

City of Taylor, Michigan

**Financial Report
with Supplemental Information
June 30, 2012**

City of Taylor, Michigan

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Independent Auditor's Report

To the City Council
City of Taylor, Michigan

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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Taylor, Michigan's management. 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 \$44,425,450 at March 31, 2012 and a net change in net assets of (\$530,320) for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Taylor Housing Commission, is based solely on the report of the other auditors. The other auditor's report, dated December 18, 2012, expressed an unqualified opinion on the financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions. The District Court Funds of District No. 23, City of Taylor, Michigan was not audited in accordance with *Government Auditing Standards*.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Taylor, Michigan as of June 30, 2012 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

To the City Council
City of Taylor, Michigan

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, retirement system schedule of funding progress, and the budgetary comparison schedule, as identified in the table of contents, are to 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.

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 accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2012 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 opinions 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* and should be read in conjunction with this report in considering the results of our audit.

As explained in Note 3, the financial statements include investments valued at \$25,132,649 (19.0 percent of pension and other employee benefit plans net assets) at June 30, 2012 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 Pension System.

To the City Council
City of Taylor, Michigan

As further disclosed in Note 19 to the financial statements, the City has a significant deficit in its General Fund. The condition is negatively impacting City operations and available cash flows.

Plante & Morse, PLLC

December 21, 2012

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, 2012. Please read it in conjunction with the City's financial statements.

In fiscal year 2012, the Animal Shelter and Compost operations were moved out of the General Fund and put into a separate fund named the Act 179 Fund. Act 179 provides the funding for the operations of these two cost centers. The segregation allows the City, and the taxpayer, to better understand how the restricted revenues are utilized to properly fund the applicable cost centers. Similarly, the Taylor Building Authority Fund was created to segregate the costs relating to building and grounds maintenance.

In the City's General Fund, the main operating fund of the City, revenue decreased approximately \$10.7 million from 2011.

- Property tax related revenue, which is the largest source of revenue, continues to be challenged. With the continuing decreases in property values, the City estimates its tax revenue from the general operating tax millage to decrease approximately \$1.7 million in FYE 2013 and then remaining flat for FYE 2014. This decrease is after adjusting the FYE 2011 property tax revenue to exclude the Act 179 and the Taylor Building Authority tax revenue.
- State-shared revenue was \$6.2 million and our second largest revenue source. It was lower than the 2011 amount by \$463,000. The total state-shared revenue for the 2013 FYE is expected to be \$100,000 more than 2012.
- 23rd District Court revenue decreased approximately \$800,000 from the prior year amount of \$3.6 million to approximately \$2.8 million for the year ended June 30, 2012.

General Fund expenditures were lower by approximately \$8.5 million compared to 2011 after adjustments for Act 179 and Taylor Building Authority costs moved to special revenue funds in 2012. Expenditures primarily consist of employee related wage and fringe benefit expense, and two unresolved union contracts remain open at June 30, 2012.

The fund balance of the General Fund (the cumulative difference between revenue and expenditures) shows that recurring revenue is not sufficient to pay for all expenditures, and indeed the unassigned fund balance at June 30, 2012 is a deficit of \$1.9 million. Current economic conditions continue to deteriorate. Because of the limits on the City's ability to increase revenue, it is imperative that management's focus be on immediate and long-term employee cost containment.

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 for 2012 before the effects of depreciation for the first time in several years. Revenues continue 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 assets related to the City's governmental activities at the end of the year were approximately \$148.8 million, a \$14 million decrease from the prior year's approximately \$162.8 million in net assets. The net decrease is mainly due to recording of the increase in OPEB obligation of \$5.4 million, and the depreciation of capital assets.

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

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

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

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

City of Taylor, Michigan

Management's Discussion and Analysis (Continued)

The City of Taylor as a Whole

The following table shows, in a condensed format, the net assets as of June 30, 2012 and 2011:

	Governmental Activities		Business-type Activities		Total	
	2011	2012	2011	2012	2011	2012
Assets						
Current assets	\$ 25,111,689	\$ 17,617,965	16,480,006	23,073,661	\$ 41,591,695	\$ 40,691,626
Capital assets	206,559,435	196,274,876	131,018,737	130,378,803	337,578,172	326,653,679
Other noncurrent assets	1,108,928	3,080,212	11,496,746	8,343,606	12,605,674	11,423,818
Total assets	232,780,052	216,973,053	158,995,489	161,796,070	391,775,541	378,769,123
Liabilities						
Current liabilities	14,317,145	11,760,834	2,279,409	2,681,086	16,596,554	14,441,920
Long-term liabilities	55,683,664	56,425,295	53,552,288	50,645,341	109,235,952	107,070,636
Total liabilities	70,000,809	68,186,129	55,831,697	53,326,427	125,832,506	121,512,556
Net Assets						
Invested in capital assets -						
Net of related debt	175,649,422	168,504,896	84,688,267	86,461,839	260,337,689	254,966,735
Restricted	10,233,644	11,097,601	6,964,998	6,315,720	17,198,642	17,413,321
Unrestricted (deficit) assets	(23,103,823)	(30,815,573)	11,510,527	15,692,084	(11,593,296)	(15,123,489)
Total net assets	\$ 162,779,243	\$ 148,786,924	\$ 103,163,792	\$ 108,469,643	\$ 265,943,035	\$ 257,256,567

The City's combined net assets totaled \$257.3 million, a decrease of 3.3 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 \$7.7 million for our governmental activities. The business-type activities unrestricted net assets increased by \$4.2 million during 2012.

City of Taylor, Michigan

Management's Discussion and Analysis (Continued)

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

	Governmental Activities		Business-type Activities		Total	
	2011	2012	2011	2012	2011	2012
Revenue						
Program revenue:						
Charges for services	\$ 10,642,525	\$ 8,862,996	\$ 17,897,605	\$ 19,059,649	\$ 28,540,130	\$ 27,922,645
Operating grants and contributions	7,505,852	5,661,669	-	-	7,505,852	5,661,669
Capital grants and contributions	2,159,985	1,055,784	358,616	396,657	2,518,601	1,452,441
General revenue:						
Property taxes	28,724,582	27,341,319	5,375,648	4,783,650	34,100,230	32,124,969
State-shared revenue	6,708,637	6,244,128	-	-	6,708,637	6,244,128
Unrestricted investment earnings	5,491	3,173	65,691	14,888	71,182	18,061
Rental income and fees	367,089	325,710	-	-	367,089	325,710
Gain (loss) on disposal of assets	-	-	1,850	(68,893)	1,850	(68,893)
Miscellaneous revenue	5,481,774	5,467,828	174,695	494,899	5,656,469	5,962,727
Total revenue	61,595,935	54,962,607	23,874,105	24,680,850	85,470,040	79,643,457
Program Expenses						
General government	12,003,513	11,628,102	-	-	12,003,513	11,628,102
Public safety	35,337,391	31,548,534	-	-	35,337,391	31,548,534
Public works	19,729,138	18,663,063	-	-	19,729,138	18,663,063
Community and economic development	3,363,491	1,585,325	-	-	3,363,491	1,585,325
Recreation and culture	5,036,420	4,313,422	-	-	5,036,420	4,313,422
Interest on long-term debt	984,680	1,216,480	-	-	984,680	1,216,480
Water	-	-	7,618,998	7,375,175	7,618,998	7,375,175
Sewer	-	-	7,988,574	7,832,327	7,988,574	7,832,327
Golf courses	-	-	4,107,886	3,983,859	4,107,886	3,983,859
Ecorse Creek	-	-	192,553	183,638	192,553	183,638
Total program expenses	76,454,633	68,954,926	19,908,011	19,374,999	96,362,644	88,329,925
Change in Net Assets	\$ (14,858,698)	\$ (13,992,319)	\$ 3,966,094	\$ 5,305,851	\$ (10,892,604)	\$ (8,686,468)

Governmental Activities

The City's total governmental revenues were down from \$61.6 million to \$55.0 million, mainly due to the decreased tax revenue, and operating and capital grants. The City's total governmental expenses decreased by approximately \$7.5 million, a 9.8 percent decrease from 2011. Again during 2012, the City closely monitored its spending in all areas.

City of Taylor, Michigan

Management's Discussion and Analysis (Continued)

Business-type Activities

The City's business-type activities consist of the Water, Sewer, Ecorse Creek, and Golf Course Enterprise Funds. The City leases the Taylor Sportsplex; therefore, those activities are no longer reported as a business-type and are now included in the governmental activities. The City provides water to residents from the Detroit Water System. The City also provides sewage treatment through a Wayne County-owned and operated sewage treatment plant. The City operates two outstanding golf courses. The Lakes of Taylor Golf Club is a championship caliber golf course designed to challenge golfers at every level. Taylor Meadows Golf Club is a links-style course, challenging yet still player-friendly. Both courses also provide food service and pro-shop operations as well. The Sewer Fund accounts for the activity related to the City's participation in the Downriver Sewer System, including the tax levy mandated to pay for the City's share of debt issued by Wayne County to pay for the recent improvements to the system. The EPA levy is adjusted annually based on debt service for the upcoming year less any credits available at Wayne County. For all business-type activities in 2012, total revenues increased approximately \$800,000. Total expenses were \$533,000 less than 2011.

The City of Taylor's Funds

Our analysis of the City's major funds begins on page 14, 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 only major governmental fund for 2012 is the General Fund.

The General Fund pays for most of the City's governmental services. The most significant are public safety, which incurred expenses of approximately \$20.9 million, and public works, which incurred expenses of \$4.8 million in 2012. Employee benefit expenses accounted for another \$8.9 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 decreased during the year by a net amount of approximately \$2.3 million. Major budget adjustments were decreases in the 23rd District Court of \$1 million and in charges for services for \$752,000. These decreases were offset by an adjustment to increase state-shared revenue by \$361,000.

The City's expenditure budget was also increased approximately \$830,000 during the year to \$43.1 million.

City of Taylor, Michigan

Management's Discussion and Analysis (Continued)

Capital Asset and Debt Administration

At the end of 2012, the City, including its component units, had approximately \$370 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, decreased from approximately \$260.3 million to approximately \$255 million. The component units' investment in capital assets, net of related debt, decreased approximately \$1.7 million. The City's total debt was approximately \$155.2 million, including approximately \$75.5 million of component unit debt. Expected FYE 2013 debt service payments on all long-term obligations exclusive of interest are approximately \$12.3 million for the City and component units in total. The overall debt, while manageable and within legal limits, does limit the flexibility of the City to respond to the future needs of the community.

Economic Factors and Next Year's Budgets

Like most other communities in Michigan, particularly southeast Michigan, the City continues to struggle with providing necessary services with limited revenue. The City has operated with a structural deficit for too many years, with the difference between revenue and expenditures sharply exacerbated by the economic decline. For the fiscal year ended June 30, 2012, state-shared gas and oil tax distributions that are used for road maintenance and construction continue to remain relatively flat. The City's contribution to the Police and Fire Retirement System and General Employees' Retirement System continues to increase. Prior investment losses in both retirement systems will continue to affect future pension contribution rates.

