,209,796	932,066	367,807	1,089,284	(133,569)	-
Fund Balances - End of year	\$ 1,306,805	\$ 1,037,074	\$ 773,875	\$ 443,987	\$ 637,016	\$ -	\$ -

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in
Fund Balances (Deficit)
Nonmajor Governmental Funds
Year Ended June 30, 2013

Special Revenue Funds			Debt Service Funds			Total Nonmajor Governmental Funds
DARE/ GREAT	Neighborhood Stabilization Program	Taylor Building Authority	Taylor Building Authority Debt	2008 MI Transportation Bond Debt	1996 Voted Levy	
\$ -	\$ -	\$ 2,738,661	\$ -	\$ -	\$ 1,290,534	\$ 4,029,195
-	-	-	-	-	-	1,419,499
-	418,112	-	-	-	-	1,585,228
-	-	-	-	-	-	3,830,013
-	-	-	-	-	-	10,000
102	-	1,324	-	-	2,114	15,017
-	-	-	541,050	-	-	541,050
8,242	-	-	-	-	-	8,242
8,344	418,112	2,739,985	541,050	-	1,292,648	11,438,244
-	-	-	-	-	-	950,000
-	-	709,059	-	-	2,106	6,471,392
-	305,190	-	-	-	-	736,705
8,344	-	-	-	-	-	385,033
-	-	-	2,616,012	350,712	1,632,400	4,671,816
8,344	305,190	709,059	2,616,012	350,712	1,634,506	13,214,946
-	112,922	2,030,926	(2,074,962)	(350,712)	(341,858)	(1,776,702)
-	-	-	2,074,963	111,706	-	3,351,126
-	-	(2,074,963)	-	-	-	(3,351,126)
-	-	(2,074,963)	2,074,963	111,706	-	-
-	112,922	(44,037)	1	(239,006)	(341,858)	(1,776,702)
-	32,084	1,582,278	14	239,421	1,562,381	8,879,659
\$ -	\$ 145,006	\$ 1,538,241	\$ 15	\$ 415	\$ 1,220,523	\$ 7,102,957

City of Taylor, Michigan

Other Supplemental Information Combining Statement of Net Position Fiduciary Funds June 30, 2013

	Trust Funds			Agency Funds			
	Pension and Other Employee Benefit Plans						
	Police and Fire Retirement System	General Employees' Pension Plan*	Total	Tax Receiving	Agency	23rd District Court	Total
Assets							
Cash and cash equivalents	\$ 6,864,929	\$ 4,319,662	\$ 11,184,591	\$ 606,332	\$ 47,089	\$ 501,211	\$ 1,154,632
Investments:							
U.S. government securities	5,973,074	5,249,866	11,222,940	-	-	-	-
Agency securities	579,634	1,573,246	2,152,880	-	-	-	-
Mortgages	116,732	-	116,732	-	-	-	-
Common and preferred stock	35,849,269	21,736,134	57,585,403	-	-	-	-
Corporate bonds	4,650,742	6,752,608	11,403,350	-	-	-	-
Mutual funds	14,905,979	-	14,905,979	-	-	-	-
Partnerships	35,232,132	-	35,232,132	-	-	-	-
Receivables - Net:							
Accrued interest receivable	182,666	96,493	279,159	-	-	-	-
Other	57,727	-	57,727	-	-	-	-
Due from other governmental units	-	-	-	408,073	-	-	408,073
Total assets	<u>104,412,884</u>	<u>39,728,009</u>	<u>144,140,893</u>	<u>\$ 1,014,405</u>	<u>\$ 47,089</u>	<u>\$ 501,211</u>	<u>\$ 1,562,705</u>
Liabilities							
Accounts payable	-	-	-	\$ 7,111	\$ -	\$ -	\$ 7,111
Due to other governmental units	-	-	-	940,707	-	501,211	1,441,918
Due to primary government	-	-	-	14,483	-	-	14,483
Accrued and other liabilities	-	-	-	-	47,089	-	47,089
Tax collections distributable	-	-	-	52,104	-	-	52,104
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 1,014,405</u>	<u>\$ 47,089</u>	<u>\$ 501,211</u>	<u>\$ 1,562,705</u>
Net Position Held in Trust for Pension and Other Employee Benefits	<u>\$ 104,412,884</u>	<u>\$ 39,728,009</u>	<u>\$ 144,140,893</u>				

* Balances are as of December 31, 2012.

