

City of Taylor, Michigan

**Financial Report
with Supplemental Information
June 30, 2014**

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, 2014 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 did not audit the financial statements of the Taylor Housing Commission (a discretely presented component unit) which reflect total assets of \$4,549,015 at March 31, 2014 and a net decrease in net position of \$527,977 for the year then ended. Those financial statements were audited by another auditor, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Taylor Housing Commission, is based solely on the report of the other auditor. The other auditor's report, dated September 8, 2014, expressed an unqualified opinion on the financial statements. The Taylor Community Development Corporation (TCDC) had an amendment to its bylaws and as a result, no longer qualifies as a component unit of the Taylor Housing Commission under GASB Statement No. 61 for the fiscal year ended June 30, 2014.

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 in accordance with *Government Auditing Standards*.

To the City Council
City of Taylor, Michigan

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.

Opinion

In our opinion, based on our audit and the report of the other auditor, 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, 2014 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 discussed in Note 23 to the basic financial statements, the 2013 Housing Commission's basic financial statements, audited by a component auditor, have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

As described in Note 2, during the year ended June 30, 2014, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans*. Adopting this statement resulted in significant changes to the Police and Fire Retirement System note disclosures as well as the required supplemental information schedules. Our opinion is not modified with respect to this matter.

As discussed in Note 2 to the basic financial statements, during the year ended June 30, 2014, the City also adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred inflows and outflows of resources, certain items that were previously reported as assets and liabilities. Our opinion is not modified with respect to this matter.

As discussed in Note 2 to the basic financial statements, during the year ended June 30, 2014, the City adopted GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Adopting this statement resulted in a liability being recorded in the governmental activities on the statement of net position. Our opinion is not modified with respect to this matter.

As explained in Note 4, the financial statements include investments valued at \$30,631,608 (26.1 percent of the Police and Fire Retirement System net position) at June 30, 2014 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.

To the City Council
City of Taylor, Michigan

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 and related information, and the major funds 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2014 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.



December 15, 2014

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, 2014. 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 decreased approximately \$8.5 million from 2013. The decrease was related to transferring the Act 345 tax millage (Police and Fire Retirement) to a separate special revenue fund during FYE 2014.

- Property tax related revenue, which is the largest source of revenue, continues to be a challenge. With the continuing decreases in property values, the City estimates its tax revenue from the general operating tax millage to decrease approximately \$500,000 in FYE 2015. Taxable values are estimated to increase 1-2 percent for FYE 2016 (the first increase since 2008). Although home values could increase more than 2 percent, the increases in taxable values are limited to inflation due to State laws, Proposal A, and the Headlee amendment.
- State-shared revenue was \$6.7 million and our second largest revenue source. It was higher than the 2013 amount by \$197,000. The total state-shared revenue for the 2015 FYE is expected to be \$182,000 more than 2014.
- 23rd District Court revenue increased approximately \$458,000 from the prior year amount of \$2.9 million to approximately \$3.4 million for the year ended June 30, 2014. The reason for this increase is related to the increase in traffic detail shifts and the establishment of a new patrol traffic bureau.

General Fund expenditures were lower by approximately \$7.5 million compared to 2013. Public Safety experienced a significant decrease (\$4.8 million) due to the transfer of pension costs to the new Police and Fire Retirement special revenue fund. Employee benefits experienced a significant decrease due to the transfer of police and fire retiree health care costs to the new Police and Fire retirement special revenue fund. Expenditures primarily consist of employee related wage and fringe benefit expense, and two unresolved union contracts remain open at June 30, 2014.

The fund balance of the General Fund (the cumulative difference between revenue and expenditures) shows that the annual revenue was sufficient to pay for all expenditures. The unassigned fund balance at June 30, 2014 was a surplus of \$389,350. The result of the unassigned fund balance indicates that the City is no longer considered to be in a deficit and does not need to file future deficit elimination plans with the State of Michigan. The unassigned fund balance of \$389,350 is nowhere near what the City must maintain in order to be considered financially stable. In order to achieve financial stability, the City should have an unassigned fund balance of 15-30 percent of annual operating expenditures. This equates to approximately \$6.0 million at the lower end of the above range. Because of the limits on the City's ability to increase revenue, it is imperative that management's focus be on containing annual costs in order to maintain a structural surplus.

City of Taylor, Michigan

Management's Discussion and Analysis (Continued)

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 2014 (third year of positive cash flow) adjusting for the effects of depreciation. Due to the State's new determination of a deficit for enterprise funds, the Golf Course Fund is not considered to be in a deficit and does not need to file a deficit elimination plan with the State. The 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.

Total net position related to the City's governmental activities at the end of the year were approximately \$126.4 million, a \$15.7 million decrease from the prior year's approximately \$142.1 million in net position. The net decrease is mainly due to recording the increase in the annual OPEB obligation and adding an \$11.2 million liability related to the non-exchange financial guarantee of Brownfield Redevelopment Authority debt associated with the Island Lakes project. The inclusion of the non-exchange financial guarantee liability is related to the new GASB 70 accounting standard that was implemented during the fiscal year ended June 30, 2014.

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 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.

City of Taylor, Michigan

Management's Discussion and Analysis (Continued)

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 major fund budget information, combining statements for nonmajor governmental funds, fiduciary funds, and the Taylor Housing Commission component unit.

The City of Taylor as a Whole

The following table shows, in a condensed format, the net position as of June 30, 2014 and 2013:

Summary Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2014	2013	2014	2013	2014
Assets						
Current assets	\$ 27,949,562	\$ 29,038,775	\$ 17,772,695	\$ 18,468,726	\$ 45,722,257	\$ 47,507,501
Capital assets	189,968,082	185,570,886	131,996,103	132,243,591	321,964,185	317,814,477
Other noncurrent assets	<u>1,940,852</u>	<u>2,034,381</u>	<u>9,503,151</u>	<u>10,117,231</u>	<u>11,444,003</u>	<u>12,151,612</u>
Total assets	219,858,496	216,644,042	159,271,949	160,829,548	379,130,445	377,473,590
Deferred Outflows of Resources -						
Bond refunding loss being amortized	-	140,001	-	-	-	140,001
Liabilities						
Current liabilities	23,223,334	21,909,940	2,354,378	2,791,794	25,577,712	24,701,734
Long-term liabilities	<u>54,463,717</u>	<u>68,483,149</u>	<u>43,252,562</u>	<u>39,383,651</u>	<u>97,716,279</u>	<u>107,866,800</u>
Total liabilities	<u>77,687,051</u>	<u>90,393,089</u>	<u>45,606,940</u>	<u>42,175,445</u>	<u>123,293,991</u>	<u>132,568,534</u>
Net Position						
Invested in capital assets -						
Net of related debt	165,888,322	164,828,519	91,674,600	96,092,572	257,562,922	260,921,091
Restricted	10,803,588	11,128,782	7,389,349	8,045,803	18,192,937	19,174,585
Unrestricted (deficit) assets	<u>(34,520,465)</u>	<u>(49,566,347)</u>	<u>14,601,060</u>	<u>14,515,728</u>	<u>(19,919,405)</u>	<u>(35,050,619)</u>
Total net position	<u>\$ 142,171,445</u>	<u>\$ 126,390,954</u>	<u>\$ 113,665,009</u>	<u>\$ 118,654,103</u>	<u>\$ 255,836,454</u>	<u>\$ 245,045,057</u>

The City's combined net position totaled \$245 million, a decrease of 4.2 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 \$15 million for our governmental activities. The business-type activities unrestricted net position decreased by \$85,332 during 2014.

City of Taylor, Michigan

Management's Discussion and Analysis (Continued)

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

Governmental Activities

The City's total governmental revenues were up from \$59.4 million to \$62.7 million, mainly due to the new HOME Grant, increase in state-shared revenue, favorable decreases in MTT and County chargeback liabilities, and an increase in Court fines and forfeitures related to traffic detail and a new traffic bureau. The City's total governmental expenses increased by approximately \$12 million, an 18 percent increase from 2013. A large portion of the increase was due to including the new GASB 70 non-exchange financial guarantee liability of \$11.2 million. Public safety costs increased slightly due to an increase in personnel related to the new traffic bureau.

Summary Condensed Statement of Activities

	Governmental Activities		Business-type Activities		Total	
	2013	2014	2013	2014	2013	2014
Revenue						
Program revenue:						
Charges for services	\$ 8,094,170	\$ 9,764,432	\$ 18,920,210	\$ 18,209,458	\$ 27,014,380	\$ 27,973,890
Operating grants and contributions	8,221,172	10,845,429	-	-	8,221,172	10,845,429
Capital grants and contributions	1,638,194	2,009,814	214,403	527,979	1,852,597	2,537,793
General revenue:						
Property taxes	27,926,076	26,871,936	5,422,668	5,140,804	33,348,744	32,012,740
State-shared revenue	6,462,497	6,659,428	-	-	6,462,497	6,659,428
Unrestricted investment earnings	10,808	13,118	32,948	70,422	43,756	83,540
Miscellaneous revenue	7,055,639	6,528,089	13,526	1,550	7,069,165	6,529,639
Total revenue	59,408,556	62,692,246	24,603,755	23,950,213	84,012,311	86,642,459
Program Expenses						
General government	10,267,012	10,024,933	-	-	10,267,012	10,024,933
Public safety	31,534,302	30,808,107	-	-	31,534,302	30,808,107
Public works	17,104,831	31,091,823	-	-	17,104,831	31,091,823
Community and economic development	1,394,090	2,321,383	-	-	1,394,090	2,321,383
Recreation and culture	4,180,442	3,455,688	-	-	4,180,442	3,455,688
Interest on long-term debt	1,543,358	770,803	-	-	1,543,358	770,803
Water	-	-	7,562,214	8,002,880	7,562,214	8,002,880
Sewer	-	-	7,720,109	7,043,227	7,720,109	7,043,227
Golf courses	-	-	3,876,471	3,703,433	3,876,471	3,703,433
Ecorse Creek	-	-	249,595	211,579	249,595	211,579
Total program expenses	66,024,035	78,472,737	19,408,389	18,961,119	85,432,424	97,433,856
Change in Net Position	\$ (6,615,479)	\$ (15,780,491)	\$ 5,195,366	\$ 4,989,094	\$ (1,420,113)	\$ (10,791,397)

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 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 2014, total revenues decreased approximately \$653,000 and total expenses decreased \$447,000.

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 2014 are the General Fund, the Police and Fire Retirement Fund, and the 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 \$13.3 million, and public works, which incurred expenses of \$4.2 million in 2014. Employee benefit expenses accounted for another \$4.9 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 \$5.1 million. Major budget adjustments include increases in revenue from the Taylor Sportsplex (\$1.3 million), increases to federal grants for the SAFER and HOME Grants (\$1.0 million), increase in fines and forfeitures (\$700,000), increases in other revenues (\$1.4 million), and interest and rents (\$600,000).

The City's expenditure budget was increased approximately \$6.1 million during the fiscal year. Major budget adjustments include increases in recreation and culture expenditures related to the Taylor Sportsplex and Park supplies (\$1.7 million), increases in public safety personnel for the traffic bureau and SAFER grant (\$1.0 million), increases in general government (\$950,000) mainly for inclusion of Customer Assistance Center costs not originally budgeted, and increases in community development budget related to the HOME grant (\$950,000).

City of Taylor, Michigan

Management's Discussion and Analysis (Continued)

Capital Asset and Debt Administration

At the end of 2014, the City, including its component units, had approximately \$334 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 \$258 million to approximately \$260 million. The component units' investment in capital assets, net of related debt, increased from \$12 million to \$16 million. The City's total debt, including OPEB and nonexchange financial guarantees, was approximately \$150.5 million, including approximately \$36.4 million of component unit debt. Expected FYE 2015 debt service payments on all long-term obligations exclusive of interest are approximately \$12.6 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 completion of fiscal year end June 30, 2014 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. In the five years leading up to December 31, 2013, 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 2015. Taxable values are expected to increase slightly for FYE 2016. 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 \$572,000 from the General Fund in FYE 2015 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 \$572,000 to \$810,000, 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 support from other sources of revenue prior to the maturity of the related debt in September 2016. The Taylor Community Development Corporation, a separate entity which oversees the southwest district, has passed a resolution to cover the estimated shortfall related to the 1996 voted millage so that the City would not have to approach taxpayers for an extension of this millage.