In the three years leading up to December 31, 2011, the City of Taylor, Michigan lost significant taxable value. With the decline in market values of properties, the City is estimating a further decrease in general operating millage tax revenue for FYE 2013. Taxable values are not expected to recover anytime for the next several years and tax appeals may cost the City even more. 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 \$750,000 from the General Fund in FYE 2013 to cover likely shortfalls in available debt service funding for the Island Lakes bonds. Current projections are that the shortfall between taxes captured and debt service that must be paid by the City could range from \$550,000 to \$850,000 annually starting in the fiscal year beginning July 1, 2012. Similarly, the reduction in tax revenue from the 1996 voted millage caused by the severe decline in taxable values will likely result in the need for voter support of an increase in the levy prior to the maturity of the related debt in September 2016.

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. Despite reducing the number of employees, limiting or eliminating wage increases, and implementing co-pay arrangements for health insurance, the current year budget is still in a structural deficit. The City's General Fund ended the FYE 2012 with a significant unassigned deficit. The City has dramatically reduced staffing and unnecessary spending while maintaining city services. Unfortunately, it's not enough to bring the City out of the deficit.

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 Assets (Deficit) June 30, 2012

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 9,005,266	\$ 16,890,380	\$ 25,895,646	\$ 15,931,240
Receivables - Net:				
Taxes	334,629	-	334,629	-
Customers	-	4,335,095	4,335,095	-
Other	2,246,929	69,099	2,316,028	953,562
Due from other governmental units	1,941,798	-	1,941,798	221,852
Special assessments	3,950,370	-	3,950,370	-
Due from component units	317,971	-	317,971	-
Due from primary government	-	-	-	287,211
Internal balances (Note 6)	(1,449,173)	1,449,173	-	-
Inventories	-	298,423	298,423	-
Prepaid costs and other assets	1,106,435	31,491	1,137,926	273,609
Restricted assets (Note 8)	1,276,785	10,093,606	11,370,391	4,269,470
Long-term advances to (from) other funds	1,750,000	(1,750,000)	-	-
Properties held for resale	163,740	-	163,740	-
Other current assets	-	-	-	3,039,848
Capital assets:				
Nondepreciable capital assets	30,735,240	6,635,672	37,370,912	15,342,696
Depreciable capital assets	165,539,636	123,743,131	289,282,767	27,967,601
Unamortized bond issuance costs	53,427	-	53,427	92,262
Total assets	216,973,053	161,796,070	378,769,123	68,379,351
Liabilities				
Accounts payable	1,452,620	1,708,586	3,161,206	1,640,534
Due to other governmental units	1,331,857	351,745	1,683,602	-
Due to component units	246,107	41,104	287,211	-
Due to primary government	-	-	-	317,971
Accrued and other liabilities	4,714,724	571,267	5,285,991	1,444,535
Due to pension funds	65,156	-	65,156	-
Deferred revenue (Note 4)	3,950,370	8,384	3,958,754	743,673
Current liabilities payable from restricted assets	-	4,415,322	4,415,322	-
Tenant security deposit	-	-	-	373,790
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 7)	1,134,585	61,790	1,196,375	-
Bond premium (Note 7)	104,931	-	104,931	1,079
Workers' compensation claims	49,969	-	49,969	-
Current portion of long-term debt (Note 7)	3,457,673	569,568	4,027,241	3,200,000
Due in more than one year:				
Compensated absences (Note 7)	2,270,386	114,827	2,385,213	-
Bond premium (Note 7)	520,273	-	520,273	15,641
Workers' compensation claims (Note 7)	947,276	-	947,276	-
Net OPEB obligation (Note 16)	24,253,099	3,128,893	27,381,992	-
Long-term debt (Note 7)	23,687,103	42,354,941	66,042,044	72,297,747
Total liabilities	68,186,129	53,326,427	121,512,556	80,034,970
Net Assets (Deficit)				
Invested in capital assets - Net of related debt	168,504,896	86,461,839	254,966,735	12,027,364
Restricted for:				
Roads	3,447,314	-	3,447,314	-
Police forfeitures	2,389,157	-	2,389,157	4,425,194
Debt service	1,562,381	5,678,284	7,240,665	42,082
Sewer	-	637,436	637,436	-
Special millages	3,037,532	-	3,037,532	-
Grants	661,217	-	661,217	-
Unrestricted	(30,815,573)	15,692,084	(15,123,489)	(28,150,259)
Total net assets (deficit)	\$ 148,786,924	\$ 108,469,643	\$ 257,256,567	\$ (11,655,619)

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

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	\$ 11,628,102	\$ 5,299,217	\$ 140,648	\$ 40,260
Public safety	31,548,534	2,120,652	751,274	37,056
Public works	18,663,063	669,124	3,770,514	978,468
Community and economic development	1,585,325	16,828	867,805	-
Recreation and culture	4,313,422	757,175	131,428	-
Interest on long-term debt	1,216,480	-	-	-
Total governmental activities	68,954,926	8,862,996	5,661,669	1,055,784
Business-type activities:				
Water	7,375,175	8,245,954	-	-
Sewer	7,832,327	6,687,864	-	-
Golf courses	3,983,859	3,558,860	-	396,657
Ecorse Creek	183,638	566,971	-	-
Total business-type activities	19,374,999	19,059,649	-	396,657
Total primary government	<u>\$ 88,329,925</u>	<u>\$ 27,922,645</u>	<u>\$ 5,661,669</u>	<u>\$ 1,452,441</u>
Component units:				
Local Development Financing Authority	\$ 511,096	\$ -	\$ -	\$ -
Tax Increment Financing Authority	2,642,161	-	-	-
Brownfield Redevelopment Authority	1,036,083	-	-	-
Downtown Development Authority	122,099	-	-	-
Housing Commission	19,634,263	6,686,749	11,971,693	-
Total component units	<u>\$ 23,945,702</u>	<u>\$ 6,686,749</u>	<u>\$ 11,971,693</u>	<u>\$ -</u>
General revenue:				
Property taxes				
State-shared revenue				
Unrestricted investment earnings				
Rental income and fees				
Other miscellaneous income				
Loss on sale of fixed assets				
Total general revenue				
Change in Net Assets				
Net Assets (Deficit) - Beginning of year				
Prior Period Adjustment Related to Housing Commission Grants				
Net Assets (Deficit) - Beginning of year - As restated				
Net Assets (Deficit) - End of year				

Statement of Activities Year Ended June 30, 2012

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (6,147,977)	\$ -	\$ (6,147,977)	\$ -
(28,639,552)	-	(28,639,552)	-
(13,244,957)	-	(13,244,957)	-
(700,692)	-	(700,692)	-
(3,424,819)	-	(3,424,819)	-
(1,216,480)	-	(1,216,480)	-
(53,374,477)	-	(53,374,477)	-
-	870,779	870,779	-
-	(1,144,463)	(1,144,463)	-
-	(28,342)	(28,342)	-
-	383,333	383,333	-
-	81,307	81,307	-
(53,374,477)	81,307	(53,293,170)	-
-	-	-	(511,096)
-	-	-	(2,642,161)
-	-	-	(1,036,083)
-	-	-	(122,099)
-	-	-	(975,821)
-	-	-	(5,287,260)
27,341,319	4,783,650	32,124,969	6,171,794
6,244,128	-	6,244,128	-
3,173	14,888	18,061	40,957
325,710	-	325,710	650,673
5,467,828	494,899	5,962,727	-
-	(68,893)	(68,893)	-
39,382,158	5,224,544	44,606,702	6,863,424
(13,992,319)	5,305,851	(8,686,468)	1,576,164
-	-	-	(13,329,165)
-	-	-	97,384
162,779,243	103,163,792	265,943,035	(13,231,781)
\$ 148,786,924	\$ 108,469,643	\$ 257,256,567	\$ (11,655,619)

City of Taylor, Michigan

Governmental Funds Balance Sheet June 30, 2012

	General Fund	Nonmajor Funds	Total
Assets			
Cash and investments (Note 3)	\$ 997,795	\$ 8,007,471	\$ 9,005,266
Receivables:			
Taxes	323,642	10,987	334,629
Special assessments	3,950,370	-	3,950,370
Other	2,119,805	127,124	2,246,929
Due from other governmental units	1,163,348	778,450	1,941,798
Due from component units	316,527	1,444	317,971
Due from other funds (Note 6)	1,853,597	3,977,061	5,830,658
Prepaid expenses and other assets	1,106,435	-	1,106,435
Long-term advances to other funds (Note 6)	1,750,000	-	1,750,000
Land held for resale	-	163,740	163,740
Restricted assets (Note 8)	1,276,785	-	1,276,785
	\$ 14,858,304	\$ 13,066,277	\$ 27,924,581
Liabilities and Fund Balance (Deficit)			
Liabilities			
Accounts payable	\$ 953,886	\$ 498,734	\$ 1,452,620
Due to other governmental units	1,217,650	114,207	1,331,857
Due to component units	202,525	43,582	246,107
Due to other funds (Note 6)	3,573,412	1,651,878	5,225,290
Advances from other funds	2,054,541	-	2,054,541
Accrued and other liabilities	4,224,413	158,804	4,383,217
Due to pension funds	65,156	-	65,156
Deferred revenue (Note 4)	4,465,482	321,249	4,786,731
Provision for claims	49,969	-	49,969
	16,807,034	2,788,454	19,595,488
Fund Balances			
Nonspendable:			
Inventory	1,577	-	1,577
Prepays	1,104,858	-	1,104,858
Long-term receivable	1,750,000	-	1,750,000
Restricted:			
Roads	-	3,447,314	3,447,314
Police forfeitures	-	2,389,157	2,389,157
Debt service	-	1,562,381	1,562,381
Grants	497,477	163,740	661,217
Special millages	57,090	2,980,442	3,037,532
Unassigned	(5,359,732)	(265,211)	(5,624,943)
	(1,948,730)	10,277,823	8,329,093
Total fund balance (deficit)	(1,948,730)	10,277,823	8,329,093
Total liabilities and fund balance (deficit)	\$ 14,858,304	\$ 13,066,277	\$ 27,924,581

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 Assets (Deficit) June 30, 2012

Fund Balance Reported in Governmental Funds \$ 8,329,093

Amounts reported for governmental activities in the statement of net assets (deficit) are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds 196,274,876

Special assessment and other receivables are expected to be collected over several years and are not available to pay for current year expenditures 836,361

Unamortized bond issuance costs are not reported in the governmental funds 53,427

Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds - Long-term debt (27,144,776)

Workers' compensation claims (947,276)

Compensated absences (3,404,971)

Net OPEB obligation (24,253,099)

Bond premium (625,204)

Accrued interest is not recorded in the funds (331,507)

Net Assets of Governmental Activities **\$ 148,786,924**

City of Taylor, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balance (Deficit) Year Ended June 30, 2012