City of Taylor, Michigan

Other Supplemental Information Combining Statement of Changes in Fiduciary Net Position Fiduciary Funds Year Ended June 30, 2013

	Police and Fire Retirement System	General Employees' Pension Plan*	Total
Additions			
Investment income (loss):			
Interest and dividends	\$ 3,607,680	\$ 1,058,929	\$ 4,666,609
Net increase in fair value of investments	10,943,373	3,026,425	13,969,798
Less investment expenses	<u>(303,346)</u>	<u>(222,576)</u>	<u>(525,922)</u>
Total investment income	14,247,707	3,862,778	18,110,485
Contributions:			
Employer	6,070,834	3,078,863	9,149,697
Employee	<u>742,210</u>	<u>215,174</u>	<u>957,384</u>
Total contributions	<u>6,813,044</u>	<u>3,294,037</u>	<u>10,107,081</u>
Total additions - Net of investment expenses	21,060,751	7,156,815	28,217,566
Deductions			
Benefit payments	11,276,686	6,248,893	17,525,579
General and administrative	<u>13,630</u>	<u>47,085</u>	<u>60,715</u>
Total deductions	<u>11,290,316</u>	<u>6,295,978</u>	<u>17,586,294</u>
Net Increase in Net Position Held in Trust	9,770,435	860,837	10,631,272
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year	<u>94,642,449</u>	<u>38,867,172</u>	<u>133,509,621</u>
Net Position Held in Trust for Pension and Other Employee Benefits - End of year	<u><u>\$ 104,412,884</u></u>	<u><u>\$ 39,728,009</u></u>	<u><u>\$ 144,140,893</u></u>

* Balances are as of December 31, 2012.

City of Taylor, Michigan

Other Supplemental Information Combining Statement of Net Position Component Unit - Housing Commission June 30, 2013

	<u>Housing Commission*</u>	<u>Taylor Community Development Corporation*</u>	<u>Total</u>
Assets			
Current assets:			
Cash and investments	\$ 3,017,499	\$ 5,499,853	\$ 8,517,352
Receivables - Net	1,317	63,555	64,872
Prepaid costs and other assets	15,592	152,387	167,979
Other assets	-	3,023,025	3,023,025
Total current assets	<u>3,034,408</u>	<u>8,738,820</u>	<u>11,773,228</u>
Noncurrent assets:			
Restricted assets	-	3,621,959	3,621,959
Capital assets	2,013,950	25,191,643	27,205,593
Total noncurrent assets	<u>2,013,950</u>	<u>28,813,602</u>	<u>30,827,552</u>
Total assets	<u>5,048,358</u>	<u>37,552,422</u>	<u>42,600,780</u>
Liabilities			
Current liabilities:			
Accounts payable	12,613	1,031,302	1,043,915
Accrued and other liabilities	10,018	222,611	232,629
Deferred revenue	-	367,524	367,524
Other current liabilities	26,655	298,673	325,328
Compensated absences	19,036	-	19,036
Current portion of long-term debt	-	2,808,170	2,808,170
Total current liabilities	<u>68,322</u>	<u>4,728,280</u>	<u>4,796,602</u>
Noncurrent liabilities:			
Compensated absences	8,160	-	8,160
Notes payable	-	5,274,219	5,274,219
Other loans and notes payable	-	76,716	76,716
Long-term debt	-	22,245,000	22,245,000
Total noncurrent liabilities	<u>8,160</u>	<u>27,595,935</u>	<u>27,604,095</u>
Total liabilities	<u>76,482</u>	<u>32,324,215</u>	<u>32,400,697</u>
Net Position			
Net investment in capital assets	2,013,950	(4,468,789)	(2,454,839)
Restricted	2,347,501	6,075,037	8,422,538
Unrestricted	610,425	3,621,959	4,232,384
Total net position	<u>\$ 4,971,876</u>	<u>\$ 5,228,207</u>	<u>\$ 10,200,083</u>

* Balances are as of March 31, 2013 for the Housing Commission and as of June 30, 2013 for the Taylor Community Development Corp., its component unit.

City of Taylor, Michigan

Other Supplemental Information Combining Statement of Changes in Net Position Component Unit - Housing Commission Year Ended June 30, 2013

	Housing Commission*	Taylor Community Development Corporation*	Total
Revenue			
Other income	\$ 34,588	\$ -	\$ 34,588
Rental income	314,530	6,318,245	6,632,775
Operating grants	6,923,935	5,248,501	12,172,436
Total revenue	7,273,053	11,566,746	18,839,799
Expenditures			
General administration	541,145	2,926,142	3,467,287
Housing assistance payments	6,136,450	-	6,136,450
Utilities	137,064	1,366,520	1,503,584
Operation and maintenance	291,366	3,351,011	3,642,377
Depreciation and amortization	194,503	2,400,625	2,595,128
Other	56,210	832,057	888,267
Total expenditures	7,356,738	10,876,355	18,233,093
Operating (Loss) Income	(83,685)	690,391	606,706
Nonoperating Revenue (Expenses)			
Interest income	2,350	63,499	65,849
Interest expense	-	(594,577)	(594,577)
Loss in investment in affiliate	-	(38)	(38)
Total nonoperating revenue (expense)	2,350	(531,116)	(528,766)
(Loss) Income - Before contributions	(81,335)	159,275	77,940
Capital Contributions - Federal capital contributions	108,640	-	108,640
Change in Net Position	27,305	159,275	186,580
Net Position - Beginning of year	-	-	-
Change in Net Position	-	-	-
Net Position - Beginning of year	4,944,571	5,068,932	10,013,503
Net Position - End of year	<u>\$ 4,971,876</u>	<u>\$ 5,228,207</u>	<u>\$ 10,200,083</u>

* Balances are as of March 31, 2013 for the Housing Commission and as of June 30, 2013 for the Taylor Community Development Corp., its component unit.