City of Taylor, Michigan

Management's Discussion and Analysis (Continued)

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 wage increases, implementing co-pay arrangements for health insurance, and conservative spending, the City closed out the fiscal year ended June 30, 2014 with revenue exceeding expenditures in the General Fund and a positive unassigned fund balance that totaled \$389,350.

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 June 30, 2014

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 4)	\$ 19,606,819	\$ 13,806,699	\$ 33,413,518	\$ 7,632,836
Receivables - Net:				
Property taxes	831,970	-	831,970	-
Customers	-	4,785,511	4,785,511	-
Other	1,591,117	67,027	1,658,144	743,673
Due from other governmental units	3,156,369	85,713	3,242,082	-
Special assessments	2,093,074	-	2,093,074	-
Due from primary government	-	-	-	410,715
Internal balances (Note 7)	611,556	(611,556)	-	-
Inventory	-	306,752	306,752	-
Prepaid expenses and other assets	1,147,870	28,580	1,176,450	3,831
Restricted assets (Note 9)	-	11,867,231	11,867,231	-
Long-term advances to (from) other funds	1,750,000	(1,750,000)	-	-
Land held for resale	284,381	-	284,381	-
Capital assets:				
Nondepreciable capital assets (Note 6)	29,938,771	10,193,452	40,132,223	15,250,990
Depreciable capital assets (Note 6)	155,632,115	122,050,139	277,682,254	1,151,655
Total assets	216,644,042	160,829,548	377,473,590	25,193,700
Deferred Outflows of Resources -				
Bond refunding loss being amortized	140,001	-	140,001	-
Liabilities				
Accounts payable	2,609,125	2,311,215	4,920,340	686,988
Tenant security deposits	-	-	-	26,329
Due to other governmental units	1,309,890	2,024,372	3,334,262	-
Due to component units	379,347	31,368	410,715	-
Accrued liabilities and other	2,545,405	602,088	3,147,493	483,166
Interest-bearing advances from other funds	7,500,000	(7,500,000)	-	-
Unearned revenue	2,093,074	4,561	2,097,635	743,673
Current liabilities payable from restricted assets	-	4,477,508	4,477,508	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 8)	963,051	63,343	1,026,394	-
Workers' compensation (Note 8)	26,364	-	26,364	-
Nonexchange financial guarantee	572,000	-	572,000	-
Current portion of long-term debt	3,911,684	777,339	4,689,023	3,587,314
Due in more than one year:				
Compensated absences (Note 8)	2,491,146	146,138	2,637,284	19,036
Workers' compensation (Note 8)	594,066	-	594,066	-
Nonexchange Financial Guarantee (Notes 2 and 8)	10,638,000	-	10,638,000	-
Net OPEB obligation (Note 21)	37,719,477	3,863,833	41,583,310	-
Long-term debt (Note 8)	17,040,460	35,373,680	52,414,140	32,758,892
Total liabilities	90,393,089	42,175,445	132,568,534	38,305,398

City of Taylor, Michigan

Statement of Net Position (Continued) June 30, 2014

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Net Position				
Invested in capital assets - Net of related debt	\$ 164,828,519	\$ 96,092,572	\$ 260,921,091	\$ 16,402,645
Restricted:				
Debt service	813,688	7,389,723	8,203,411	-
Roads	3,313,136	-	3,313,136	-
Drug forfeiture	1,672,232	-	1,672,232	-
Sewer	-	656,080	656,080	-
Special millages	4,369,783	-	4,369,783	-
Grants	864,135	-	864,135	-
Building	95,808	-	95,808	-
HAP payments	-	-	-	276,698
Unrestricted	<u>(49,566,347)</u>	<u>14,515,728</u>	<u>(35,050,619)</u>	<u>(29,791,041)</u>
Total net position	<u>\$ 126,390,954</u>	<u>\$ 118,654,103</u>	<u>\$ 245,045,057</u>	<u>\$ (13,111,698)</u>

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	\$ 10,024,933	\$ 5,613,262	\$ 193,484	\$ 9,940
Public safety	30,808,107	1,698,681	4,831,750	28,641
Public works	31,091,823	483,644	5,062,113	1,726,806
Community and economic development	2,321,383	-	557,882	-
Recreation and culture	3,455,688	1,968,845	200,200	244,427
Interest on long-term debt	770,803	-	-	-
Total governmental activities	78,472,737	9,764,432	10,845,429	2,009,814
Business-type activities:				
Water	8,002,880	8,119,923	-	501,653
Sewer	7,043,227	6,512,854	-	-
Golf courses	3,703,433	3,045,850	-	26,326
Ecorse Creek	211,579	530,831	-	-
Total business-type activities	18,961,119	18,209,458	-	527,979
Total primary government	\$ 97,433,856	\$ 27,973,890	\$ 10,845,429	\$ 2,537,793
Component units	\$ 10,913,231	\$ 336,552	\$ 6,570,668	\$ -

General revenues:
 Property taxes
 State-shared revenue
 Investment income
 Cable franchise fees
 Other miscellaneous income
 Federal capital contributions
 Contribution from General Fund

Total general revenues

Change in Net Position

Net Position - Beginning of year - As restated (Note 23)

Net Position - End of year

**Statement of Activities
Year Ended June 30, 2014**

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (4,208,247)	\$ -	\$ (4,208,247)	\$ -
(24,249,035)	-	(24,249,035)	-
(23,819,260)	-	(23,819,260)	-
(1,763,501)	-	(1,763,501)	-
(1,042,216)	-	(1,042,216)	-
(770,803)	-	(770,803)	-
(55,853,062)	-	(55,853,062)	-
-	618,696	618,696	-
-	(530,373)	(530,373)	-
-	(631,257)	(631,257)	-
-	319,252	319,252	-
-	(223,682)	(223,682)	-
(55,853,062)	(223,682)	(56,076,744)	-
-	-	-	(4,006,011)
26,871,936	5,140,804	32,012,740	5,498,258
6,659,428	-	6,659,428	-
13,118	70,422	83,540	14,861
365,248	-	365,248	-
6,162,841	-	6,162,841	61,835
-	1,550	1,550	94,251
-	-	-	656,617
40,072,571	5,212,776	45,285,347	6,325,822
(15,780,491)	4,989,094	(10,791,397)	2,319,811
142,171,445	113,665,009	255,836,454	(15,431,509)
\$ 126,390,954	\$ 118,654,103	\$ 245,045,057	\$ (13,111,698)

City of Taylor, Michigan

Governmental Funds Balance Sheet June 30, 2014

	General Fund	Act 179 Rubbish Fund	Police and Fire Retirement Fund	Nonmajor Funds	Total
Assets					
Cash and investments (Note 4)	\$ 10,742,741	\$ 2,583,003	\$ -	\$ 6,281,075	\$ 19,606,819
Receivables - Net:					
Property taxes receivable	814,306	5,262	8,276	4,126	831,970
Special assessments	2,093,074	-	-	-	2,093,074
Other	1,461,926	124,082	-	5,109	1,591,117
Due from other governmental units	2,210,151	-	-	946,218	3,156,369
Due from other funds (Note 7)	1,751,424	-	2,259,656	1,286,399	5,297,479
Prepaid expenses and other assets	1,063,395	-	-	84,475	1,147,870
Long-term advances to other funds	1,750,000	-	-	-	1,750,000
Properties held for resale	-	-	-	284,381	284,381
Total assets	\$ 21,887,017	\$ 2,712,347	\$ 2,267,932	\$ 8,891,783	\$ 35,759,079
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 1,331,460	\$ 315,875	\$ -	\$ 961,790	\$ 2,609,125
Due to other governmental units (Note 7)	902,838	-	280,052	127,000	1,309,890
Due to component units	379,347	-	-	-	379,347
Due to other funds (Note 7)	3,222,453	198,356	68,699	1,196,415	4,685,923
Accrued liabilities and other	2,025,323	87,887	103,272	87,835	2,304,317
Interest-bearing advances from other funds	7,500,000	-	-	-	7,500,000
Unearned revenue	2,093,074	-	-	-	2,093,074
Miscellaneous noncurrent liability	26,364	-	-	-	26,364
Total liabilities	17,480,859	602,118	452,023	2,373,040	20,908,040
Deferred Inflows of Resources -					
Unavailable revenue	639,880	34,100	-	33,493	707,473
Fund Balances					
Nonspendable:					
Prepaid expenses	1,063,395	-	-	84,475	1,147,870
Long-term receivable	1,750,000	-	-	-	1,750,000
Restricted:					
Roads	-	-	-	3,308,391	3,308,391
Drug forfeiture	-	-	-	1,587,757	1,587,757
Debt service	-	-	-	813,688	813,688
Grants	563,533	-	-	180,234	743,767
Special millage	-	2,076,129	1,815,909	443,645	4,335,683
Building	-	-	-	95,808	95,808
Unassigned	389,350	-	-	(28,748)	360,602
Total fund balances	3,766,278	2,076,129	1,815,909	6,485,250	14,143,566
Total liabilities, deferred inflows of resources, and fund balances	\$ 21,887,017	\$ 2,712,347	\$ 2,267,932	\$ 8,891,783	\$ 35,759,079

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

City of Taylor, Michigan

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position June 30, 2014

Fund Balance Reported in Governmental Funds	\$ 14,143,566
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	185,570,886
Special assessment, grants, and other receivables are expected to be collected over several years and are not available to pay for current year expenditures	707,473
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds - Long-term debt	(20,812,143)
Net OPEB or pension obligation	(37,719,477)
Workers' compensation claims	(594,066)
Accrued interest payable	(241,088)
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	(3,454,197)
Nonexchange financial guarantee	<u>(11,210,000)</u>
Net Position of Governmental Activities	<u>\$ 126,390,954</u>

City of Taylor, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2014

	General Fund	Act 179 Rubbish Fund	Police and Fire Retirement Fund	Nonmajor Funds	Total
Revenue					
Property taxes	\$ 11,646,206	\$ 4,158,185	\$ 8,740,304	\$ 4,031,426	\$ 28,576,121
Licenses and permits	1,285,001	-	-	1,369,251	2,654,252
Federal grants	2,851,264	-	1,022,914	2,009,163	5,883,341
State-shared revenue and grants	7,103,329	-	-	4,566,562	11,669,891
Charges for services	2,137,515	451,975	-	-	2,589,490
Fines and forfeitures	3,647,318	-	-	-	3,647,318
Investment income	-	6,365	-	12,752	19,117
Rental income	811,470	-	-	529,155	1,340,625
Other revenue	6,096,936	222,349	-	8,331	6,327,616
Total revenue	<u>35,579,039</u>	<u>4,838,874</u>	<u>9,763,218</u>	<u>12,526,640</u>	<u>62,707,771</u>
Expenditures					
Current:					
General government	7,062,760	-	-	-	7,062,760
Public safety	13,287,516	-	5,145,379	500,516	18,933,411
Public works and capital projects	4,172,078	4,833,838	-	5,741,256	14,747,172
Employee benefits	4,909,964	-	2,801,930	-	7,711,894
Economic and community development	1,172,975	-	-	245,731	1,418,706
Recreation and cultural	2,454,545	-	-	-	2,454,545
Capital outlay and other	-	-	-	1,991,156	1,991,156
Debt service	107,014	661,571	-	4,665,688	5,434,273
Total expenditures	<u>33,166,852</u>	<u>5,495,409</u>	<u>7,947,309</u>	<u>13,144,347</u>	<u>59,753,917</u>
Excess of Revenue Over (Under) Expenditures	2,412,187	(656,535)	1,815,909	(617,707)	2,953,854
Other Financing Sources (Uses)					
Face value of debt issue	393,727	219,513	-	-	613,240
Transfers in (Note 7)	-	-	-	3,700,591	3,700,591
Transfers out (Note 7)	-	-	-	(3,700,591)	(3,700,591)
Total other financing sources	<u>393,727</u>	<u>219,513</u>	<u>-</u>	<u>-</u>	<u>613,240</u>
Net Change in Fund Balances	2,805,914	(437,022)	1,815,909	(617,707)	3,567,094
Fund Balances - Beginning of year	<u>960,364</u>	<u>2,513,151</u>	<u>-</u>	<u>7,102,957</u>	<u>10,576,472</u>
Fund Balances - End of year	<u>\$ 3,766,278</u>	<u>\$ 2,076,129</u>	<u>\$ 1,815,909</u>	<u>\$ 6,485,250</u>	<u>\$ 14,143,566</u>