	General Fund	Nonmajor Funds	Total
Revenue			
Property taxes	\$ 21,181,385	\$ 8,566,560	\$ 29,747,945
Licenses and permits	1,165,284	1,098,224	2,263,508
Federal grants	354,661	929,153	1,283,814
State-shared revenue and grants	6,622,662	3,852,259	10,474,921
Charges for services	1,662,652	597,990	2,260,642
Fines and forfeitures	3,135,663	-	3,135,663
Interest income	-	11,338	11,338
Rental income	677,658	545,026	1,222,684
Other revenue	5,644,465	84,899	5,729,364
Total revenue	40,444,430	15,685,449	56,129,879
Expenditures			
Current:			
General government	7,399,559	-	7,399,559
Public safety	20,905,858	1,184,000	22,089,858
Public works and capital projects	4,761,763	7,154,468	11,916,231
Employee benefits	8,938,576	-	8,938,576
Economic and community development	331,109	691,645	1,022,754
Recreation and cultural	1,936,384	-	1,936,384
Capital outlay and other	-	416,918	416,918
Debt service	76,185	5,079,046	5,155,231
Total expenditures	44,349,434	14,526,077	58,875,511
Excess of Revenue (Under) Over Expenditures	(3,905,004)	1,159,372	(2,745,632)
Other Financing Sources (Uses)			
Transfers in (Note 6)	-	5,671,728	5,671,728
Transfers out (Note 6)	(1,851,100)	(3,820,628)	(5,671,728)
Net Change in Fund Balances	(5,756,104)	3,010,472	(2,745,632)
Fund Balances - Beginning of year	3,807,374	7,267,351	11,074,725
Fund Balance (Deficit) - End of year	\$ (1,948,730)	\$ 10,277,823	\$ 8,329,093

City of Taylor, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) of Governmental Funds to the Statement of Activities Year Ended June 30, 2012

Net Change in Fund Balances - Total Governmental Funds	\$ (2,745,632)
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	587,120
Statement of activities records depreciation on capital assets	(10,223,287)
Proceeds from asset sales are recorded in the governmental funds; on the statement of activities, a loss is recorded	(648,392)
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	(237,781)
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)	(4,081)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	3,316,807
Amortization of bond premium liabilities and deferred cost of financing are reported as expense on the governmental funds when issued	58,264
Amortization of bond issuance costs are reported as an expense in the governmental funds when issued	(7,672)
Change in accrued interest on long-term debt is not recorded in the governmental funds	46,685
Decrease in accumulated employee sick and vacation pay and other similar expenses reported in the statement of activities do not require the use of current resources, and therefore are not reported in the fund statements until they come due for payment	728,296
Changes in accrued liabilities	333,500
Decrease in estimated workers' compensation liability is recorded in the statement of activities	245,886
The change in the net OPEB obligation is not included in the governmental funds	(5,442,032)
Change in Net Assets of Governmental Activities	<u>\$ (13,992,319)</u>

City of Taylor, Michigan

Proprietary Funds Statement of Net Assets June 30, 2012

	Enterprise Funds				
	Water	Sewer	Golf Courses	Nonmajor - Ecorse Creek	Total
Assets					
Current assets:					
Cash and investments (Note 3)	\$ 12,212,842	\$ 3,500,832	\$ 189,252	\$ 987,454	\$ 16,890,380
Receivables:					
Customers	2,452,849	1,689,486	-	192,760	4,335,095
Other	41,383	15,093	12,623	-	69,099
Due from other funds (Note 6)	-	5,632,067	-	301,562	5,933,629
Inventory	151,062	982	146,379	-	298,423
Prepaid expenses and other assets	-	-	-	31,491	31,491
Total current assets	<u>14,858,136</u>	<u>10,838,460</u>	<u>348,254</u>	<u>1,513,267</u>	<u>27,558,117</u>
Noncurrent assets:					
Restricted assets (Note 8)	-	10,093,606	-	-	10,093,606
Advances to other funds	1,060,572	993,969	-	-	2,054,541
Capital assets - Net (Note 5):					
Assets not subject to depreciation	169,976	-	4,720,372	1,745,324	6,635,672
Assets subject to depreciation	18,971,402	95,331,817	9,439,912	-	123,743,131
Total noncurrent assets	<u>20,201,950</u>	<u>106,419,392</u>	<u>14,160,284</u>	<u>1,745,324</u>	<u>142,526,950</u>
Total assets	<u>35,060,086</u>	<u>117,257,852</u>	<u>14,508,538</u>	<u>3,258,591</u>	<u>170,085,067</u>
Liabilities					
Current liabilities:					
Accounts payable	930,946	610,876	166,764	-	1,708,586
Due to other governmental units	53,247	3,738	20,171	274,589	351,745
Due to component units	4,322	36,782	-	-	41,104
Due to other funds (Note 6)	6,258,922	113,145	32,411	134,519	6,538,997
Accrued and other liabilities	46,797	269,946	249,719	4,805	571,267
Deferred revenue	-	-	8,384	-	8,384
Current portion of compensated absences (Note 7)	46,170	13,674	1,946	-	61,790
Current portion of long-term debt (Note 7)	105,000	321,837	101,148	41,583	569,568
Total current liabilities	<u>7,445,404</u>	<u>1,369,998</u>	<u>580,543</u>	<u>455,496</u>	<u>9,851,441</u>
Noncurrent liabilities:					
Long-term advance to other funds (Note 6)	-	-	1,750,000	-	1,750,000
Liabilities payable from restricted assets (Note 7)	-	4,415,322	-	-	4,415,322
Provision for compensated absences (Note 7)	70,232	21,411	23,184	-	114,827
Net OPEB obligation	1,690,658	707,761	730,474	-	3,128,893
Long-term debt - Net of current portion (Note 7)	740,000	40,771,750	131,905	711,286	42,354,941
Total noncurrent liabilities	<u>2,500,890</u>	<u>45,916,244</u>	<u>2,635,563</u>	<u>711,286</u>	<u>51,763,983</u>
Total liabilities	<u>9,946,294</u>	<u>47,286,242</u>	<u>3,216,106</u>	<u>1,166,782</u>	<u>61,615,424</u>
Net Assets					
Invested in capital assets - Net of related debt	18,296,378	54,238,230	13,927,231	-	86,461,839
Restricted:					
Debt service	-	5,678,284	-	-	5,678,284
Sewer grant expenditures	-	637,436	-	-	637,436
Unrestricted	6,817,414	9,417,660	(2,634,799)	2,091,809	15,692,084
Total net assets	<u>\$ 25,113,792</u>	<u>\$ 69,971,610</u>	<u>\$ 11,292,432</u>	<u>\$ 2,091,809</u>	<u>\$ 108,469,643</u>

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

City of Taylor, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2012

	Enterprise Funds				Total
	Water	Sewer	Golf Courses	Nonmajor - Ecorse Creek	
Operating Revenue					
Water sales	\$ 6,863,544	\$ -	\$ -	\$ -	\$ 6,863,544
Sewage disposal services	-	5,807,588	-	-	5,807,588
Charges for services	1,376,294	880,276	2,013,587	566,971	4,837,128
Sale of merchandise	-	-	1,505,273	-	1,505,273
Other	6,116	-	40,000	-	46,116
Total operating revenue	8,245,954	6,687,864	3,558,860	566,971	19,059,649
Operating Expenses					
Cost of water operations	6,297,074	-	-	-	6,297,074
Cost of sewage disposal operations	-	4,882,299	-	-	4,882,299
Ecorse Creek user charge system	-	-	-	170,749	170,749
Cost of sales	-	-	691,405	-	691,405
Other operating and maintenance	-	-	1,075,102	-	1,075,102
General and administrative	-	-	1,401,502	-	1,401,502
Depreciation and amortization	1,038,751	1,683,629	803,174	-	3,525,554
Total operating expenses	7,335,825	6,565,928	3,971,183	170,749	18,043,685
Operating Income (Loss)	910,129	121,936	(412,323)	396,222	1,015,964
Nonoperating Revenue (Expenses)					
Property taxes	-	4,783,650	-	-	4,783,650
Interest income	5,551	7,461	274	1,602	14,888
Interest expense	(39,350)	(1,266,399)	(12,676)	(12,889)	(1,331,314)
Gain (loss) on sale of assets	5,285	1,950	(76,128)	-	(68,893)
Other	-	494,899	-	-	494,899
Total nonoperating (expenses) revenue	(28,514)	4,021,561	(88,530)	(11,287)	3,893,230
Income (Loss) - Before contributions	881,615	4,143,497	(500,853)	384,935	4,909,194
Capital Contributions - Donated assets	-	-	396,657	-	396,657
Change in Net Assets	881,615	4,143,497	(104,196)	384,935	5,305,851
Net Assets - Beginning of year	24,232,177	65,828,113	11,396,628	1,706,874	103,163,792
Net Assets - End of year	<u>\$ 25,113,792</u>	<u>\$ 69,971,610</u>	<u>\$ 11,292,432</u>	<u>\$ 2,091,809</u>	<u>\$ 108,469,643</u>

City of Taylor, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2012

	Enterprise Funds				Total Enterprise Funds
	Water	Sewer	Golf Courses	Nonmajor - Ecorse Creek	
Cash Flows from Operating Activities					
Receipts from customers	\$ 7,864,390	\$ 6,683,825	\$ 3,526,707	\$ 537,211	\$ 18,612,133
Internal activity - Receipts from other funds	4,136,957	-	-	134,311	4,271,268
Payments to suppliers	(3,755,229)	(4,013,027)	(1,762,380)	(190,238)	(9,720,874)
Payments to employees	(2,073,542)	(525,180)	(1,247,974)	-	(3,846,696)
Internal activity - Payments to other funds	-	(1,513,243)	(385,662)	(194,713)	(2,093,618)
Other receipts	6,116	-	40,000	-	46,116
Net cash provided by operating activities	6,178,692	632,375	170,691	286,571	7,268,329
Cash Flows from Noncapital Financing Activities - Advances to other funds	(1,060,572)	(993,969)	-	-	(2,054,541)
Cash Flows from Capital and Related Financing Activities					
Issuance of debt	-	-	-	578,189	578,189
Proceeds from sales of capital assets	5,285	1,950	-	-	7,235
Property taxes	-	4,783,650	-	-	4,783,650
Purchase of capital assets	(80,258)	(342,230)	-	(591,693)	(1,014,181)
Principal and interest paid on capital debt	(139,667)	(251,374)	(109,486)	(49,825)	(550,352)
Payments to the County	-	(4,783,650)	-	-	(4,783,650)
Net cash used in capital and related financing activities	(214,640)	(591,654)	(109,486)	(63,329)	(979,109)
Cash Flows from Investing Activities - Interest received on investments	5,551	7,461	274	1,602	14,888
Net Increase (Decrease) in Cash and Cash Equivalents	4,909,031	(945,787)	61,479	224,844	4,249,567
Cash and Cash Equivalents - Beginning of year	7,303,811	14,540,225	127,773	762,610	22,734,419
Cash and Cash Equivalents - End of year	\$ 12,212,842	\$ 13,594,438	\$ 189,252	\$ 987,454	\$ 26,983,986
Balance Sheet Classification of Cash and Cash Equivalents					
Cash and investments	\$ 12,212,842	\$ 3,500,832	\$ 189,252	\$ 987,454	\$ 16,890,380
Restricted cash	-	10,093,606	-	-	10,093,606
Total cash and cash equivalents	\$ 12,212,842	\$ 13,594,438	\$ 189,252	\$ 987,454	\$ 26,983,986

City of Taylor, Michigan

Proprietary Funds Statement of Cash Flows (Continued) Year Ended June 30, 2012

	Enterprise Funds				
	Water	Sewer	Golf Courses	Nonmajor - Ecorse Creek	Total Enterprise Funds
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities					
Operating income (loss)	\$ 910,129	\$ 121,936	\$ (412,323)	\$ 396,222	\$ 1,015,964
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation and amortization	1,038,751	1,683,629	803,174	-	3,525,554
Changes in assets and liabilities:					
Receivables	(375,448)	(4,039)	7,847	(29,760)	(401,400)
Due from other funds	4,136,957	-	-	(193,149)	3,943,808
Inventories and other assets	(28,539)	3,474	(14,953)	(31,491)	(71,509)
Accrued liabilities	(112,942)	-	21,336	-	(91,606)
Accounts payable	300,867	215,270	4,031	12,002	532,170
Due to other funds	-	(1,513,243)	(385,662)	132,747	(1,766,158)
Accrued compensation	308,917	125,348	147,241	-	581,506
Net cash provided by operating activities	\$ 6,178,692	\$ 632,375	\$ 170,691	\$ 286,571	\$ 7,268,329

Noncash Investing, Capital, and Financing Activities - During the year ended June 30, 2012, the City had several noncash transactions with the assets held at Wayne County, including debt payments of \$4,722,159 and interest payments of \$1,280,871.

City of Taylor, Michigan

Fiduciary Funds Statement of Fiduciary Net Assets June 30, 2012

	Pension and Other Employee Benefit Plans*	<u>Agency Funds</u>
Assets		
Cash and equivalents	\$ 8,307,374	\$ 2,227,910
Investments:		
U.S. government securities	15,274,253	-
Common and preferred stock	55,424,482	-
Corporate bonds	17,105,556	-
Mutual funds	11,906,792	-
Partnerships	25,132,649	-
Receivables:		
Accrued interest receivable	293,359	-
Other receivables	-	57,245
Due from other governmental units	-	20,002
Due from primary government	65,156	-
Total assets	133,509,621	<u>\$ 2,305,157</u>
Liabilities		
Due to other governmental units	-	\$ 1,348,408
Accrued and other liabilities	-	780,965
Tax collections distributable	-	175,784
Total liabilities	-	<u>\$ 2,305,157</u>
Net Assets Held in Trust for Pension and Other Employee Benefits	<u>\$ 133,509,621</u>	

* Balances are as of December 31, 2011 for the General Employees' Pension Plan and as of June 30, 2012 for the Police and Fire Retirement System.

City of Taylor, Michigan

Fiduciary Funds Statement of Changes in Fiduciary Net Assets Year Ended June 30, 2012

	<u>Pension and Other Employee Benefit Plans*</u>
Additions	
Investment income:	
Interest and dividends	\$ 2,802,734
Net decrease in fair value of investments	(3,041,846)
Less investment expenses	<u>(565,971)</u>
Total investment income	(805,083)
Contributions:	
Employer	8,717,593
Employee	<u>1,415,145</u>
Total contributions	<u>10,132,738</u>
Total additions - Net of investment expenses	9,327,655
Deductions	
Benefit payments	17,160,854
General and administrative	<u>106,029</u>
Total deductions	<u>17,266,883</u>
Net Decrease in Net Assets Held in Trust	(7,939,228)
Net Assets Held in Trust for Pension and Other Employee Benefits - Beginning of year	<u>141,448,849</u>
Net Assets Held in Trust for Pension and Other Employee Benefits - End of year	<u><u>\$ 133,509,621</u></u>

* Balances are as of December 31, 2011 for the General Employees' Pension Plan and as of June 30, 2012 for the Police and Fire Retirement System.

City of Taylor, Michigan

Component Units Statement of Net Assets (Deficit) June 30, 2012

	Local Development Financing Authority	Tax Increment Financing Authority	Brownfield Redevelopment Authority	Downtown Development Authority	Housing Commission*	Total
Assets						
Cash and investments (Note 3)	\$ 46,441	\$ 5,211,180	\$ 2,097,699	\$ 760,406	\$ 7,815,514	\$ 15,931,240
Accounts receivable	-	221,852	785,578	3,395	164,589	1,175,414
Due from primary government	18,568	29,546	36,782	159,201	43,114	287,211
Internal balances	-	-	419,184	(419,184)	-	-
Prepaid expenses and other assets	-	-	-	-	273,609	273,609
Restricted assets (Note 8)	-	-	-	-	4,269,470	4,269,470
Other current assets	-	-	-	-	3,039,848	3,039,848
Capital assets (Note 5):						
Assets not subject to depreciation	17,745	13,536,684	77,187	859,375	851,705	15,342,696
Assets subject to depreciation	-	-	-	-	27,967,601	27,967,601
Unamortized bond issuance costs	-	-	92,262	-	-	92,262
Total assets	<u>82,754</u>	<u>18,999,262</u>	<u>3,508,692</u>	<u>1,363,193</u>	<u>44,425,450</u>	<u>68,379,351</u>
Liabilities						
Accounts payable	-	793,732	2,555	1,459	842,788	1,640,534
Due to primary government	-	-	197,333	-	120,638	317,971
Accrued and other liabilities	20,358	262,508	438,997	22,288	700,384	1,444,535
Deferred revenue (Note 4)	-	-	743,673	-	-	743,673
Tenant security deposit	-	-	-	-	373,790	373,790
Due within one year (Note 7):						
Bond premium	-	-	1,079	-	-	1,079
Current portion of long-term debt	-	2,600,000	385,000	215,000	-	3,200,000
Due in more than one year (Note 7):						
Bond premium	-	-	15,641	-	-	15,641
Long-term debt	-	23,303,400	15,655,000	965,000	32,374,347	72,297,747
Total liabilities	<u>20,358</u>	<u>26,959,640</u>	<u>17,439,278</u>	<u>1,203,747</u>	<u>34,411,947</u>	<u>80,034,970</u>
Net Assets (Deficit)						
Invested in capital assets - Net of related debt	17,745	13,536,684	77,187	859,375	(2,463,627)	12,027,364
Restricted:						
Deposits	-	-	-	-	4,425,194	4,425,194
Restricted for development	-	-	42,082	-	-	42,082
Unrestricted	44,651	(21,497,062)	(14,049,855)	(699,929)	8,051,936	(28,150,259)
Total net assets (deficit)	<u>\$ 62,396</u>	<u>\$ (7,960,378)</u>	<u>\$ (13,930,586)</u>	<u>\$ 159,446</u>	<u>\$ 10,013,503</u>	<u>\$ (11,655,619)</u>

* Balances are as of March 31, 2012 for the Housing Commission and as of June 30, 2012 for the Taylor Community Development Corp., its component unit.

City of Taylor, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Local Development Financing Authority	\$ 511,096	\$ -	\$ -	\$ -
Tax Increment Financing Authority - Public Works	2,642,161	-	-	-
Brownfield Redevelopment Authority - Public works	1,036,083	-	-	-
Downtown Development Authority - Public Works	122,099	-	-	-
Housing Commission	19,634,263	6,686,749	11,971,693	-
Total component units	\$ 23,945,702	\$ 6,686,749	\$ 11,971,693	\$ -
General revenue:				
Property taxes				
Interest income				
Other				
		Total general revenue		
Transfers				
Change in Net Assets				
Net Assets (Deficit) - Beginning of year				
Prior Period Adjustment Related to Housing Commission Grants				
Net Assets (Deficit) - Beginning of year - As restated				
Net Assets (Deficit) - End of year				

* Balances are as of March 31, 2012 for the Housing Commission and as of June 30, 2012 for the Taylor Community Development Corp., its component unit.

**Component Units
Statement of Activities
Year Ended June 30, 2012**

Local Development Financing Authority	Net (Expense) Revenue and Changes in Net Assets					Total
	Tax Increment Financing Authority	Brownfield Redevelopment Authority	Downtown Development Authority	Housing Commission		
\$ (511,096)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (511,096)
-	(2,642,161)	-	-	-	-	(2,642,161)
-	-	(1,036,083)	-	-	-	(1,036,083)
-	-	-	(122,099)	-	-	(122,099)
-	-	-	-	(975,821)	-	(975,821)
(511,096)	(2,642,161)	(1,036,083)	(122,099)	(975,821)	-	(5,287,260)
45,767	5,079,164	535,230	511,633	-	-	6,171,794
1,075	16,763	4,416	1,714	16,989	-	40,957
-	221,849	-	310	428,512	-	650,671
46,842	5,317,776	539,646	513,657	445,501	-	6,863,422
-	(43,500)	233,500	(190,000)	-	-	-
(464,254)	2,632,115	(262,937)	201,558	(530,320)	-	1,576,162
526,650	(10,592,493)	(13,667,649)	(42,112)	10,446,439	-	(13,329,165)
-	-	-	-	97,384	-	97,384
526,650	(10,592,493)	(13,667,649)	(42,112)	10,543,823	-	(13,231,781)
\$ 62,396	\$ (7,960,378)	\$ (13,930,586)	\$ 159,446	\$ 10,013,503	\$ -	\$ (11,655,619)

Note I - Nature of Business and Significant Accounting Policies

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

Reporting Entity

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

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

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

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

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

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

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

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

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

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

The Project is operated and regulated by a use agreement with the U.S. Department of Housing and Urban Development (HUD) with respect to rental charges and operating methods. The Project's major program is its Section 8 housing assistance payment agreements with HUD. During the year ended June 30, 2012, rental revenue from HUD totaled approximately \$5,100,000, representing 47 percent of net rental revenue.

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

Government-wide and Fund Financial Statements

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

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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

The City's only major governmental fund for June 30, 2012 is the General Fund.

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

The City reports the following major proprietary funds:

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

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

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

Additionally, the City reports the following internal service and fiduciary activities:

Pension Trust Fund - The Pension Trust Fund accounts for the activities of the City's two defined benefit pension plans, including the Police and Fire Retirement System and the General Employees' Pension Plan. The General Employees' Pension Plan is audited as of December 31, 2011. Therefore, the General Employees' Pension Plan is included in this report as of December 31, 2011. The plans accumulate resources for pension benefit payments to qualified employees.

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

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

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

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

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

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

Property Tax Revenue

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

The City's 2011 tax is levied and collectible on July 1, 2011 and is recognized as revenue in the year ended June 30, 2012, when the proceeds of the levy are budgeted and available for the financing of operations.