City of Taylor, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2014

Net Change in Fund Balances - Total Governmental Funds	\$ 3,567,094
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	6,276,073
Statement of activities records depreciation on capital assets	(9,658,495)
Proceeds from asset sales are recorded in the governmental funds; on the statement of activities, a loss is recorded	(1,014,774)
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	(2,297)
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)	(344,952)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	3,836,084
Amortization of bond premium liabilities and deferred cost of financing are reported as expense on the governmental funds when issued	44,773
Change in accrued interest on long-term debt is not recorded in the governmental funds	39,983
Increase 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	(148,966)
Decrease in estimated workers' compensation liability is recorded in the statement of activities	164,324
The change in the net OPEB obligation is not included in the governmental funds	(6,670,343)
Governmental funds report bond issuance costs as expenditures in the period incurred. With the implementation of GASB Statement No. 65, bond issuance costs were fully amortized in the current year for government-wide statements	(45,755)
Face value of debt issue	(613,240)
Nonexchange financial guarantee	<u>(11,210,000)</u>
Change in Net Position	<u>\$ (15,780,491)</u>

City of Taylor, Michigan

Proprietary Funds Statement of Net Position June 30, 2014

	Enterprise Funds				Total
	Water	Sewer	Golf Courses	Nonmajor - Ecorse Creek	
Assets					
Current assets:					
Cash and investments (Note 4)	\$ 4,949,198	\$ 6,494,352	\$ 635,638	\$ 1,727,511	\$ 13,806,699
Receivables - Net:					
Customers	2,320,988	2,241,749	-	222,774	4,785,511
Other	8,706	18,360	39,961	-	67,027
Due from other governmental units	85,713	-	-	-	85,713
Due from other funds (Note 7)	283,137	500,463	-	51,860	835,460
Inventories	171,573	840	134,339	-	306,752
Prepaid expenses	-	-	-	28,580	28,580
Interest-bearing advance to other funds (Note 7)	1,650,000	5,850,000	-	-	7,500,000
Total current assets	<u>9,469,315</u>	<u>15,105,764</u>	<u>809,938</u>	<u>2,030,725</u>	<u>27,415,742</u>
Noncurrent assets:					
Restricted assets (Note 9)	-	11,433,928	-	433,303	11,867,231
Capital assets - Net (Note 6):					
Assets not subject to depreciation	4,919,046	265,165	4,720,372	288,869	10,193,452
Assets subject to depreciation	17,816,000	94,132,129	8,027,876	2,074,134	122,050,139
Total noncurrent assets	<u>22,735,046</u>	<u>105,831,222</u>	<u>12,748,248</u>	<u>2,796,306</u>	<u>144,110,822</u>
Total assets	<u>32,204,361</u>	<u>120,936,986</u>	<u>13,558,186</u>	<u>4,827,031</u>	<u>171,526,564</u>
Liabilities					
Current liabilities:					
Accounts payable	1,334,552	754,829	161,380	60,454	2,311,215
Due to other governmental units	47,203	1,958,982	18,187	-	2,024,372
Due to component units	-	31,368	-	-	31,368
Due to other funds (Note 7)	1,130,664	132,419	183,933	-	1,447,016
Accrued and other liabilities	78,907	291,405	219,524	12,252	602,088
Unearned revenue	-	-	4,561	-	4,561
Liabilities payable from restricted assets	-	4,477,508	-	-	4,477,508
Current portion of compensated absences (Note 8)	42,925	18,973	1,445	-	63,343
Current portion of long-term debt (Note 8)	125,000	449,108	40,791	162,440	777,339
Total current liabilities	<u>2,759,251</u>	<u>8,114,592</u>	<u>629,821</u>	<u>235,146</u>	<u>11,738,810</u>
Noncurrent liabilities:					
Long-term advances from other funds (Note 7)	-	-	1,750,000	-	1,750,000
Compensated absences (Note 8)	82,629	35,242	28,267	-	146,138
Net OPEB obligation (Note 21)	2,004,284	833,060	1,026,489	-	3,863,833
Long-term debt - Net of current portion (Note 8)	505,000	32,996,480	2,879	1,869,321	35,373,680
Total noncurrent liabilities	<u>2,591,913</u>	<u>33,864,782</u>	<u>2,807,635</u>	<u>1,869,321</u>	<u>41,133,651</u>
Total liabilities	<u>5,351,164</u>	<u>41,979,374</u>	<u>3,437,456</u>	<u>2,104,467</u>	<u>52,872,461</u>
Net Position					
Net investment in capital assets	22,105,046	60,951,706	12,704,578	331,242	96,092,572
Restricted:					
Debt service	-	6,956,420	-	433,303	7,389,723
Sewer grant expenditures	-	656,080	-	-	656,080
Unrestricted	4,748,151	10,393,406	(2,583,848)	1,958,019	14,515,728
Total net position	<u>\$ 26,853,197</u>	<u>\$ 78,957,612</u>	<u>\$ 10,120,730</u>	<u>\$ 2,722,564</u>	<u>118,654,103</u>
Net Position of Business-type Activities					<u>\$ 118,654,103</u>

City of Taylor, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2014

	Enterprise Funds				Total
	Water	Sewer	Golf Courses	Nonmajor - Ecorse Creek	
Operating Revenue					
Water sales	\$ 6,787,688	\$ -	\$ -	\$ -	\$ 6,787,688
Sewage disposal charges	-	5,633,044	-	-	5,633,044
Charges for services	1,327,201	879,810	1,730,368	530,831	4,468,210
Sale of merchandise	-	-	1,255,232	-	1,255,232
Other	5,034	-	60,250	-	65,284
Total operating revenue	8,119,923	6,512,854	3,045,850	530,831	18,209,458
Operating Expenses					
Cost of water operations	6,938,380	-	-	-	6,938,380
Cost of sewage treatment	-	4,313,738	-	-	4,313,738
Ecorse Creek user charge system	-	-	-	139,667	139,667
Cost of sales	-	-	600,173	-	600,173
Cost of operating and maintenance	-	-	1,170,461	-	1,170,461
General and administrative	14,349	-	1,191,855	-	1,206,204
Depreciation and amortization	1,018,860	1,654,891	736,793	43,211	3,453,755
Total operating expenses	7,971,589	5,968,629	3,699,282	182,878	17,822,378
Operating Income (Loss)	148,334	544,225	(653,432)	347,953	387,080
Nonoperating Revenue (Expenses)					
Property taxes	-	5,140,804	-	-	5,140,804
Investment income	20,937	44,620	1,650	3,215	70,422
Interest expense	(31,291)	(1,074,598)	(4,151)	(28,701)	(1,138,741)
Gain on sale of assets	1,550	-	-	-	1,550
Total nonoperating (expenses) revenue	(8,804)	4,110,826	(2,501)	(25,486)	4,074,035
Income (Loss) - Before contributions	139,530	4,655,051	(655,933)	322,467	4,461,115
Donated Assets	501,653	-	26,326	-	527,979
Change in Net Position	641,183	4,655,051	(629,607)	322,467	4,989,094
Net Position - Beginning of year	26,212,014	74,302,561	10,750,337	2,400,097	113,665,009
Net Position - End of year	<u>\$ 26,853,197</u>	<u>\$ 78,957,612</u>	<u>\$ 10,120,730</u>	<u>\$ 2,722,564</u>	<u>\$ 118,654,103</u>

City of Taylor, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2014

	Enterprise Funds				
	Water	Sewer	Golf Courses	Nonmajor - Ecorse Creek	Total
Cash Flows from Operating Activities					
Receipts from customers	\$ 7,935,269	\$ 5,939,031	\$ 2,989,882	\$ 502,114	\$ 17,366,296
Internal activity - Receipts and payments to other funds	(2,054,613)	1,332,025	52,264	(22,509)	(692,833)
Payments to suppliers	(2,935,751)	(4,751,075)	(1,763,597)	(108,284)	(9,558,707)
Payments to employees	(1,795,870)	(496,553)	(1,053,536)	-	(3,345,959)
Other receipts	133,724	-	38,912	-	172,636
Net cash provided by operating activities	1,282,759	2,023,428	263,925	371,321	3,941,433
Cash Flows from Capital and Related Financing Activities					
Receipt of capital grants	95,998	-	-	-	95,998
Benefit fees	-	-	26,326	-	26,326
Proceeds from sales of capital assets	1,550	-	-	-	1,550
Property taxes	-	5,140,804	-	-	5,140,804
Purchase of capital assets	(2,556,422)	(94,957)	(34,087)	-	(2,685,466)
Change in capital related financing	(141,667)	(834,281)	(98,265)	313,469	(760,744)
Payments to the County	-	(5,228,583)	-	-	(5,228,583)
Net cash (used in) provided by capital and related financing activities	(2,600,541)	(1,017,017)	(106,026)	313,469	(3,410,115)
Cash Flows from Investing Activities					
Interest received on investments	21,410	32,474	1,650	3,215	58,749
Interest-bearing advances made to and received from other funds	2,235,252	(1,637,945)	-	-	597,307
Net cash provided by (used in) investing activities	2,256,662	(1,605,471)	1,650	3,215	656,056
Net Increase (Decrease) in Cash and Cash Equivalents	938,880	(599,060)	159,549	688,005	1,187,374
Cash and Cash Equivalents - Beginning of year	4,010,318	18,527,340	476,089	1,472,809	24,486,556
Cash and Cash Equivalents - End of year	\$ 4,949,198	\$ 17,928,280	\$ 635,638	\$ 2,160,814	\$ 25,673,930
Balance Sheet Classification of Cash and Cash Equivalents					
Cash and investments	\$ 4,949,198	\$ 6,494,352	\$ 635,638	\$ 1,727,511	\$ 13,806,699
Restricted cash	-	11,433,928	-	433,303	11,867,231
Total cash and cash equivalents	\$ 4,949,198	\$ 17,928,280	\$ 635,638	\$ 2,160,814	\$ 25,673,930

City of Taylor, Michigan

Proprietary Funds Statement of Cash Flows (Continued) Year Ended June 30, 2014

	Enterprise Funds				
	Water	Sewer	Golf Courses	Nonmajor - Ecorse Creek	Total
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities					
Operating income (loss)	\$ 148,334	\$ 544,225	\$ (653,432)	\$ 347,953	\$ 387,080
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation and amortization	1,018,860	1,654,891	736,793	43,211	3,453,755
Changes in assets and liabilities:					
Receivables	(179,620)	(573,823)	(17,056)	(28,717)	(799,216)
Due from other funds	(2,054,613)	1,332,025	52,264	(43,500)	(713,824)
Inventories and other assets	(2,302)	1,539	15,789	(28,580)	(13,554)
Accrued liabilities	2,150,040	(1,637,945)	(10,678)	-	501,417
Accounts payable	(75,120)	604,923	10,500	59,963	600,266
Due to other funds	-	-	-	20,991	20,991
Accrued compensation	148,490	97,593	129,745	-	375,828
Other liabilities	128,690	-	-	-	128,690
Net cash provided by operating activities	<u>\$ 1,282,759</u>	<u>\$ 2,023,428</u>	<u>\$ 263,925</u>	<u>\$ 371,321</u>	<u>\$ 3,941,433</u>

Noncash Investing, Capital, and Financing Activities - During the year ended June 30, 2014, the City had several noncash transactions with the assets held at Wayne County, including debt payments of \$5,044,292 and interest payments of \$1,118,385.

In addition, as participants in the Downriver Sewage Disposal System and the Ecorse Creek Pollution Abatement District, the City was allocated \$321,253 and \$722,172, respectively, of additional debt in the current year.

City of Taylor, Michigan

Fiduciary Funds Statement of Fiduciary Net Position June 30, 2014

	Pension and Other Employee Benefit Plans*	<u>Agency Funds</u>
Assets		
Cash and cash equivalents	\$ 6,717,343	\$ 1,401,427
Investments:		
U.S. government securities	8,786,093	-
Agency securities	1,801,335	-
Stocks	75,382,232	-
Bonds	8,505,737	-
Mutual funds	28,535,891	-
Partnerships	30,631,609	-
Receivables:		
Accrued interest receivable	223,438	-
Other	67,382	499,531
	<u>160,651,060</u>	<u>\$ 1,900,958</u>
Liabilities		
Due to other governmental units	-	\$ 1,751,487
Accrued liabilities and other	-	38,354
Landfill closure and postclosure	-	111,117
	<u>-</u>	<u>\$ 1,900,958</u>
Net Position Held in Trust for Pension and Other Employee Benefits	<u>\$ 160,651,060</u>	

* Balances are as of December 31, 2013 for the General Employees' Pension Plan and as of June 30, 2014 for the Police and Fire Retirement System.