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

The 2011 taxable valuation of the City totaled \$1,155,423,367, on which taxes levied consisted of 8.4211 mills for operating purposes, 0.8862 mills for library services, 6.5340 mills for public safety pension, 0.9883 mills for disposal authority, 2.6591 mills for garbage and rubbish services, 0.0338 mills for publicity services, 2.1888 mills for building authority, 3.5561 for EPA debt, and 0.9601 mills for the Southend Project. This resulted in approximately \$9,700,000 for operating purposes, \$1,000,000 for library services, \$7,500,000 for public safety pension, \$1,100,000 for disposal authority, \$3,100,000 for garbage and rubbish services, \$39,000 for publicity services, \$2,500,000 for the building authority, \$5,200,000 for EPA debt, and \$1,400,000 for the Southend Project. These amounts are recognized in the respective General Fund, special revenue funds, debt service funds, and enterprise funds financial statements as tax revenue.

Assets, Liabilities, and Net Assets or Equity

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

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

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

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

Restricted Assets - Restricted deposits in the Taylor Housing Commission represent assets held under various bond agreements in a separate account for replacement of property and other project expenditures as approved by the mortgagee. Restricted deposits of \$3,912,556 at June 30, 2012 are held in a separate account and generally are not available for operating purposes. In August 2010, TCDC closed on a loan under the Green Retrofit Program. There is an escrow related to this loan for the future draws on qualified construction expenditures in the amount of \$347,741. The escrow relates to the unspent note and will be used to pay down the principal of the outstanding Green Retrofit Program debt.

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

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

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

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

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

Compensated Absences (Vacation and Sick Leave) - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

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

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

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

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

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

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

- Unassigned: Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

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

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

Note 2 - Stewardship, Compliance, and Accountability

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

The budget process is initiated in January, when the departments are given information and guidelines to assist them in formulating their budget requests. The department heads summarize the departmental appropriation requests and submit them to the mayor on or before March 1. During the month of March, the mayor reviews the appropriation requests, meets with the departments, and puts together the budget. 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 2 - 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, 2012 has not been calculated. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Fund Deficits - On the modified accrual basis, the General Fund, Neighborhood Stabilization Program, and the Community Development Block Grant Fund have fund balance deficits at June 30, 2012. 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, Downtown Development Authority, and Brownfield Redevelopment Authority. The Golf Courses Fund has an unrestricted net deficit as of June 30, 2012. There are no other proprietary funds with a deficit at June 30, 2012.

The City utilized a portion of restricted funds for purposes for which those resources were not intended.

Note 3 - Deposits and Investments

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

The pension trust fund is also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

City of Taylor, Michigan

Notes to Financial Statements June 30, 2012

Note 3 - Deposits and Investments (Continued)

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

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

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$14,939,893 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. In addition, the City's component units had \$6,420,834 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:

	Fair Value	Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years
General Employees' Pension Plan					
Corporate bonds	\$ 6,406,676	\$ -	\$ 5,061,170	\$ 1,345,506	\$ -
U.S. government securities	7,038,445	-	6,752,195	-	286,250
Total	\$ 13,445,121	\$ -	\$ 11,813,365	\$ 1,345,506	\$ 286,250
Police and Fire Retirement System					
Corporate bonds	\$ 10,698,880	\$ 564,930	\$ 3,729,830	\$ 5,637,341	\$ 766,779
U.S. government securities	8,235,808	1,081,839	2,505,478	2,061,926	2,586,565
Total	\$ 18,934,688	\$ 1,646,769	\$ 6,235,308	\$ 7,699,267	\$ 3,353,344

Note 3 - Deposits and Investments (Continued)

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

Investment	Fair Value	Rating	Rating Organization
Component Units			
Bank investment pools	\$ 844	AAA	S&P
Bank investment pools	660,704	Not rated	N/A
General Employees' Pension Plan			
Corporate bonds	509,500	AA+	S&P
Corporate bonds	705,168	A+	S&P
Corporate bonds	1,659,408	A	S&P
Corporate bonds	1,725,601	A-	S&P
Corporate bonds	1,806,998	BBB	S&P
U.S. government securities	2,254,563	AA+	S&P
Police and Fire Retirement System			
Agency bonds	270,972	AAA	Moody's
Agency bonds	1,653,847	Not Rated	N/A
Corporate bonds	254,414	A1	Moody's
Corporate bonds	556,661	A2	Moody's
Corporate bonds	1,126,078	A3	Moody's
Corporate bonds	484,459	Aa2	Moody's
Corporate bonds	305,692	Aa3	Moody's
Corporate bonds	2,535,749	Aaa	Moody's
Corporate bonds	218,875	B1	Moody's
Corporate bonds	26,625	B2	Moody's
Corporate bonds	58,781	B3	Moody's
Corporate bonds	300,298	Ba1	Moody's
Corporate bonds	224,625	Ba2	Moody's
Corporate bonds	139,313	Ba3	Moody's
Corporate bonds	1,161,274	Baa1	Moody's
Corporate bonds	2,498,932	Baa2	Moody's
Corporate bonds	807,103	Baa3	Moody's
Mortgage-backed bonds	123,032	AAA	Moody's
Mortgage-backed bonds	726,644	Not Rated	N/A
U.S. government securities	5,461,314	AAA	Moody's

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.

City of Taylor, Michigan

Notes to Financial Statements June 30, 2012

Note 4 - Deferred Revenue

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

	Governmental Funds			Enterprise Funds
	Unavailable	Unearned	Total	
Special assessments	\$ 97,021	\$ 3,950,370	\$ 4,047,391	\$ 8,384
Grant receivables	387,433	-	387,433	-
ALS receivables	222,499	-	222,499	-
Other	126,408	-	126,408	-
Total	\$ 833,361	\$ 3,950,370	\$ 4,789,729	\$ 8,384

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

Note 5 - Capital Assets

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

	Balance July 1, 2011	Reclassifications	Additions	Disposals	Balance June 30, 2012
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 29,387,647	\$ -	\$ -	\$ (80)	\$ 29,387,567
Construction in progress	1,806,371	(728,710)	270,012	-	1,347,673
Subtotal	31,194,018	(728,710)	270,012	(80)	30,735,240
Capital assets being depreciated:					
Buildings and improvements	87,669,360	-	38,920	-	87,708,280
Machinery and equipment	38,405,370	110,875	256,204	(553,214)	38,219,235
Other improvements	18,557,844	5,790	1,040	-	18,564,674
Roads and sidewalks	247,523,505	230,011	20,944	(242,102)	247,532,358
Subtotal	392,156,079	346,676	317,108	(795,316)	392,024,547
Accumulated depreciation:					
Buildings and improvements	27,252,320	-	2,066,917	-	29,319,237
Machinery and equipment	28,186,800	-	2,044,754	(508,788)	29,722,766
Other improvements	12,381,207	-	891,770	-	13,272,977
Roads and sidewalks	148,970,335	-	5,219,846	(20,250)	154,169,931
Subtotal	216,790,662	-	10,223,287	(529,038)	226,484,911
Net capital assets being depreciated	175,365,417	346,676	(9,906,179)	(266,278)	165,539,636
Net capital assets	\$ 206,559,435	\$ (382,034)	\$ (9,636,167)	\$ (266,358)	\$ 196,274,876

Note 5 - Capital Assets (Continued)

	Balance July 1, 2011	Reclassifications	Additions	Disposals	Balance June 30, 2012
Business-type Activities					
Capital assets not being depreciated:					
Land	\$ 4,758,372	\$ -	\$ -	\$ -	\$ 4,758,372
Construction in progress	1,243,279	(12,000)	713,660	(67,639)	1,877,300
Subtotal	6,001,651	(12,000)	713,660	(67,639)	6,635,672
Capital assets being depreciated:					
Water mains and meters	34,743,368	-	5,243	(1,418)	34,747,193
Sanitary sewer system	119,101,730	-	772,200	-	119,873,930
Buildings and improvements	9,739,319	394,034	2,623	(30,394)	10,105,582
Machinery and equipment	3,278,435	-	-	(190,785)	3,087,650
Vehicles	654,526	-	-	(81,401)	573,125
Furniture and fixtures	1,206,178	-	-	-	1,206,178
Land improvements	8,820,615	-	-	(18,496)	8,802,119
Subtotal	177,544,171	394,034	780,066	(322,494)	178,395,777
Accumulated depreciation:					
Water mains and meters	15,123,066	-	956,104	(1,418)	16,077,752
Sanitary sewer system	23,091,482	-	1,592,690	-	24,684,172
Buildings and improvements	2,959,657	-	225,763	(13,677)	3,171,743
Machinery and equipment	2,221,903	-	263,878	(139,231)	2,346,550
Vehicles	506,307	-	30,473	(81,401)	455,379
Furniture and fixtures	963,424	-	40,366	-	1,003,790
Land improvements	6,507,615	-	416,280	(10,635)	6,913,260
Subtotal	51,373,454	-	3,525,554	(246,362)	54,652,646
Net capital assets being depreciated	126,170,717	394,034	(2,745,488)	(76,132)	123,743,131
Net capital assets	<u>\$ 132,172,368</u>	<u>\$ 382,034</u>	<u>\$ (2,031,828)</u>	<u>\$ (143,771)</u>	<u>\$ 130,378,803</u>

	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	\$ 760,000	\$ 15,250,991
Construction in progress	-	-	-	-	91,705	91,705
Subtotal	17,745	13,536,684	77,187	859,375	851,705	15,342,696
Capital assets being depreciated:						
Land improvements	-	-	-	-	7,762,488	7,762,488
Vehicles, machinery, and equipment	-	-	-	-	10,161,071	10,161,071
Building	-	-	-	-	36,460,981	36,460,981
Subtotal	-	-	-	-	54,384,540	54,384,540
Accumulated depreciation	-	-	-	-	26,416,939	26,416,939
Net capital assets being depreciated	-	-	-	-	27,967,601	27,967,601
Net capital assets	<u>\$ 17,745</u>	<u>\$ 13,536,684</u>	<u>\$ 77,187</u>	<u>\$ 859,375</u>	<u>\$ 28,819,306</u>	<u>\$ 43,310,297</u>

City of Taylor, Michigan

Notes to Financial Statements June 30, 2012

Note 5 - Capital Assets (Continued)

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

Governmental activities:

General government	\$ 905,064
Public safety	1,257,789
Public works	6,494,028
Economic development	201,144
Recreation and culture	<u>1,365,262</u>
Total governmental activities	<u>\$ 10,223,287</u>

Business-type activities:

Water and sewer	\$ 1,038,751
Sewer	1,683,629
Golf	<u>803,174</u>
Total business-type activities	<u>\$ 3,525,554</u>

Component unit activities - Housing Commission	<u>\$ 2,275,280</u>
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Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Due to/from Other Funds		
General Fund	Ecorse Creek Fund	\$ 132,955
	Golf Courses Fund	32,411
	Water Fund	325,289
	Sewer Fund	112,805
	Other nonmajor governmental funds	<u>1,250,138</u>
	Total General Fund	1,853,598
Other nonmajor governmental funds	General Fund	3,573,412
	Water Fund	1,568
	Sewer Fund	340
	Other nonmajor governmental funds	<u>401,740</u>
	Total nonmajor governmental funds	3,977,060
Sewer Fund	Ecorse Creek Fund	1,564
	Water Fund	<u>5,630,503</u>
	Total Sewer Fund	5,632,067

City of Taylor, Michigan

Notes to Financial Statements June 30, 2012

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

Receivable Fund	Payable Fund	Amount
Ecorse Creek	Water Fund	\$ 301,562
	Total	<u>\$ 11,764,287</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.