City of Taylor, Michigan

Fiduciary Funds Statement of Changes in Fiduciary Net Position Year Ended June 30, 2014

	Pension and Other Employee Benefit Plans*
Additions	
Investment income:	
Interest and dividends	\$ 2,337,708
Net increase in fair value of investments	24,389,689
Less investment expenses	<u>(535,740)</u>
Net investment income	26,191,657
Contributions:	
Employer	7,525,026
Employee	<u>974,513</u>
Total contributions	<u>8,499,539</u>
Total additions - Net of investment expenses	34,691,196
Deductions	
Benefit payments	17,704,036
General and administrative	<u>476,993</u>
Total deductions	<u>18,181,029</u>
Net Increase in Net Position Held in Trust	16,510,167
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year	<u>144,140,893</u>
Net Position Held in Trust for Pension and Other Employee Benefits - End of year	<u>\$ 160,651,060</u>

* Balances are as of December 31, 2013 for the General Employees' Pension Plan and as of June 30, 2014 for the Police and Fire Retirement System.

City of Taylor, Michigan

Component Units Statement of Net Position June 30, 2014

	Local Development Financing Authority	Tax Increment Financing Authority	Brownfield Redevelopment Authority	Downtown Development Authority	Housing Commission*	Total
Assets						
Cash and investments (Note 4)	\$ 185,179	\$ 2,333,427	\$ 2,173,922	\$ 306,778	\$ 2,633,530	\$ 7,632,836
Accounts receivable	-	-	743,673	-	-	743,673
Due from primary government	39,855	206,124	118,467	46,269	-	410,715
Prepaid expenses and other assets	-	-	-	-	3,831	3,831
Capital assets (Note 6)	17,745	13,536,684	77,187	859,375	1,911,654	16,402,645
Total assets	242,779	16,076,235	3,113,249	1,212,422	4,549,015	25,193,700
Liabilities						
Accounts payable	-	581,414	69,871	850	34,853	686,988
Accrued liabilities and other	-	137,985	313,641	18,642	12,898	483,166
Unearned revenue	-	-	743,673	-	-	743,673
Tenant security deposits	-	-	-	-	26,329	26,329
Due within one year (Note 8) - Current portion of long-term debt	-	2,896,235	456,079	235,000	-	3,587,314
Due in more than one year (Note 8): Compensated absences	-	-	-	-	19,036	19,036
Long-term debt	-	17,460,408	14,793,484	505,000	-	32,758,892
Total liabilities	-	21,076,042	16,376,748	759,492	93,116	38,305,398
Net Position						
Net investment in capital assets	17,745	13,536,684	77,187	859,375	1,911,654	16,402,645
Restricted - HAP payments	-	-	-	-	276,698	276,698
Unrestricted	225,034	(18,536,491)	(13,340,686)	(406,445)	2,267,547	(29,791,041)
Total net position	\$ 242,779	\$ (4,999,807)	\$ (13,263,499)	\$ 452,930	\$ 4,455,899	\$ (13,111,698)

* Balances are as of March 31, 2014 for the Housing Commission.

City of Taylor, Michigan

Functions/Programs	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Local Development Financing Authority	\$ 300	\$ -	\$ -	\$ -
Tax Increment Financing Authority	2,193,444	-	-	-
Brownfield Redevelopment Authority - Public works	1,087,481	-	-	-
Downtown Development Authority - Public Works	100,783	-	-	-
Housing Commission	7,531,223	336,552	6,570,668	-
Total component units	\$ 10,913,231	\$ 336,552	\$ 6,570,668	\$ -

General revenue:

Property taxes
 Federal capital contributions
 Investment income
 Other miscellaneous income
 Contribution from General Fund

Total general revenue

Transfers

Change in Net Position

Net Position - Beginning of year - As restated (Note 23)

Net Position - End of year

* Balances are as of March 31, 2014 for the Housing Commission.

**Component Units
Statement of Activities
Year Ended June 30, 2014**

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
\$ (300)	\$ -	\$ -	\$ -	\$ -	\$ (300)
-	(2,193,444)	-	-	-	(2,193,444)
-	-	(1,087,481)	-	-	(1,087,481)
-	-	-	(100,783)	-	(100,783)
-	-	-	-	(624,003)	(624,003)
(300)	(2,193,444)	(1,087,481)	(100,783)	(624,003)	(4,006,011)
100,790	4,435,795	506,157	455,516	-	5,498,258
-	-	-	-	94,251	94,251
320	8,371	3,470	925	1,775	14,861
-	61,835	-	-	-	61,835
-	-	656,617	-	-	656,617
101,110	4,506,001	1,166,244	456,441	96,026	6,325,822
-	(40,000)	270,000	(230,000)	-	-
100,810	2,272,557	348,763	125,658	(527,977)	2,319,811
141,969	(7,272,364)	(13,612,262)	327,272	4,983,876	(15,431,509)
\$ 242,779	\$ (4,999,807)	\$ (13,263,499)	\$ 452,930	\$ 4,455,899	\$ (13,111,698)

Note I - Summary of 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 following component units are reported within the component unit columns to emphasize that they are legally separate from the City.

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.

Note I - Summary of Significant Accounting Policies (Continued)

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.

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

Accounting and Reporting Principles

The City follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board.

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. 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. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Note I - Summary of Significant Accounting Policies (Continued)

For the most part, the effect of interfund activity has been removed from these 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 revenues reported for the various functions concerned.

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.

Fund Accounting

The City accounts for its various activities in several different funds, in order to demonstrate accountability for how we have spent certain resources - separate funds allow us to show the particular expenditures that specific revenues were used for. The various funds are aggregated into three broad fund types:

Governmental funds include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, special revenue funds, debt service funds, and capital project funds. The City reports the following funds as "major" governmental funds:

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide general government services, other than those specifically assigned to another fund.
- The Act 179 Rubbish Fund is a special revenue fund that accounts for property taxes levied specifically for rubbish disposal and related debt service.
- The Police and Fire Retirement Fund is a special revenue fund to account for property taxes specifically levied for the Act 345 millage, which is used for the City's portion of the related retirement and healthcare costs of the Police and Fire Retirement System.

Proprietary funds include enterprise funds, which provide goods or services to users in exchange for charges or fees. The City reports the following funds as "major" enterprise funds:

- The Water Fund accounts for the activities of the water distribution system.
- The Sewer Fund accounts for the activities of the sewage collection system.
- The Golf Courses Fund accounts for the activity related to the City's two golf courses, Taylor Meadows and Lakes of Taylor.

Note I - Summary of Significant Accounting Policies (Continued)

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts will not be used to operate our government's programs. Activities that are reported as fiduciary include:

- 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 has a calendar year end of December 31, 2013. Therefore, the General Employees' Pension Plan is included in this report as of December 31, 2013. The plans accumulate resources for pension benefit payments to qualified employees.
- 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 include the Tax Receiving Fund, the Agency Fund, and the 23rd District Court Fund.

Interfund activity: During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the government has spent its resources.

Note I - Summary of Significant Accounting Policies (Continued)

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree health care related costs, or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenues are not recognized until they are collected, or collected soon enough after the end of the year that they are available to pay for obligations outstanding at the end of the year. For this purpose, the City considers amounts collected within 60 days of year end to be available for recognition. 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, certain special assessments and federal grant reimbursements may be collected after the period of availability; accordingly, receivables have been recorded for these, along with a "deferred inflow."

Proprietary funds and fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Specific Balances and Transactions

Cash, Cash Equivalents, 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.

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 - The revenue bonds of the Enterprise Funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets, as well as amounts on deposit at Wayne County being held for the construction or debt service of the City of Taylor, Michigan water and sewer lines.

Note I - Summary of Significant Accounting Policies (Continued)

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:

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

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method; bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances as an "other financing source," as well as bond premiums and discounts. The General Fund and debt service funds are generally used to liquidate governmental long-term debt, as well as compensated absences. The General Fund and Police and Fire Retirement Fund will generally be used to liquidate pension liabilities.

Note I - Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position in the component units. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The government has one item that qualifies for reporting in this category. It is the deferred inflows of resources related to unavailable revenue. Unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two primary sources: grants and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Note I - Summary of Significant Accounting Policies (Continued)

Fund Balance Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The City Council has by resolution authorized the finance director to assign fund balance. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Property Tax Revenue

Property taxes are assessed as of December 31. The related taxes become a lien on December 1 of the following year. Taxes are due on February 28 and penalties and interest are assessed as of March 1.

Note I - Summary of Significant Accounting Policies (Continued)

The City's 2013 tax is levied and collectible on July 1, 2013 and is recognized as revenue in the year ended June 30, 2014, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2013 taxable valuation of the City totaled \$1,329,105,657 (a portion of which is abated and a portion of which is captured by the TIFA, BRDA, LDFA, and DDA), 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, 4.0152 for EPA debt, and 0.9601 mills for the Southend Project. This resulted in approximately \$10,100,000 for operating purposes, \$920,000 for library services, \$9,000,000 for public safety pension, \$1,900,000 for disposal authority, \$2,500,000 for garbage and rubbish services, \$38,000 for publicity services, \$2,900,000 for the building authority, \$5,300,000 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.

Pension and Other Postemployment Benefit (OPEB) Costs - The City offers both pension and retiree health care benefits to retirees. The City receives an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the respective obligations over the remaining amortization periods. 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 of OPEB, which equals to the current year required contribution, adjusted for interest and "adjustment to the ARC" on the beginning of year underpaid amount, if any.

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 and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. Compensated absences will be liquidated primarily by the General, Water, and Sewer Funds.

Note 1 - Summary of Significant Accounting Policies (Continued)

Proprietary Funds Operating Classification - Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Funds and internal service funds are charges to customers for sales and services. The Water and Sewer Funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

Note 2 - Change in Accounting

During the current year, the City adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The objective of this statement is to establish standards that reclassify certain items that were previously reported as assets and liabilities and instead to classify them as deferred inflows of resources, deferred outflows of resources, or as outflows of resources.

The City also adopted GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this standard was to improve accounting and financial reporting by governments that extend and receive nonexchange financial guarantees. This impacts the City as it is liable for bonds previously issued by the Brownfield Redevelopment Authority, whereas the Authority no longer has the revenue to meet debt service payments.

Note 2 - Change in Accounting (Continued)

As a result of implementing these statements, the following assets and liabilities have been reclassified or recorded, as indicated:

Item	Amount	Prior Reporting Classification/Treatment	New Classification After Adoption of New GASB
Deferred amounts on debt refundings	\$ 140,001	Adjustment to the bonds payable liability	Deferred outflow of resources
Bond issuance costs	45,754	Asset	Outflow of resources (an expense)
Revenue in governmental funds not collected within 60 days of year end	707,473	Liability	Deferred inflow of resources
Nonexchange financial guarantee	11,210,000	Not reported	Liability

During the current year, the City adopted GASB Statement No. 67, *Financial Reporting for Pension Plans - an Amendment of GASB Statement No. 25*. This statement required changes to the actuarial valuations resulting in a different measurement of the liability of the employer(s) to plan members for benefits provided through the pension plan. As a result, the disclosures within the pension footnote have changed considerably along with the related schedules in the required supplemental information (RSI).

Note 3 - 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.

Note 3 - Stewardship, Compliance, and Accountability (Continued)

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, 2014 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 Community Development Block Grant has an unassigned fund balance deficit at June 30, 2014. 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, 2014. There are no other proprietary funds with a deficit at June 30, 2014.

Note 4 - 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.

City of Taylor, Michigan

Notes to Financial Statements June 30, 2014

Note 4 - Deposits and Investments (Continued)

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 \$34,924,861 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. In addition, the City's component units had \$3,814,126 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.

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	\$ 5,064,613	\$ 735,952	\$ 3,011,571	\$ 1,317,090	\$ -
U.S. government securities	4,943,025	1,830,805	3,112,220	-	-
Agency securities	1,801,335	-	1,801,335	-	-
Total	<u>\$ 11,808,973</u>	<u>\$ 2,566,757</u>	<u>\$ 7,925,126</u>	<u>\$ 1,317,090</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	\$ 3,441,124	\$ 226,865	\$ 1,194,688	\$ 1,984,129	\$ 35,442
U.S. government securities	3,843,068	1,111,681	2,697,027	34,360	-
Total	<u>\$ 7,284,192</u>	<u>\$ 1,338,546</u>	<u>\$ 3,891,715</u>	<u>\$ 2,018,489</u>	<u>\$ 35,442</u>

Note 4 - 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			
General Employees' Pension Plan			
Corporate bonds	\$ 459,347	AA+	S&P
Corporate bonds	2,427,532	A	S&P
Corporate bonds	797,437	A-	S&P
Corporate bonds	406,420	BBB+	S&P
Corporate bonds	514,296	BBB	S&P
Corporate bonds	459,581	BBB-	S&P
U.S. government securities	4,943,025	AA+	S&P
Agency securities	1,801,335	AA+	S&P
Police and Fire Retirement System			
Corporate bonds	76,136	A1	Moody's
Corporate bonds	129,638	A2	Moody's
Corporate bonds	159,804	A3	Moody's
Corporate bonds	18,894	Aa1	Moody's
Corporate bonds	40,752	Aa2	Moody's
Corporate bonds	78,169	Aa3	Moody's
Corporate bonds	390,549	Aaa	Moody's
Corporate bonds	103,588	B1	Moody's
Corporate bonds	256,047	Ba1	Moody's
Corporate bonds	168,588	Ba2	Moody's
Corporate bonds	157,416	Ba3	Moody's
Corporate bonds	426,504	Baa1	Moody's
Corporate bonds	951,728	Baa2	Moody's
Corporate bonds	478,313	Baa3	Moody's
Corporate bonds	4,998	Not rated	N/A
U.S. government securities	3,843,068	Aaa	Moody's

Note 4 - 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 26.1 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 5 - Deferred Inflows/Outflows of Resources

At the end of the current fiscal year, the various components of deferred inflows of resources are as follows:

	Governmental Funds
Property taxes - Unavailable	\$ 272,158
Special assessments - Unavailable	57,733
Grant revenue - Unavailable	125,113
ALS revenue - Unavailable	119,382
Other unavailable revenue	133,087
	<u> </u>
Total deferred inflows	<u>\$ 707,473</u>

At the end of the current fiscal year, the various components of deferred outflows of resources are as follows:

	Government- wide Statements
Bond refunding loss being amortized	\$ 140,001

For governmental activities, the restricted net position amount for roads of \$3,313,136 includes the effect of deferring unavailable revenue in the amount of \$4,745. The restricted net position amount for special millage of \$4,369,783 also includes the effect of unavailable revenue in the amount of \$34,100. The restricted net position amount for grants of \$863,734 also includes the effect of unavailable revenue in the amount of \$120,368. These deferred amounts will be recognized as revenue and reduce restricted net position in the following year when the funds are received.

Note 6 - Capital Assets

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

	Balance July 1, 2013	Reclassifications	Additions	Disposals	Balance June 30, 2014
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 29,384,567	\$ -	\$ 750,000	\$ (750,000)	\$ 29,384,567
Construction in progress	2,857,197	(2,638,740)	335,747	-	554,204
Subtotal	32,241,764	(2,638,740)	1,085,747	(750,000)	29,938,771
Capital assets being depreciated:					
Buildings and improvements	87,741,930	-	1,336,861	-	89,078,791
Machinery and equipment	38,300,428	8,402	2,289,998	(2,089,464)	38,509,364
Other improvements	18,631,632	172,618	28,310	-	18,832,560
Roads and sidewalks	249,151,654	2,466,122	1,535,157	(40,500)	253,112,433
Subtotal	393,825,644	2,647,142	5,190,326	(2,129,964)	399,533,148
Accumulated depreciation:					
Buildings and improvements	31,382,115	-	2,073,562	-	33,455,677
Machinery and equipment	31,267,960	8,402	1,498,569	(1,824,690)	30,950,241
Other improvements	14,166,642	-	907,562	-	15,074,204
Roads and sidewalks	159,282,609	-	5,178,802	(40,500)	164,420,911
Subtotal	236,099,326	8,402	9,658,495	(1,865,190)	243,901,033
Net capital assets being depreciated	157,726,318	2,638,740	(4,468,169)	(264,774)	155,632,115
Net capital assets	\$ 189,968,082	\$ -	\$ (3,382,422)	\$ (1,014,774)	\$ 185,570,886
Business-type Activities					
Capital assets not being depreciated:					
Land	\$ 4,758,372	\$ -	\$ -	\$ -	\$ 4,758,372
Construction in progress	2,970,131	(630,812)	3,095,761	-	5,435,080
Subtotal	7,728,503	(630,812)	3,095,761	-	10,193,452
Capital assets being depreciated:					
Water mains and meters	34,744,195	630,812	8,533	(2,835)	35,380,705
Sanitary sewer system	121,665,372	-	321,253	-	121,986,625
Buildings and improvements	10,105,582	-	-	-	10,105,582
Machinery and equipment	3,098,924	-	53,657	-	3,152,581
Vehicles	573,125	-	-	-	573,125
Furniture and fixtures	1,230,955	-	20,786	(6,387)	1,245,354
Land improvements	8,802,119	-	201,608	-	9,003,727
Intangible ECPAD improvement	2,160,556	-	-	-	2,160,556
Subtotal	182,380,828	630,812	605,837	(9,222)	183,608,255
Accumulated depreciation:					
Water mains and meters	17,025,962	-	924,814	(2,835)	17,947,941
Sanitary sewer system	26,301,871	-	1,621,980	-	27,923,851
Buildings and improvements	3,399,542	-	227,800	-	3,627,342
Machinery and equipment	2,536,306	-	212,418	-	2,748,724
Vehicles	483,564	-	20,736	-	504,300
Furniture and fixtures	1,044,406	-	41,653	(6,030)	1,080,029
Land improvements	7,278,366	-	361,144	-	7,639,510
Intangible ECPAD improvement	43,211	-	43,208	-	86,419
Subtotal	58,113,228	-	3,453,753	(8,865)	61,558,116
Net capital assets being depreciated	124,267,600	630,812	(2,847,916)	(357)	122,050,139
Net capital assets	\$ 131,996,103	\$ -	\$ 247,845	\$ (357)	\$ 132,243,591

Note 6 - 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	\$ 759,999	\$ 15,250,990
Capital assets being depreciated:						
Building and building improvements	-	-	-	-	2,777,621	2,777,621
Furniture, equipment, and machinery	-	-	-	-	255,079	255,079
Furniture, equipment, and machinery - Administration	-	-	-	-	252,087	252,087
Buildings and improvements	-	-	-	-	2,261,119	2,261,119
Subtotal	-	-	-	-	5,545,906	5,545,906
Accumulated depreciation	-	-	-	-	(4,394,251)	(4,394,251)
Net capital assets being depreciated	-	-	-	-	1,151,655	1,151,655
Net capital assets	\$ 17,745	\$ 13,536,684	\$ 77,187	\$ 859,375	\$ 1,911,654	\$ 16,402,645

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

Governmental activities:

General government	\$ 851,440
Public safety	909,441
Public works	6,400,201
Economic development	200,384
Recreation and culture	1,297,029
Total governmental activities	<u>\$ 9,658,495</u>

Business-type activities:

Water	\$ 1,018,860
Sewer	1,654,891
Ecorse Creek	43,209
Golf	736,793
Total business-type activities	<u>\$ 3,453,753</u>

City of Taylor, Michigan

Notes to Financial Statements June 30, 2014

Note 7 - 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	Golf Courses Fund	\$ 183,904
	Sewer Fund	132,419
	Act 179 Rubbish Fund	198,356
	Water Fund	85,107
	Police and Fire Retirement Fund	68,699
	Other nonmajor governmental funds	<u>1,082,939</u>
	Total General Fund	1,751,424
Other nonmajor governmental funds	General Fund	641,680
	Water Fund	531,243
	Other nonmajor governmental funds	<u>113,476</u>
	Total nonmajor governmental funds	1,286,399
Water Fund	General Fund	283,137
Sewer Fund	Water Fund	462,454
	Golf Courses Fund	29
	General Fund	<u>37,980</u>
Total Sewer Fund		500,463
Ecorse Creek	Water Fund	51,860
Police and Fire Retirement Fund	General Fund	<u>2,259,656</u>
	Total	<u>\$ 6,132,939</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, 2014

Note 7 - 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	1,650,000
Sewer Fund	General Fund	<u>5,850,000</u>
	Total	<u>\$ 9,250,000</u>

Receivable Fund	Payable Fund	Amount
Due to/from Primary Government and Component Units		
Downtown Development Authority	General Fund	\$ 46,269
Local Development Financing Authority	General Fund	39,855
Brownfield Redevelopment Authority	General Fund	87,099
	Sewer Fund	<u>31,368</u>
	Total Brownfield Redevelopment Authority	118,467
Tax Increment Financing Authority	General Fund	<u>206,124</u>
	Total	<u>\$ 410,715</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 2015 at a 1 percent interest rate.

City of Taylor, Michigan

Notes to Financial Statements June 30, 2014

Note 7 - Interfund Receivables, Payables, and Transfers (Continued)

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

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Local Streets Fund	Major Streets Fund	\$ 1,300,000
Building Authority Debt Fund	Building Authority Fund	2,043,978
2008 MI Transportation Bond Debt Fund	Major Streets Fund	<u>356,613</u>
	Total	<u>\$ 3,700,591</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.

Note 8 - 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, 2014

Note 8 - 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 Public Facilities Bonds - Series 2003 - Amount of issue - \$13,750,000	2.50%	\$ 8,715,000	\$ -	\$ 645,000	\$ 8,070,000	\$ 670,000
2004 Building Authority Public Facilities Bonds - Amount of issue - \$1,250,000	2.00%	835,000	-	60,000	775,000	65,000
General Obligation Bonds - Series 2004 - Storm - Amount of issue - \$945,000	3.00%-4.40%	360,000	-	55,000	305,000	55,000
Limited Tax General Obligation Bonds - Series 2005 - Amount of issue - \$14,795,000	5.00%	6,195,000	-	1,390,000	4,805,000	1,490,000
APEX 47 Turf Vacuum - Amount of issue - \$12,750	11.00%	-	12,750	-	12,750	3,798
2008 Michigan Transportation Fund Bonds - Amount of issue - \$3,075,000	3.25%-5.25%	1,830,000	-	275,000	1,555,000	285,000
Avaya Phone System - Amount of issue \$198,848	4.13%	63,171	-	63,171	-	-
2011 Installment purchase contract trash totes - Amount of issue - \$1,880,000	3.83%	1,558,000	-	170,000	1,388,000	177,000
2011 Installment purchase contract trash trucks - Amount of issue - \$1,232,000	4.36%	916,000	-	168,000	748,000	175,000
Building Authority Refunding Bonds 2005 (with Sportsplex)	5.00%	3,401,600	-	790,400	2,611,200	825,600
VDI Desktop Storage Replacement - Amount of issue - \$380,977	3.24%	-	380,977	-	380,977	73,846
Tub Grinder Lease - Amount of issue - \$219,513	3.69%	-	219,513	219,513	-	-
Bond premium		392,657	-	91,440	301,217	91,440
Total bonds payable		24,266,428	613,240	3,927,524	20,952,144	3,911,684
Other long-term obligations:						
Workers' compensation claims		810,235	104,964	294,769	620,430	26,364
Nonexchange financial guarantee		-	11,210,000	-	11,210,000	572,000
Compensated absences		3,305,231	1,195,881	1,046,915	3,454,197	963,051
Total governmental activities		\$ 28,381,894	\$ 13,124,085	\$ 5,269,208	\$ 36,236,771	\$ 5,473,099