Receivable Fund	Payable Fund	Amount
Advances from/to Other Funds		
	Golf Courses Fund	\$ 1,750,000
Water Fund	General Fund	1,060,572
Sewer Fund	General Fund	993,969
	Total	<u>\$ 3,804,541</u>

Receivable Fund	Payable Fund	Amount
Due to/from Primary Government and Component Units		
Downtown Development Authority	General Fund	\$ 159,201
Local Development Financing Authority	General Fund	13,778
	Nonmajor governmental funds	4,790
	Total Local Development Financing Authority	18,568
Brownfield Redevelopment Authority	Sewer Fund	36,782
Tax Increment Financing Authority	General Fund	29,546
Housing Commission	Water Fund	4,322
	Nonmajor governmental funds	38,792
	Total Housing Commission	43,114
General Fund	Brownfield Redevelopment Authority	194,733
	Housing Commission	119,194
	2005 BRDA Debt Retirement	2,600
	Total General Fund	316,527
Nonmajor governmental funds	Housing Commission	1,444
	Total	<u>\$ 605,182</u>

City of Taylor, Michigan

Notes to Financial Statements June 30, 2012

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

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. The advances from the Water and Sewer Funds are expected to be repaid by revenue collected in future years.

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

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Other nonmajor governmental funds	General Fund	\$ 1,851,100
	Other nonmajor governmental funds	<u>3,819,728</u>
	Total other nonmajor governmental funds	<u>\$ 5,670,828</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 debt proceeds from the 2008 MI Transportation Bond Construction Fund to the Major Streets Fund for capital projects. Transfers between the General Fund and the other nonmajor governmental funds were to transfer the cumulative restricted fund balance in the General Fund to the new Taylor Building Authority and Act 179 Rubbish Funds.

Note 7 - Long-term Debt

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

City of Taylor, Michigan

Notes to Financial Statements June 30, 2012

Note 7 - Long-term Debt (Continued)

Long-term debt activity can be summarized as follows:

	Interest Rate Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities						
Bonds and contractual obligations:						
Building Authority Bonds - Series 2000 - Amount of issue - \$10,475,000	4.65%- 5.125%	\$ 1,465,000	\$ -	\$ 710,000	\$ 755,000	\$ 755,000
Building Authority Public Facilities Bonds - Series 2003 - Amount of issue - \$13,750,000	2.50%	9,945,000	-	605,000	9,340,000	625,000
2004 Building Authority Public Facilities Bonds - Amount of issue - \$1,250,000	2.00%	950,000	-	55,000	895,000	60,000
General Obligation Bonds - Series 2004 - Storm - Amount of issue - \$945,000	3.00%-4.40%	465,000	-	50,000	415,000	55,000
Limited Tax General Obligation Bonds - Series 2005 - Amount of issue - \$14,795,000	3.00%-5.00%	8,685,000	-	1,200,000	7,485,000	1,290,000
2008 Ambulance lease - Amount of issue - \$313,074	4.38%	133,332	-	65,237	68,095	68,095
2008 Michigan Transportation Fund Bonds - Amount of issue - \$3,075,000	4.30%	2,345,000	-	255,000	2,090,000	260,000
Avaya Phone System - Amount of issue \$198,848	4.13%	192,986	-	63,570	129,416	66,245
2011 Installment purchase contract trash totes - Amount of issue - \$1,880,000	3.83%	1,880,000	-	158,000	1,722,000	164,000
2011 Installment purchase contract trash trucks - Amount of issue - \$1,232,000	4.36%	1,232,000	-	155,000	1,077,000	161,000
Building Authority Refunding Bonds 2005 (with Sportsplex)	5.00%	3,401,600	-	-	3,401,600	-
Less deferred amounts - Deferred costs of financing		(280,002)	-	(46,667)	(233,335)	(46,667)
Total bonds payable		30,414,916	-	3,270,140	27,144,776	3,457,673
Other long-term obligations:						
Workers' compensation claims		1,260,781	-	264,105	996,676	49,969
Bond premium		730,135	-	104,931	625,204	104,931
Compensated absences		4,133,267	808,867	1,537,163	3,404,971	1,134,585
Total governmental activities		\$ 36,539,099	\$ 808,867	\$ 5,176,339	\$ 32,171,627	\$ 4,747,158

City of Taylor, Michigan

Notes to Financial Statements June 30, 2012

Note 7 - Long-term Debt (Continued)

	Interest Rate Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities						
General obligation bonds:						
Series 2004 - Water and Sewer - Amount of issue - \$1,655,000	3.00%-4.40%	\$ 1,090,000	\$ -	\$ 115,000	\$ 975,000	\$ 120,000
1994 Downriver Sewage Disposal System Bonds - Amount of issue - \$87,367,763	Various	49,206,867	772,200	4,600,161	45,378,906	4,722,159
Series 2009A - ECPAD I CWRF - Amount of issue - \$3,717,000	2.50%	214,922	578,189	40,241	752,870	41,583
Lease purchase agreement - Golf carts for LTGC - Amount of issue - \$191,368	4.44%	134,737	-	47,106	87,631	49,241
Lease purchase agreement - Beverage carts for LTGC - Amount of issue - \$14,820	5.75%	10,851	-	3,417	7,434	3,613
Lease purchase agreement - Golf carts for TMGC - Amount of issue - \$195,810	4.44%	184,245	-	46,255	137,990	48,294
Total bonds payable		50,841,622	1,350,389	4,852,180	47,339,831	4,984,890
Other long-term obligation - Compensated absences		216,661	-	40,044	176,617	61,790
Total business-type activities		<u>\$ 51,058,283</u>	<u>\$ 1,350,389</u>	<u>\$ 4,892,224</u>	<u>\$ 47,516,448</u>	<u>\$ 5,046,680</u>

City of Taylor, Michigan

Notes to Financial Statements June 30, 2012

Note 7 - Long-term Debt (Continued)

	Interest Rate Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Component Unit Activities						
TIFA:						
TIFA Bonds - 2000-A HUD Section 108 Loan - Senior Activities Center - Amount of issue - \$1,500,000	7.35%-7.65%	\$ 300,000	\$ -	\$ 120,000	\$ 180,000	\$ 180,000
Tax Increment Bonds - Series 2001 - Amount of issue - \$36,000,000	4.25%- 5.375%	25,155,000	-	1,765,000	23,390,000	2,000,000
Sportsplex Building Authority Bonds - Series 2000 - Amount of issue - \$5,525,000	4.65%- 5.125%	820,000	-	400,000	420,000	420,000
2005 Building Authority Refunding Bonds - Amount of issue - \$1,870,000	5.0%	1,913,400	-	-	1,913,400	-
Total TIFA		28,188,400	-	2,285,000	25,903,400	2,600,000
Brownfield:						
Brownfield Redevelopment Tax Increment Bonds, tax exempt - Series 2006 - Amount of issue - \$3,100,000	5.35% -6.00%	2,675,000	-	100,000	2,575,000	105,000
Brownfield Redevelopment Tax Increment Bonds, tax exempt - Series 2005 - Amount of issue - \$11,080,000	3.625%- 5.00%	10,855,000	-	135,000	10,720,000	140,000
Brownfield Redevelopment Tax Increment Bonds, taxable Series 2005 - Amount of issue - \$3,080,000	4.40%-5.30%	2,865,000	-	120,000	2,745,000	140,000
Other long-term obligation - Bond premium		17,799	-	1,079	16,720	1,079
Total Brownfield		16,412,799	-	356,079	16,056,720	386,079
DDA:						
DDA Bonds - Downtown Development Bond - Series 2002 - Amount of issue - \$2,500,000	3.50%-4.70%	1,385,000	-	205,000	1,180,000	215,000
Housing Commission - Bonds and mortgage payable	Various	32,903,629	-	529,282	32,374,347	599,476
Total bonds payable		\$ 78,889,828	\$ -	\$ 3,375,361	\$ 75,514,467	\$ 3,800,555

Note 7 - Long-term Debt (Continued)

Component Unit Debt

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

The Bonds have a tax-exempt variable interest rate that is determined weekly based on the remarketing agent's submitting the Bonds to the market for bidding. During the audit period, the weekly interest rate fluctuated and averaged approximately .2873 percent (APR). The interest on the three bonds is due monthly, and they also have principal reserve (sinking fund) requirements. These requirements began on September 15, 2002 and September 15, 2009 for two of the bonds and will begin on September 15, 2013 for the remaining bond. The interest rate on the taxable loans is fixed throughout the term. Their principal and interest payment is also paid monthly. The respective loans are secured by all of the assets of each respective LLC.

The fair value of the Bonds and commercial loans payable is estimated based on the current rates offered to the TCDC for debt of the same remaining maturities. At June 30, 2012, the fair value of the Bonds approximates the amounts recorded in the financial statements.

In September 2004, the TCDC obtained a commercial mortgage with a bank for \$2,500,000 in order to finance the demolition of the Springs Apartment buildings. The mortgage requires monthly payments of \$14,603 including interest of 5.68 percent per annum until October 1, 2013, when the remaining unpaid principal balance is due. The balance outstanding on this mortgage at June 30, 2012 was \$2,200,218.

Note 7 - Long-term Debt (Continued)

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

Year Ending June 30	Governmental Activities			Business-type Activities			Component Unit Activities		
	Principal*	Interest	Total	Principal	Interest	Total	Principal *	Interest	Total
2013	\$ 3,504,340	\$ 1,203,292	\$ 4,707,632	\$ 4,984,890	\$ 1,242,853	\$ 6,227,743	\$ 3,799,928	\$ 2,396,523	\$ 6,196,451
2014	3,616,571	1,019,486	4,636,057	5,204,212	1,108,675	6,312,887	6,018,175	2,127,041	8,145,216
2015	3,742,600	855,948	4,598,548	5,133,904	971,191	6,105,095	4,170,558	1,917,876	6,088,434
2016	3,946,400	683,562	4,629,962	5,155,010	836,502	5,991,512	4,570,310	1,735,801	6,306,111
2017	4,172,200	499,324	4,671,524	5,104,206	703,638	5,807,844	4,084,800	1,478,531	5,563,331
2018-2022	6,291,000	1,213,011	7,504,011	16,129,934	1,821,120	17,951,054	19,693,017	4,942,514	24,635,531
2023-2027	2,105,000	106,156	2,211,156	3,963,982	641,718	4,605,700	10,119,635	2,521,700	12,641,335
2028-2032	-	-	-	1,663,693	67,265	1,730,958	12,519,656	1,437,580	13,957,236
2033-2037	-	-	-	-	-	-	10,538,388	206,920	10,745,308
Total	\$ 27,378,111	\$ 5,580,779	\$ 32,958,890	\$ 47,339,831	\$ 7,392,962	\$ 54,732,793	\$ 75,514,467	\$ 18,764,486	\$ 94,278,953

* Balances exclude deferred costs of financing.