City of Taylor, Michigan

Notes to Financial Statements June 30, 2014

Note 8 - 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%	\$ 855,000	\$ -	\$ 125,000	\$ 730,000	\$ 145,000
1994 Downriver Sewage Disposal System Bonds - Amount of issue - \$87,367,763	Various	42,448,189	321,253	4,946,349	37,823,093	4,906,616
Series 2009A - ECPAD I CWRF - Amount of issue - \$3,717,000	2.50%	1,407,490	40	97,943	1,309,587	99,284
Lease purchase agreement - Golf carts for LTGC - Amount of issue - \$191,368	4.44%	38,390	-	38,390	-	-
Lease purchase agreement - Beverage carts for LTGC - Amount of issue - \$14,820	5.75%	3,823	-	3,823	-	-
Lease purchase agreement - Golf carts for TMGC - Amount of issue - \$195,810	4.44%	89,696	-	50,423	39,273	39,271
Lease purchase agreement - Two Ranger Xarts split 50/50 TMGC/LTGC	5.75%	5,834	-	1,432	4,402	1,520
ECPAD I Taylor/Pelham Basin Series 2014 - Amount of issue - \$722,172	2.50%	-	722,172	-	722,172	63,156
Total bonds payable		44,848,422	1,043,465	5,263,360	40,628,527	5,254,847
Other long-term obligation - Compensated absences		222,585	93,698	106,802	209,481	63,343
Total business-type activities		<u>\$ 45,071,007</u>	<u>\$ 1,137,163</u>	<u>\$ 5,370,162</u>	<u>\$ 40,838,008</u>	<u>\$ 5,318,190</u>

City of Taylor, Michigan

Notes to Financial Statements June 30, 2014

Note 8 - Long-term Debt (Continued)

	Interest Rate Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Component Unit Activities						
TIFA:						
2005 Building Authority Refunding Bonds - Amount of issue - \$1,870,000	5.0%	\$ 1,913,400	\$ -	\$ 444,600	\$ 1,468,800	\$ 464,400
2013 Refunding - Series A - Amount of issue - \$15,995,000	2.00%-3.25%	15,995,000	-	2,220,000	13,775,000	2,370,000
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	-	61,835	432,843	61,835
Total TIFA		23,083,078	-	2,726,435	20,356,643	2,896,235
Brownfield:						
Brownfield Redevelopment Tax Increment Bonds, tax exempt - Series 2006 - Amount of issue - \$3,100,000	5.70%-6.00%	2,470,000	-	115,000	2,355,000	125,000
Brownfield Redevelopment Tax Increment Bonds, tax exempt - Series 2005 - Amount of issue - \$11,080,000	3.625%-5.00%	10,580,000	-	150,000	10,430,000	165,000
Brownfield Redevelopment Tax Increment Bonds, taxable Series 2005 - Amount of issue - \$3,080,000	4.75%-5.30%	2,605,000	-	155,000	2,450,000	165,000
Other long-term obligation - Bond premium		15,642	-	1,079	14,563	1,079
Total Brownfield		15,670,642	-	421,079	15,249,563	456,079
DDA - DDA Bonds - Downtown Development Bond - Series 2002 - Amount of issue - \$2,500,000	4.45%-4.70%	965,000	-	225,000	740,000	235,000
Total bonds payable		\$ 39,718,720	\$ -	\$ 3,372,514	\$ 36,346,206	\$ 3,587,314

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
2015	\$ 3,820,244	\$ 865,528	\$ 4,685,772	\$ 5,254,847	\$ 1,056,161	\$ 6,311,008	\$ 3,524,400	\$ 1,417,456	\$ 4,941,856
2016	4,023,740	693,446	4,717,186	5,366,868	920,529	6,287,397	3,799,600	1,314,481	5,114,081
2017	4,252,423	506,325	4,758,748	5,318,947	784,335	6,103,282	3,989,800	1,201,875	5,191,675
2018	1,679,981	371,437	2,051,418	5,308,103	646,539	5,954,642	3,170,000	1,069,796	4,239,796
2019	1,545,539	299,440	1,844,979	4,396,558	513,773	4,910,331	3,375,000	963,296	4,338,296
2020-2024	5,329,000	654,124	5,983,124	9,524,369	1,436,482	10,960,851	9,290,000	3,145,406	12,435,406
2025-2029	-	-	-	4,418,549	495,747	4,914,296	4,225,000	1,789,300	6,014,300
2030-2034	-	-	-	1,040,286	43,679	1,083,965	4,525,000	703,500	5,228,500
Total	\$ 20,650,927	\$ 3,390,300	\$ 24,041,227	\$ 40,628,527	\$ 5,897,245	\$ 46,525,772	\$ 35,898,800	\$ 11,605,110	\$ 47,503,910

* Balances exclude bond premium

Note 8 - Long-term Debt (Continued)

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 \$1,845,500. In order to cover the reserve requirement, the TIFA component unit has obtained insurance coverage totaling \$1,845,500 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.

Nonexchange Financial Guarantee - In 2005, the City pledged its full faith and credit on bonds issued by the City's Brownfield Redevelopment Authority (Brownfield). The bonds were related to the Midtown (Island Lakes) development project. The City's pledge is considered a non-exchange financial guarantee or commitment to back the debt payments of the bonds which continue through fiscal year 2034. Due to the downturn in the economy, the development project was never finished and as a result, the Brownfield's projected tax increment revenues were insufficient to fully pay the bond debt. The present value of the total estimated shortfall related to the Brownfield's bond payments is \$11,210,000 and has been recognized by the City as a liability in the governmental activities.

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.

Note 9 - Restricted Assets

The restricted assets are restricted for the following purposes:

	<u>Business-type Activities</u>
Assets held at Wayne County for future debt payments	\$ 9,109,692
Assets held at Wayne County for sewer operations	<u>2,757,539</u>
Total restricted assets	<u>\$ 11,867,231</u>

Note 9 - Restricted Assets (Continued)

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 \$8,605,294 of the obligations. In addition, it has pledged to raise property taxes, to the extent permitted by law, to fund \$29,217,799 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 \$43,246,422. During the current year, net revenue of the system was \$2,263,019 compared to the annual debt requirements of \$647,834. Annual tax collections related to the debt were \$5,228,583 compared to the annual debt requirements of \$5,394,969.

Note 10 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. 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.

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:

	2014	2013
Unpaid claims - Beginning of year	\$ 810,235	\$ 996,676
Incurred claims, including adjustments to claims incurred but not reported	84,864	418,999
Claim payments (net of insurance refunds)	(274,669)	(605,440)
Unpaid claims - End of year	<u>\$ 620,430</u>	<u>\$ 810,235</u>

Note 11 - Pension Plan Description - Police and Fire Retirement System

Plan Administration - The Police and Fire Pension Board administers the City of Taylor Police and Fire Retirement System - a single employer defined benefit pension plan that provides pensions for almost all public safety employees of the City. Benefit terms have been established by contractual agreements between the City and the various employee union representation; amendments are subject to the same process. The plan does not issue a separate financial report.

Note 11 - Pension Plan Description - Police and Fire Retirement System (Continued)

Management of the plan is vested in the Pension Board, which consists of five members: one police officer elected by the members, one firefighter elected by the members, two members representing the City, and the City Treasurer.

Plan Membership - At June 30, 2014, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	231
Inactive plan members entitled to but not yet receiving benefits	4
Active plan members	<u>114</u>
Total	<u><u>349</u></u>

Benefits Provided - The pension plan provides retirement, disability, and death benefits. Retirement benefits for police and fire plan members are based off of average final compensation, and are calculated as follows:

Corporal/Patrol hired prior to October 1, 2011 - Straight life pension equals 2.8 percent of average final compensation (AFC) times first 25 years of service, maximum of 70 percent of AFC.

Police Command and Fire hired prior to July 1, 2007 - Straight life pension equals 2.8 percent of average final compensation (AFC) times first 25 years of service plus 1.0 percent of AFC times years of service in excess of 25 years to a maximum of 75 percent of AFC.

Fire hired on or after July 1, 2007 (and before August 1, 2012) and Corporal/Patrol hired after September 30, 2011 - Straight life pension equals 2.25 percent of AFC times years of service. Fire AFC will use base wages only and overtime is capped at \$3,000. Corporal/Patrol AFC shall be base wage plus a maximum of 240 hours of paid leave.

Average final compensation is defined as the employee's highest three years of earnings from the last 10 years of service.

Corporal/Patrol hired prior to October 1, 2011 and Fire hired prior to August 1, 2012 are with 20 or more years of service or age 60, regardless of service. Fire post-July 31, 2012 hires are covered by a defined contribution plan. Corporal/Patrol hired after September 30, 2011 are eligible at age 50 with 25 or more years of service, or age 60. Police Command are eligible at any age with 25 or more years of service, or age 60 regardless of service. Command officers are eligible to participate in the DROP after 20 years of service.

Note 11 - Pension Plan Description - Police and Fire Retirement System (Continued)

Contributions - Article 9, Section 24 of the State of Michigan Constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the Pension Board retains an independent actuary to determine the annual contribution. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. Contribution requirements of plan members are established and may be amended by the board of trustees in accordance with the City Charter, union contracts, and plan provisions. For the year ended June 30, 2014, the average active member contribution rate was 8 percent of annual pay, and the City's average contribution rate was 55 percent of annual payroll.

Note 12 - Pension Plan Investments - Policy and Rate of Return for Police and Fire Retirement System

Investment Policy - The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Pension Board by a majority vote of its members. It is the policy of the Pension Board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Pension Board's adopted asset allocation policy as of June 30, 2014:

	<u>Target Allocation</u>
Asset class:	
Cash	2%
Fixed income	12%
Large cap equity	41%
Small cap equity	15%
International equity	17%
Real estate	10%
Hedge funds	3%

Concentrations - At June 30, 2014, the Plan held approximately 61 percent of its investment portfolio in equity securities.

Rate of Return - For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.6 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Note 13 - City Pension Cost and Related Asset/Obligation - Police and Fire Retirement System

The pension plan does not issue a separate financial report.

Annual Pension Cost - For the year ended June 30, 2014, the City's annual pension cost of \$5,145,000 for the plan was equal to the City's required and actual contribution. The pension cost for the three most recent years is as follows:

	Fiscal Year Ended June 30		
	2014	2013	2012
Annual pension cost (APC)	\$ 5,145,000	\$ 6,071,000	\$ 6,060,000
Percentage of APC contributed	100.0 %	100.0 %	100.0 %
Net pension obligation	-	-	-

Funding Status and Funding Progress - As of June 30, 2014, the most recent actuarial valuation date, the plan was 72 percent funded. The actuarial accrued liability for benefits was \$163,421,282, and the actuarial value of assets was \$117,715,084, resulting in an unfunded actuarial accrued liability of \$45,706,198. The covered payroll (annual payroll to active employees covered by the plan) was \$9,328,103, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 490 percent.

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

Actuarial Methods and Assumptions - The annual required contribution was determined as part of an actuarial valuation at June 30, 2014, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) a 7.6 percent investment rate of return, (b) projected salary increases that range from 0 percent to 6.5 percent. Both (a) and (b) include an inflation component of 4 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 on a closed basis. The remaining amortization period is 25 years.

Note 14 - Pension Plan Reserves - Police and Fire Retirement System

In accordance with the plan documents, the following reserves are required to be set aside within the pension plan:

The retiree reserve is to be computed annually by the actuary as the present value of estimated benefit payments for all current retirees. The amounts reserved may be used solely to fund retiree benefit payments.

Note 14 - Pension Plan Reserves - Police and Fire Retirement System (Continued)

The employee reserve is credited as employee contributions are received throughout the year; the plan maintains a record of the amount contributed by each employee, and credits interest annually at a rate of 7.6 percent. For any employee who terminates before vesting in the pension plan, their balance is returned to them; for those who stay until retirement, the balance is transferred into the retiree reserve.

There are no employer reserves at June 30, 2014.

The balances of the reserve accounts at June 30, 2014 are as follows:

	<u>Required Reserve</u>	<u>Amount Funded</u>
Employee reserve	\$ 7,758,048	\$ 7,758,048
Retiree reserve	114,853,504	114,853,504

Note 15 - Net Pension Liability of the City - Police and Fire Retirement System

The City reports pension expense based on funding requirements, as directed by GASB No. 27. Beginning next year, the City will adopt GASB No. 68, which will require the measurement of pension expense as it is earned, rather than as it is funded. The net pension liability of the City has been measured as of June 30, 2014 and is composed of the following:

Total pension liability	\$ 163,421,282
Plan fiduciary net position	<u>(117,715,084)</u>
City's net pension liability	<u>\$ 45,706,198</u>

Plan fiduciary net position as a percentage of the total pension liability	72.0 %
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Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of June 30, 2013, which was used to develop procedures to roll forward and update the estimated liability to June 30, 2014. The valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	4 %
Salary increases	0 - 6.5 % including inflation
Investment rate of return	7.6 % net of pension plan investment expense, including inflation

Mortality rates were based on the RP 2000 Combined Healthy Mortality Table.

Note 15 - Net Pension Liability of the City - Police and Fire Retirement System (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.6 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. The actuary for the Police and Fire Retirement System is contemplating the appropriateness of a blended discount rate. The use of a blended discount rate is expected to result in a 1.0 percent reduction in the Police and Fire Retirement System discount rate applied to the system's net pension liability. The estimated impact of this reduction is approximated below in the section titled Sensitivity of the Net Pension Liability to Changes in the Discount Rate.

Projected Cash Flows

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of June 30, 2014 for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table.

	<u>Long-term Expected Real Rate of Return</u>
Asset class:	
Cash	2.3%
Fixed income	4.8%
High yield	6.75%
Large cap equity	7.4%
Small cap equity	8.2%
International equity	7.2%
Real estate	7.0%
Hedge funds	6.0%

Note 15 - Net Pension Liability of the City - Police and Fire Retirement System (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the City, calculated using the discount rate of 7.6 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.6 percent) or 1 percentage point higher (8.6 percent) than the current rate:

	1% Decrease (6.6%)	Current Discount Rate (7.6%)	1% Increase (8.6%)
Net pension liability of the City	\$ 62,946,670	\$ 45,706,198	\$ 31,150,973

Note 16 - 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, 2012, the date of the most recent actuarial valuation, membership consisted of 246 retirees and beneficiaries currently receiving benefits, 20 terminated employees entitled to benefits but not yet receiving them, and 75 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 16 - 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, 2013, the City's annual pension cost of approximately \$2,380,000 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		
	2013	2012	2011
Annual pension cost (APC)	\$ 2,380,000	\$ 3,079,000	\$ 2,658,000
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. The amortization period was changed from 13 years in the report for the year ended December 31, 2010 to 30 years in the report for the year ended December 31, 2012.

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

	Fiscal Year Ended June 30		
	2012	2011	2010
Actuarial value of assets	\$ 42,189,149	\$ 45,245,442	\$ 47,695,134
Actuarial accrued liability (AAL)			
(entry age)	\$ 72,339,520	\$ 72,502,790	\$ 73,085,049
Unfunded AAL (UAAL)	\$ 30,150,371	\$ 27,257,348	\$ 25,389,915
Funded ratio	58.3 %	62.4 %	65.3 %
Covered payroll	\$ 3,800,000	\$ 4,900,000	\$ 5,600,000
UAAL as a percentage of covered payroll	793.4 %	556.3 %	453.4 %

Note 16 - 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, 2012 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 29 years.

Note 17 - 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.

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.

Note 17 - Defined Benefit Pension Plan - Michigan Municipal Employees' Retirement System (Continued)

Annual Pension Cost

For the year ended June 30, 2014, the City's actual pension cost of \$40,392 was equal to the City's required contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2011 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 (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation (1 percent for calendar years 2012-2014) plus a percentage based on an age-related scale to reflect merit longevity and incremental pay increases. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a 10-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 27 years.

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

	Fiscal Year Ended June 30		
	2014	2013	2012
Annual pension cost (APC)	\$ 40,392	\$ 36,360	\$ 25,901
Percentage of APC contributed	100.0 %	100.0 %	100.0 %
Net pension obligation	\$ -	\$ -	\$ -

	Fiscal Year Ended December 31		
	2013	2012	2011
Actuarial value of assets	\$ 2,836,856	\$ 2,742,952	\$ 2,700,534
Actuarial accrued liability (AAL)			
(entry age)	\$ 3,216,448	\$ 3,060,784	\$ 2,977,601
Unfunded AAL (UAAL)	\$ 379,592	\$ 317,832	\$ 277,067
Funded ratio	88.2 %	89.6 %	90.7 %
Covered payroll	\$ 650,362	\$ 639,585	\$ 653,492
UAAL as a percentage of covered payroll	58.4 %	49.7 %	42.4 %

City of Taylor, Michigan

Notes to Financial Statements June 30, 2014

Note 18 - Pension and Other Employee Benefit Trust Funds

As of June 30, 2014, 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	\$ 117,519,243	\$ 42,840,997	\$ 160,360,240
Other assets	195,841	94,979	290,820
Net position	<u>\$ 117,715,084</u>	<u>\$ 42,935,976</u>	<u>\$ 160,651,060</u>
<u>Statement of Changes in Net Position</u>			
Investment income - Net of investment expenses	\$ 18,989,518	\$ 7,202,139	\$ 26,191,657
Contributions	5,933,826	2,565,713	8,499,539
Benefit payments	11,524,629	6,179,407	17,704,036
Other deductions	96,515	380,478	476,993
Net change in net position	<u>\$ 13,302,200</u>	<u>\$ 3,207,967</u>	<u>\$ 16,510,167</u>

* Balances are as of December 31, 2013

Note 19 - 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 the City of Taylor defined contribution plan, which is administered by Nationwide, 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 \$19,104,369. The current year contribution was calculated based on covered payroll of \$1,924,478, resulting in an employer contribution of \$78,403 and employee contributions of \$76,979.

Note 20 - 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, 2014.

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	\$ 91,363	\$ -
Primary government	290,605	340,709
Enterprise funds	<u>5,063,011</u>	<u>2,523,054</u>
Total	<u>\$ 5,444,979</u>	<u>\$ 2,863,763</u>

Note 21 - 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.

Funding Policy - The labor contracts require employee 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).

City of Taylor, Michigan

Notes to Financial Statements June 30, 2014

Note 21 - Other Postemployment Benefits (Continued)

Funding Progress - For the year ended June 30, 2014, 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)	\$ 13,900,300
Interest on the prior year's net OPEB obligation	1,382,986
Less adjustment to the annual required contribution	<u>(1,334,008)</u>
Annual OPEB cost	13,949,278
Amounts contributed - Payments of current premiums	<u>6,940,607</u>
Increase in net OPEB obligation	7,008,670
OPEB obligation - Beginning of year	<u>34,574,640</u>
OPEB obligation - End of year	<u><u>\$ 41,583,310</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
6/30/12	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
6/30/14	6/30/12	13,900,300	50.0	41,583,310

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 21 - 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 over 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 22 - Upcoming Accounting Pronouncements

In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to 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 note disclosures and required supplemental information (RSI). The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for financial statements for the year ending June 30, 2015.

Note 23 - Reporting Change (Prior Period Adjustments)

The Housing Commission financial statements for the year ended March 30, 2014 have been restated in order to properly reflect the cumulative result of the low rent program.

The effect of this correction was to increase expense related to the low rent program.

The effect of this change is as follows:

	<u>Housing Commission Standalone</u>
Fund balance - June 30, 2013 - As previously reported	\$ 4,971,876
Adjustment resulting from correction of an error	<u>12,000</u>
Fund balance - June 30, 2013 - As restated	<u>\$ 4,983,876</u>

Required Supplemental Information

City of Taylor, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2014

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 11,292,717	\$ 11,292,717	\$ 11,646,206	\$ 353,489
Fees and permits	1,135,000	1,198,000	1,285,001	87,001
Federal grants	2,102,463	3,192,800	2,851,264	(341,536)
State-shared revenue and grants	6,966,692	7,161,900	7,103,329	(58,571)
Charges for services	796,500	2,096,900	2,137,515	40,615
Fines and forfeitures	2,864,000	3,549,400	3,647,318	97,918
Rental income	643,000	1,020,658	811,470	(209,188)
Other revenue	4,981,699	6,356,639	6,096,936	(259,703)
Total revenue	<u>30,782,071</u>	<u>35,869,014</u>	<u>35,579,039</u>	<u>(289,975)</u>
Expenditures - Current				
General government	5,997,992	6,956,970	7,062,760	(105,790)
Public safety	12,195,300	13,112,500	13,287,516	(175,016)
Public works	4,196,300	4,451,900	4,172,078	279,822
Employee benefits	4,333,000	5,001,000	4,909,964	91,036
Economic and community development	124,300	1,721,717	1,172,975	548,742
Recreation and culture	1,316,000	2,981,525	2,454,545	526,980
Debt service	64,483	64,483	107,014	(42,531)
Total expenditures	<u>28,227,375</u>	<u>34,290,095</u>	<u>33,166,852</u>	<u>1,123,243</u>
Excess of Revenue Over Expenditures	2,554,696	1,578,919	2,412,187	833,268
Other Financing Sources (Uses)				
Face value of debt issue	-	-	393,727	393,727
Transfers out	(503,517)	(25,000)	-	25,000
Total other financing (uses) sources	<u>(503,517)</u>	<u>(25,000)</u>	<u>393,727</u>	<u>418,727</u>
Net Change in Fund Balance	2,051,179	1,553,919	2,805,914	1,251,995
Fund Balance - Beginning of year	<u>960,364</u>	<u>960,364</u>	<u>960,364</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 3,011,543</u></u>	<u><u>\$ 2,514,283</u></u>	<u><u>\$ 3,766,278</u></u>	<u><u>\$ 1,251,995</u></u>

City of Taylor, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Fund Act 179 Rubbish Fund Year Ended June 30, 2014

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 3,855,000	\$ 4,200,000	\$ 4,158,185	\$ (41,815)
Charges for services	507,500	461,000	451,975	(9,025)
Investment income	100	4,600	6,365	1,765
Other revenue	-	-	222,349	222,349
Total revenue	4,362,600	4,665,600	4,838,874	173,274
Expenditures				
Current - Public works	3,824,860	4,834,083	4,833,838	245
Debt service	437,609	486,869	661,571	(174,702)
Total expenditures	4,262,469	5,320,952	5,495,409	(174,457)
Excess of Revenue Over (Under)				
Expenditures	100,131	(655,352)	(656,535)	(1,183)
Other Financing Sources -				
Face value of debt issue	-	219,513	219,513	-
Net Change in Fund Balance				
	100,131	(435,839)	(437,022)	(1,183)
Fund Balance - Beginning of year				
	2,513,151	2,513,151	2,513,151	-
Fund Balance - End of year				
	<u>\$ 2,613,282</u>	<u>\$ 2,077,312</u>	<u>\$ 2,076,129</u>	<u>\$ (1,183)</u>

City of Taylor, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Fund Police and Fire Retirement Fund Year Ended June 30, 2014

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 8,424,183	\$ 8,424,183	\$ 8,740,304	\$ 316,121
Federal grants	731,737	900,000	1,022,914	122,914
Total revenue	9,155,920	9,324,183	9,763,218	439,035
Expenditures - Current				
Public safety	5,145,400	5,145,400	5,145,379	21
Health and welfare	3,093,500	3,093,500	2,801,930	291,570
Total expenditures	8,238,900	8,238,900	7,947,309	291,591
Net Change in Fund Balance	917,020	1,085,283	1,815,909	730,626
Fund Balance - Beginning of year	-	-	-	-
Fund Balance - End of year	\$ 917,020	\$ 1,085,283	\$ 1,815,909	\$ 730,626

City of Taylor, Michigan

Required Supplemental Information Pension System Schedule Year Ended June 30, 2014

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
6/30/08	\$ 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	364.8
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
6/30/13	99.3	161.0	61.7	61.7	9.3	663.4

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Percentage Contributed
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
6/30/14	6/30/13	5,145,379	100.0

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of June 30, 2013, 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% - 6.5%
Merit and longevity	0% - 3%
Salary increases include inflation at	0% until 2017 then 3.5% thereafter

City of Taylor, Michigan

Required Supplemental Information Pension System Schedule (Continued) Year Ended June 30, 2014

General Employees' 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
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	73.1	25.4	65.3	5.6	453.6
12/31/11 *	45.2	72.5	27.3	62.3	4.9	557.1
12/31/12 *	42.2	72.3	30.1	58.4	3.8	792.1

* 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
12/31/08	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
12/31/13	12/31/11	2,379,647	100.0

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2012, the latest actuarial valuation, follows:

Actuarial cost method	Aggregate
Amortization method	Level dollar, closed
Remaining amortization period	29 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 Police and Fire Retirement System Changes in the City Net Pension Liability and Related Ratios Last Ten Fiscal Years

	2014
Total Pension Liability	
Service cost	\$ 1,396,417
Interest	11,854,409
Changes in benefit terms	-
Differences between expected and actual experience	651,910
Changes in assumptions	-
Benefit payments, including refunds	(11,524,629)
Net Change in Total Pension Liability	2,378,107
Total Pension Liability - Beginning of year	161,043,175
Total Pension Liability - End of year*	\$ 163,421,282
Plan Fiduciary Net Position	
Contributions - Employer	\$ 5,145,379
Contributions - Members	788,448
Net investment income	18,971,058
Administrative expenses	(96,516)
Benefit payments, including refunds	(11,524,629)
Other	18,460
Net Change in Plan Fiduciary Net Position	13,302,200
Plan Fiduciary Net Position - Beginning of year	104,412,884
Plan Fiduciary Net Position - End of year	\$ 117,715,084
City's Net Pension Liability - End	\$ 45,706,198
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	72.03 %
Covered Employee Payroll	\$ 9,328,103
City's Net Pension Liability as a Percentage of Covered Employee Payroll	490.0 %

City of Taylor, Michigan

Required Supplemental Information Police and Fire Retirement System Schedule of Investment Returns Last Ten Fiscal Years

	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	19.4 %

City of Taylor, Michigan

Note to Required Supplemental Information Year Ended June 30, 2014

During the year, the General Fund incurred significant expenditures that were in excess of the amounts budgeted, as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General government	\$ 6,956,970	\$ 7,062,760	\$ (105,790)
Public safety	13,112,500	13,287,516	(175,016)
Debt service	64,483	107,014	(42,531)

General Government - The variance in general government expenditures was due to expensing the full cost of IT equipment that was bought with a capital lease. It was originally thought that this purchase was an operating lease in which the full cost is not recorded in the year of purchase. The net effect of the capital lease on the General Fund is zero because the IT capital cost is fully offset by revenue noted as "face value of debt issued."