In conjunction with the issuance of \$36,000,000 for the Tax Increment Financing Authority (TIFA) bond Series 2001, the component unit is required to maintain debt service reserves in the amount of \$3,448,681. In order to cover the reserve requirement, the TIFA component unit has obtained insurance coverage totaling \$3,448,681 for this purpose. In addition to the reserves and in conjunction with the above debt issue, the City has agreed to certain covenants, including, but not limited to, restriction on amendments to the TIFA plan districts and continued compliance with the State of Michigan regulations and statutes affecting the TIFA bond indenture.

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

City of Taylor, Michigan

Notes to Financial Statements June 30, 2012

Note 8 - Restricted Assets

The restricted assets are restricted for the following purposes:

	Governmental Activities	Business-type Activities	Component Units	Total
Restricted cash - EPA levy	\$ 1,276,785	\$ -	\$ -	\$ 1,276,785
Assets held at Wayne County for future debt payments	-	7,623,047	-	7,623,047
Assets held at Wayne County for sewer operations	-	2,470,559	-	2,470,559
Restricted deposits - Cash	-	-	3,921,729	3,921,729
Restricted deposits held by lender	-	-	347,741	347,741
Total restricted assets	<u>\$ 1,276,785</u>	<u>\$ 10,093,606</u>	<u>\$ 4,269,470</u>	<u>\$ 15,639,861</u>

The above contractual obligations to the county are the result of the county issuance of bonds on the City's behalf. The City has pledged substantially all revenue of the Sewer Fund, net of operating expenses, to repay \$7,413,257 of the obligations; in addition, it has pledged to raise property taxes, to the extent permitted by law, to fund \$37,965,649 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 \$52,411,140. During the current year, net revenue of the system was \$1,842,274 compared to the annual debt requirements of \$488,693. Annual tax collections related to the debt were \$5,158,615 compared to the annual debt requirements of \$5,394,918.

Note 9 - Risk Management

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

Note 9 - Risk Management (Continued)

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

	<u>2012</u>	<u>2011</u>
Unpaid claims - Beginning of year	\$ 1,260,781	\$ 724,192
Incurred claims, including adjustments to claims incurred but not reported	248,496	1,000,805
Claim payments (net of insurance refunds)	<u>(512,601)</u>	<u>(464,216)</u>
Unpaid claims - End of year	<u>\$ 996,676</u>	<u>\$ 1,260,781</u>

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

Plan Description

The Police and Fire Retirement System is a single-employer defined benefit pension plan that is administered by the City of Taylor, Michigan; this plan covers almost all police and fire employees of the City. The system provides retirement disability and death benefits to plan members and their beneficiaries. At June 30, 2011, the date of the most recent actuarial valuation, membership consisted of 213 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 127 current active employees. The plan does not issue a separate financial report.

Contributions

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

Funding Policy

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

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

Annual Pension Cost

For the year ended June 30, 2012, the City's contribution of approximately \$6,060,000 equaled the annual pension cost, which was entirely paid subsequent to June 30, 2012.

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

	Fiscal Year Ended June 30		
	2012	2011	2010
Annual pension cost (APC)	\$ 6,060,000	\$ 5,918,000	\$ 5,614,000
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 multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

	Fiscal Year Ended June 30		
	2011	2010	2009
Actuarial value of assets	\$ 103,934,745	\$ 104,077,490	\$ 106,010,390
Actuarial accrued liability (AAL) (entry age)	\$ 155,333,797	\$ 150,774,376	\$ 146,368,393
Unfunded AAL (UAAL)	\$ 51,399,052	\$ 46,696,886	\$ 40,358,003
Funded ratio	66.9 %	69.0 %	72.4 %
Covered payroll	\$ 12,007,248	\$ 12,813,161	\$ 13,889,065
UAAL as a percentage of covered payroll	428.1 %	364.4 %	290.6 %

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

Actuarial Methods and Assumptions - The annual required contribution was determined as part of an actuarial valuation at June 30, 2011 using the individual entry age actuarial cost method. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 7.6 percent per year compounded annually, of which 5.0 percent is attributable to inflation and (b) projected salary increases of 3.5 to 6.5 percent per year compounded annually, attributable to inflation of 3.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll. The remaining amortization period is 20 years.

Reserves - As of June 30, 2012, the plan's legally required reserves have been funded as follows:

Police and Fire Retirement System:

Reserve for employees' contributions	\$ 6,880,925
Reserve for retired benefit payments	100,298,732

For the Police and Fire Retirement Systems, the reserves were more than the net assets of the plan as of June 30, 2012.

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

Plan Description

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

Contributions

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

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

Funding Policy

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

Annual Pension Cost

For the year ended December 31, 2011, the City's annual pension cost of approximately \$2,658,000 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		
	2011	2010	2009
Annual pension cost (APC)	\$ 2,658,000	\$ 2,424,000	\$ 2,515,000
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 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.

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

	Fiscal Year Ended June 30		
	2010	2009	2008
Actuarial value of assets	\$ 47,695,134	\$ 49,527,962	\$ 50,454,804
Actuarial accrued liability (AAL)			
(entry age)	\$ 72,208,620	\$ 70,995,543	\$ 70,388,231
Unfunded AAL (UAAL)	\$ 24,513,486	\$ 21,467,581	\$ 19,933,427
Funded ratio	66.0 %	69.7 %	71.7 %
Covered payroll	\$ 5,600,000	\$ 7,100,000	\$ 8,100,000
UAAL as a percentage of covered payroll	439.3 %	302.4 %	246.1 %

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

Actuarial Methods and Assumptions

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

Reserves - As of December 31, 2011, the plan's legally required reserves have been fully funded as follows:

Reserve for employees' contributions	\$ 3,771,681
Reserve for retired benefit payments	35,254,958

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

Plan Description

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

City of Taylor, Michigan

Notes to Financial Statements June 30, 2012

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

Funding Policy

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

Annual Pension Cost

For the year ended June 30, 2012, the City's actual pension cost of \$25,901 was equal to the City's required contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2009 using the entry age normal cost method. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 8.0 percent per year compounded annually, 4.5 percent (1 percent for calendar years 2011-2014) plus a percentage based on an age-related scale to reflect merit, longevity, and promotional pay increases, and (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 28 years.

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

	Fiscal Year Ended June 30		
	2012	2011	2010
Annual pension cost (APC)	\$ 25,901	\$ 32,120	\$ 28,546
Percentage of APC contributed	100.0 %	100.0 %	100.0 %
Net pension obligation	-	-	-

	Fiscal Year Ended December 31		
	2010	2009	2008
Actuarial value of assets	\$ 2,637,607	\$ 2,521,749	\$ 2,387,776
Actuarial accrued liability (AAL) (entry age)	\$ 2,816,618	\$ 2,522,533	\$ 2,548,652
Unfunded AAL (UAAL)	\$ 179,011	\$ 784	\$ 160,876
Funded ratio	93.6 %	100.0 %	93.7 %
Covered payroll	\$ 540,148	\$ 690,803	\$ 734,516
UAAL as a percentage of covered payroll	33.1 %	0.1 %	21.9 %

City of Taylor, Michigan

Notes to Financial Statements June 30, 2012

Note 13 - Pension and Other Employee Benefit Trust Funds

As of June 30, 2012, the statement of net assets and the statement of changes in net assets for the pension plan are as follows:

	Police and Fire System	General Employees' Pension Plan*	Total
<u>Statement of Net Assets</u>			
Cash and investments	\$ 94,419,272	\$ 38,731,834	\$ 133,151,106
Other assets	223,177	135,338	358,515
Net assets	<u>\$ 94,642,449</u>	<u>\$ 38,867,172</u>	<u>\$ 133,509,621</u>
<u>Statement of Changes in Net Assets</u>			
Investment income (loss) - Net of investment expenses	\$ 377,284	\$ (1,182,367)	\$ (805,083)
Contributions	6,712,839	3,419,899	10,132,738
Benefit payments	11,203,764	5,957,090	17,160,854
Other deductions	58,056	47,973	106,029
Net change in net assets	<u>\$ (4,171,697)</u>	<u>\$ (3,767,531)</u>	<u>\$ (7,939,228)</u>

* Balances are as of December 31, 2011

Note 14 - Defined Contribution Pension Plan

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

The City's total payroll during the current year was \$19,290,937. The current year contribution was calculated based on covered payroll of \$1,934,684, resulting in an employer contribution of \$82,840 and employee contributions of \$77,387.

Note 15 - Contingent Liabilities

The City has been named as a defendant in numerous claims and lawsuits requesting damages of various amounts, the majority of which do not state a specific maximum. The various proceedings have not yet progressed to the point where a legal opinion can be reached as to the ultimate liability, if any, after consideration of available insurance, where applicable, that may result from the resolution of these matters. In addition, the City is involved in certain labor negotiation discussions. The City has not recorded an estimate of any liabilities that may result from these matters at June 30, 2012.

In 2005, the City issued Brownfield Redevelopment Tax Increment Bonds in the amount of \$14,160,000. The plan for payment on the bonds was to use the tax revenue captured from the building of approximately 200 residential homes. Due to current economic conditions, the development and sale of the homes are not occurring at the anticipated rate. As a result, during the year ended June 30, 2010, the City drew upon a \$1,500,000 letter of credit issued by a bank and funded by the developer. The ability of the City to draw upon this letter of credit is currently being contested by the developer. If there is any future shortfall in the captured tax revenue needed to repay the bonds, the City will be required to subsidize the repayment of the loan.

Subsequent to year end, the City has reached a tentative settlement agreement with certain employee union membership related to previous lay-offs and demotions. The City will be responsible for restoring the net lost wage and benefit compensation for the affected parties. The liability associated with restoring the lost compensation will be calculated based on the specific circumstances for each employee impacted by the agreement.

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	\$ 1,897,569	\$ 646,929
Primary government	298,760	260,653
Enterprise funds	<u>1,609,726</u>	<u>26,724</u>
Total	<u>\$ 3,806,055</u>	<u>\$ 934,306</u>

Note 16 - Other Postemployment Benefits

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

City of Taylor, Michigan

Notes to Financial Statements June 30, 2012

Note 16 - Other Postemployment Benefits (Continued)

Funding Policy - The labor contracts require contributions for optical and dental for all employees and medical contributions for some of the new Command Union retirees. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a "pay-as-you-go" basis).