Public Safety - The variance was due to more than anticipated health insurance costs allocated to the fire and police department.

Debt Service - The variance is attributed to interest expense accrued from the water/sewer loan to the General Fund that was more than expected.

Other Supplemental Information

City of Taylor, Michigan

	Special Revenue Funds					
	Major Streets	Local Streets	Police Forfeiture	Treasury Forfeiture	Justice Forfeiture	Community Development Block Grant
Assets						
Cash and investments	\$ 1,179,828	\$ 1,172,214	\$ 812,771	\$ 516,797	\$ 782,898	\$ 7,980
Accounts receivable:						
Property taxes	-	-	-	-	-	-
Other	-	-	-	-	-	-
Due from other governmental units	476,521	169,384	-	-	-	282,801
Due from other funds	531,244	98,388	7,400	-	-	-
Prepaid expenses and other assets	-	-	84,475	-	-	-
Properties held for resale	-	-	-	-	-	-
Total assets	\$2,187,593	\$1,439,986	\$ 904,646	\$ 516,797	\$ 782,898	\$ 290,781
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 142,757	\$ 306	\$ 81,593	\$ -	\$ -	\$ 255,478
Due to other governmental units	-	-	-	-	-	-
Due to other funds	124,095	47,700	-	-	450,516	35,303
Accrued liabilities and other	-	-	-	-	-	-
Total liabilities	266,852	48,006	81,593	-	450,516	290,781
Deferred Inflows of Resources -						
Unavailable revenue	4,745	-	-	-	-	28,748
Fund Balances						
Nonspendable -						
Prepaid expense	-	-	84,475	-	-	-
Restricted:						
Roads	1,915,996	1,391,980	-	-	-	-
Drug enforcement	-	-	738,578	516,797	332,382	-
Debt service	-	-	-	-	-	-
Grants	-	-	-	-	-	-
Special millages	-	-	-	-	-	-
Building	-	-	-	-	-	-
Committed - Assigned - Unassigned	-	-	-	-	-	(28,748)
Total fund balances	1,915,996	1,391,980	823,053	516,797	332,382	(28,748)
Total liabilities, deferred inflows of resources, and fund balances	\$2,187,593	\$1,439,986	\$ 904,646	\$ 516,797	\$ 782,898	\$ 290,781

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014**

Special Revenue Funds				Debt Service Funds			Total Nonmajor Governmental Funds
Building Department	DARE / GREAT	Neighborhood Stabilization Program	Building and Grounds	Taylor Building Authority Debt	2008 MI Transportation Bond Debt	1996 Voted Levy	
\$ 398,088	\$ 23,849	\$ 125,101	\$ 484,372	\$ 15	\$ 415	\$ 776,747	\$ 6,281,075
-	-	-	2,891	-	-	1,235	4,126
-	-	-	5,109	-	-	-	5,109
-	-	17,512	-	-	-	-	946,218
-	-	15,087	536,141	-	-	98,139	1,286,399
-	-	-	-	-	-	-	84,475
-	-	284,381	-	-	-	-	284,381
\$ 398,088	\$ 23,849	\$ 442,081	\$ 1,028,513	\$ 15	\$ 415	\$ 876,121	\$ 8,891,783
\$ 20,135	\$ 1,131	\$ 29,054	\$ 431,019	\$ -	\$ -	\$ 317	\$ 961,790
-	-	-	88,278	-	-	38,722	127,000
275,221	-	232,793	21,657	-	-	9,130	1,196,415
6,924	22,718	-	43,914	-	-	14,279	87,835
302,280	23,849	261,847	584,868	-	-	62,448	2,373,040
-	-	-	-	-	-	-	33,493
-	-	-	-	-	-	-	84,475
-	-	-	-	-	415	-	3,308,391
-	-	-	-	-	-	-	1,587,757
-	-	-	-	15	-	813,673	813,688
-	-	180,234	-	-	-	-	180,234
-	-	-	443,645	-	-	-	443,645
95,808	-	-	-	-	-	-	95,808
-	-	-	-	-	-	-	(28,748)
95,808	-	180,234	443,645	15	415	813,673	6,485,250
\$ 398,088	\$ 23,849	\$ 442,081	\$ 1,028,513	\$ 15	\$ 415	\$ 876,121	\$ 8,891,783

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	-	-	-	-	-	-	1,369,251
Federal grants	916,876	-	-	71,833	267,542	622,230	-
State-shared revenue and grants	2,874,999	1,268,645	422,918	-	-	-	-
Interest income	2,877	1,593	2,007	977	1,422	-	455
Rental income	-	-	-	-	-	-	-
DMA/911 and other revenue	-	-	-	-	-	-	-
Total revenue	3,794,752	1,270,238	424,925	72,810	268,964	622,230	1,369,706
Expenditures							
Current:							
Public safety	-	-	-	-	500,516	-	-
Public works	1,528,948	2,144,840	-	-	-	-	1,273,898
Community development	-	-	-	-	-	150,277	-
Capital outlay	-	-	375,747	-	73,082	500,701	-
Debt service	-	70,492	-	-	-	-	-
Total expenditures	1,528,948	2,215,332	375,747	-	573,598	650,978	1,273,898
Excess of Revenue Over (Under) Expenditures	2,265,804	(945,094)	49,178	72,810	(304,634)	(28,748)	95,808
Other Financing Sources (Uses)							
Transfers in	-	1,300,000	-	-	-	-	-
Transfers out	(1,656,613)	-	-	-	-	-	-
Total other financing (uses) sources	(1,656,613)	1,300,000	-	-	-	-	-
Net Change in Fund Balances	609,191	354,906	49,178	72,810	(304,634)	(28,748)	95,808
Fund Balances - Beginning of year	1,306,805	1,037,074	773,875	443,987	637,016	-	-
Fund Balances (Deficit) - End of year	\$ 1,915,996	\$ 1,391,980	\$ 823,053	\$ 516,797	\$ 332,382	\$ (28,748)	\$ 95,808

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in
Fund Balances (Deficit)
Nonmajor Governmental Funds
Year Ended June 30, 2014

Special Revenue Funds			Debt Service Funds			Total Nonmajor Governmental Funds
DARE/ GREAT	Neighborhood Stabilization Program	Building and Grounds	Taylor Building Authority Debt	2008 MI Transportation Bond Debt	1996 Voted Levy	
\$ -	\$ -	\$ 2,774,434	\$ -	\$ -	\$ 1,256,992	\$ 4,031,426
-	-	-	-	-	-	1,369,251
-	130,682	-	-	-	-	2,009,163
-	-	-	-	-	-	4,566,562
60	-	1,753	-	-	1,608	12,752
-	-	-	529,155	-	-	529,155
7,149	-	1,182	-	-	-	8,331
<u>7,209</u>	<u>130,682</u>	<u>2,777,369</u>	<u>529,155</u>	<u>-</u>	<u>1,258,600</u>	<u>12,526,640</u>
-	-	-	-	-	-	500,516
-	-	793,570	-	-	-	5,741,256
-	95,454	-	-	-	-	245,731
7,209	-	1,034,417	-	-	-	1,991,156
-	-	-	2,573,133	356,613	1,665,450	4,665,688
<u>7,209</u>	<u>95,454</u>	<u>1,827,987</u>	<u>2,573,133</u>	<u>356,613</u>	<u>1,665,450</u>	<u>13,144,347</u>
-	35,228	949,382	(2,043,978)	(356,613)	(406,850)	(617,707)
-	-	-	2,043,978	356,613	-	3,700,591
-	-	(2,043,978)	-	-	-	(3,700,591)
-	-	(2,043,978)	2,043,978	356,613	-	-
-	35,228	(1,094,596)	-	-	(406,850)	(617,707)
-	145,006	1,538,241	15	415	1,220,523	7,102,957
<u>\$ -</u>	<u>\$ 180,234</u>	<u>\$ 443,645</u>	<u>\$ 15</u>	<u>\$ 415</u>	<u>\$ 813,673</u>	<u>\$ 6,485,250</u>

City of Taylor, Michigan

Other Supplemental Information Combining Statement of Net Position Fiduciary Funds June 30, 2014

	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	\$ 4,751,785	\$ 1,965,558	\$ 6,717,343	\$ 687,125	\$ 38,354	\$ 675,948	\$ 1,401,427
Investments:							
U.S. government securities	3,843,068	4,943,025	8,786,093	-	-	-	-
Agency securities	-	1,801,335	1,801,335	-	-	-	-
Common and preferred stocks	46,315,766	29,066,466	75,382,232	-	-	-	-
Corporate bonds	3,441,124	5,064,613	8,505,737	-	-	-	-
Mutual funds	28,535,891	-	28,535,891	-	-	-	-
Partnerships	30,631,609	-	30,631,609	-	-	-	-
Receivables:							
Accrued interest receivable	141,971	81,467	223,438	-	-	-	-
Other receivables	53,870	13,512	67,382	499,531	-	-	499,531
Total assets	117,715,084	42,935,976	160,651,060	\$ 1,186,656	\$ 38,354	\$ 675,948	\$ 1,900,958
Liabilities							
Due to other governmental units	-	-	-	\$ 1,075,539	\$ -	\$ 675,948	\$ 1,751,487
Accrued liabilities and other	-	-	-	-	38,354	-	38,354
Tax collections distributable	-	-	-	111,117	-	-	111,117
Total liabilities	-	-	-	\$ 1,186,656	\$ 38,354	\$ 675,948	\$ 1,900,958
Net Position Held in Trust for Pension and Other Employee Benefits	\$ 117,715,084	\$ 42,935,976	\$ 160,651,060				

* Balances are as of December 31, 2013.

City of Taylor, Michigan

Other Supplemental Information Combining Statement of Changes in Fiduciary Net Position Fiduciary Funds Year Ended June 30, 2014

	Police and Fire Retirement System	General Employees' Pension Plan*	Total
Additions			
Investment income:			
Interest and dividends	\$ 1,378,357	\$ 959,351	\$ 2,337,708
Net increase in fair value of investments	17,997,300	6,392,389	24,389,689
Less investment expenses	(386,139)	(149,601)	(535,740)
Net investment income	18,989,518	7,202,139	26,191,657
Contributions:			
Employer	5,145,379	2,379,647	7,525,026
Employee	788,447	186,066	974,513
Total contributions	5,933,826	2,565,713	8,499,539
Total additions - Net of investment expenses	24,923,344	9,767,852	34,691,196
Deductions			
Benefit payments	11,524,629	6,179,407	17,704,036
General and administrative	96,515	380,478	476,993
Total deductions	11,621,144	6,559,885	18,181,029
Net Increase in Net Position Held in Trust	13,302,200	3,207,967	16,510,167
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year	104,412,884	39,728,009	144,140,893
Net Position Held in Trust for Pension and Other Employee Benefits - End of year	\$ 117,715,084	\$ 42,935,976	\$ 160,651,060

* Balances are as of December 31, 2013