Funding Progress - For the year ended June 30, 2012, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2011. 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)	\$ 13,692,138
Interest on the prior year's net OPEB obligation	852,203
Less adjustment to the annual required contribution	<u>(822,023)</u>
Annual OPEB cost	13,722,318
Amounts contributed:	
Payments of current premiums	7,645,398
Advance funding	<u>-</u>
Increase in net OPEB obligation	6,076,920
OPEB obligation - Beginning of year	<u>21,305,072</u>
OPEB obligation - End of year	<u><u>\$ 27,381,992</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
6/30/10	6/30/08	\$ 13,221,333	46.0 %	\$ 14,773,978
6/30/11	6/30/10	13,465,246	51.0	21,305,072
6/30/12	6/30/10	13,692,138	55.8	27,381,992

Note 16 - Other Postemployment Benefits (Continued)

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	-	-	-

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, 2010 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 10.0 percent initially, reduced by decrements to an ultimate rate of 3.5 percent after 10 years. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2010 was 30 years.

Note 17 - Use Agreement

The TCDC and HUD entered into a use agreement that contains restrictions governing the rental operations of the Villages of Taylor. The use agreement required the TCDC to make certain renovations specified in the Application for Transfer of Physical Assets submitted to HUD on March 12, 1998, to maintain a replacement reserve with its mortgagor, to relocate tenants as agreed, and to rent 77 percent of the project's units in accordance with affordability restrictions until September 1, 2012. In addition, the use agreement contains restrictions on the amount of rental charges and distributions.

Note 17 - Use Agreement (Continued)

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

- Repayment of mortgage loan
- Repayment of the City's equity investment of \$17,633,330 plus 6 percent interest compounded annually, which accumulated to \$40,588,153 at June 30, 2012
- Repayment of HUD's equity investment of \$16,276,340 plus interest at 6 percent compounded annually. At June 30, 2012, this amount totaled \$37,464,652.
- Any remaining distribution to the City to fund programs that benefit low- and moderate-income residents

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

There were no distributions of net assets during the year ended June 30, 2012.

Note 18 - Upcoming Accounting Pronouncements

In November 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements (SCA)*. This statement addresses financial reporting related to service concession arrangements which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (whether a government or nongovernment) in which the transferor conveys to an operator the right and associated obligation to provide services through the use of infrastructure or another public asset in exchange for significant consideration and the operator collects and is compensated by fees from third parties. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the City's 2012-2013 fiscal year.

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity Omnibus*. This pronouncement, which is an amendment to Statement No. 14 and Statement No. 34, modifies certain requirements for inclusion of component units in the financial reporting entity. This statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. Lastly, the statement also clarifies the reporting of equity interests in legally separate organizations. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the City's 2012-2013 fiscal year.

Note 18 - Upcoming Accounting Pronouncements (Continued)

In December 2010, the GASB issue Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates into GASB literature certain accounting and financial reporting guidance issued on or before November 30, 1989 that is included in FASB statements and interpretations, APB opinions, and accounting research bulletins of the AICPA Committee on Accounting Procedure. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the City's 2012-2013 fiscal year.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The statement will be effective for the City's 2012-2013 fiscal year. The statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Once implemented, this statement will impact the format and reporting of the balance sheet at the government-wide level and also at the fund level.

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

In June 2012, the GASB issued two new pension standards, GASB Statement No. 67, *Financial Reporting for Pension Plans*, and No. 68, *Accounting and Financial Reporting for Pensions*. These new standards significantly revise the current accounting and reporting for pensions, both from an employer perspective as well as from a plan perspective. Employers providing defined benefit pensions to its employees must now, under these new standards, recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide, proprietary, and discretely presented component units statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised and expanded note disclosures and required supplemental information (RSI). Statement No. 67 is required to be adopted for the year ending June 30, 2014 and Statement No. 68 one year later.

Note 19 - Unassigned General Fund Deficit

At June 30, 2012, the City has an unassigned deficit totaling \$1,948,730 in its General Fund. This unassigned deficit is the cumulative result of a structural deficit situation which has existed for several years. City management and City Council are currently updating an established deficit elimination plan to address the unassigned deficit position including the related negative impact on available cash flows.

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

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

Management believes these efforts, along with other initiatives, will help to address the structural deficit condition and improve the unassigned deficit position over the projected deficit elimination plan timeframe.

Required Supplemental Information

City of Taylor, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2012

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 21,305,000	\$ 21,305,000	\$ 21,181,385	\$ (123,615)
Fees and permits	1,069,500	1,069,500	1,165,284	95,784
Federal grants	200,000	232,000	354,661	122,661
State-shared revenue and grants	5,990,000	6,351,125	6,622,662	271,537
Charges for services	2,387,550	1,635,500	1,662,652	27,152
Fines and forfeitures	4,178,600	3,283,000	3,135,663	(147,337)
Rental income	433,050	559,050	677,658	118,608
Other revenue	6,730,170	5,524,784	5,644,465	119,681
Total revenue	42,293,870	39,959,959	40,444,430	484,471
Expenditures - Current				
General government	7,040,200	7,607,225	7,399,559	207,666
Public safety	19,698,300	20,617,585	20,905,858	(288,273)
Public works	4,688,100	4,721,160	4,761,763	(40,603)
Employee benefits	8,380,000	8,035,000	8,938,576	(903,576)
Economic and community development	302,700	306,400	331,109	(24,709)
Recreation and culture	2,069,570	1,784,599	1,936,384	(151,785)
Debt service	133,000	70,000	76,185	(6,185)
Total expenditures	42,311,870	43,141,969	44,349,434	(1,207,465)
Excess of Expenditures Over Revenue	(18,000)	(3,182,010)	(3,905,004)	(722,994)
Other Financing Uses -				
Transfers out	-	-	(1,851,100)	(1,851,100)
Net Change in Fund Balance	(18,000)	(3,182,010)	(5,756,104)	(2,574,094)
Fund Balance - Beginning of year	3,807,374	3,807,374	3,807,374	-
Fund Balance - End of year	<u>\$ 3,789,374</u>	<u>\$ 625,364</u>	<u>\$ (1,948,730)</u>	<u>\$ (2,574,094)</u>

City of Taylor, Michigan

Required Supplemental Information Pension System Schedule Year Ended June 30, 2012

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
6/30/06	\$ 100.0	\$ 132.7	\$ 32.7	75.3 %	\$ 13.4	244.0 %
6/30/07	105.3	138.9	33.6	75.8	14.3	235.0
6/30/08	107.6	143.6	36.0	74.9	14.0	257.1
6/30/09	106.0	146.4	40.4	72.4	13.9	290.6
6/30/10	104.1	150.8	46.7	69.0	12.8	364.4
6/30/11	104.0	155.0	51.0	67.1	12.0	425.0

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Percentage Contributed
6/30/07	6/30/05	\$ 4,023,065	100.0 %
6/30/08	6/30/06	4,977,904	100.0
6/30/09	6/30/07	5,483,018	100.0
6/30/10	6/30/08	5,613,904	100.0
6/30/11	6/30/09	5,917,992	100.0
6/30/12	6/30/10	6,059,600	100.0

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of June 30, 2011, the latest actuarial valuation, follows:

Actuarial cost method	Individual entry age
Amortization method	Level percent
Amortization period (perpetual)	20 years
Asset valuation method	Five-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.6%
Projected salary increases	3.5%-6.5%
*Includes inflation at	3.5%
Cost of living adjustments	None

City of Taylor, Michigan

Required Supplemental Information Pension System Schedule (Continued) Year Ended June 30, 2012

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
12/31/05	\$ 52.8	\$ 52.8	\$ -	100.0 %	\$ 10.1	- %
12/31/06 *	49.4	64.8	15.4	76.2	8.4	183.3
12/31/07 *	51.6	67.4	15.8	76.6	8.1	195.1
12/31/08 *	50.5	70.4	19.9	71.7	8.1	245.7
12/31/09 *	49.5	71.0	21.5	69.7	7.1	302.8
12/31/09 *	47.7	72.3	24.6	66.0	5.6	439.3

* Reflects the entry age normal actuarial cost method

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Percentage Contributed
12/31/06	12/31/04	\$ 1,508,514	100.0 %
12/31/07	12/31/05	2,086,320	100.0
12/31/08	12/31/06	2,327,966	100.0
12/31/09	12/31/07	2,514,943	100.0
12/31/10	12/31/08	2,424,245	100.0
12/31/11	12/31/09	2,657,993	100.0

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

Actuarial cost method	Aggregate
Amortization method	Level dollar, closed
Amortization period (perpetual)	13 years
Asset valuation method	Five-year smoothed market
Actuarial assumptions:	
Investment rate of return	6.5%
Projected salary increases	3.5-6.5%
*Includes inflation at	3.5%
Cost of living adjustments	None

Other Supplemental Information

City of Taylor, Michigan

Special Revenue Funds

	Major Streets	Local Streets	Police Forfeiture	Treasury Forfeiture	Justice Forfeiture	Community Development Block Grant	Building Department
Assets							
Cash and investments	\$ 2,394,572	\$ 1,587,642	\$ 955,527	\$ 374,514	\$ 1,081,989	\$ 133,656	\$ 47,370
Accounts receivable:							
Taxes	-	-	-	-	-	-	-
Other receivables	-	7,214	-	-	222	-	-
Due from other governmental units	455,098	163,171	-	-	-	-	-
Due from component units	-	-	-	-	-	-	1,444
Due from other funds	-	-	14,985	-	11,420	-	848
Land held for resale	-	-	-	-	-	-	-
Total assets	\$ 2,849,670	\$ 1,758,027	\$ 970,512	\$ 374,514	\$ 1,093,631	\$ 133,656	\$ 49,662
Liabilities and Fund Balances (Deficit)							
Liabilities							
Accounts payable	\$ 80,506	\$ 20,870	\$ 21,021	\$ -	\$ 2,189	\$ 20,575	\$ 1,036
Due to other governmental units	-	-	-	-	-	-	-
Due to component units	-	-	4,790	-	-	-	-
Due to other funds	771,067	527,361	12,635	6,707	2,158	113,080	44,175
Accrued liabilities and other	-	-	-	-	-	-	4,451
Deferred revenue	-	-	-	-	-	133,570	-
Total liabilities	851,573	548,231	38,446	6,707	4,347	267,225	49,662
Fund Balances (Deficit)							
Restricted:							
Roads	1,998,097	1,209,796	-	-	-	-	-
Drug enforcement	-	-	932,066	367,807	1,089,284	-	-
Debt service	-	-	-	-	-	-	-
Grants	-	-	-	-	-	-	-
Special millages	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	(133,569)	-
Total fund balances (deficit)	1,998,097	1,209,796	932,066	367,807	1,089,284	(133,569)	-
Total liabilities and fund balances (deficit)	\$ 2,849,670	\$ 1,758,027	\$ 970,512	\$ 374,514	\$ 1,093,631	\$ 133,656	\$ 49,662

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012**

Special Revenue Funds						Debt Service Funds		Capital Projects Fund		Total
1996 Voted Levy	DARE/ GREAT	Neighborhood Stabilization Program	Energy Efficiency and Conservation Block Grant	Taylor Building Authority	Act 179 Rubbish	Taylor Building Authority Debt	2008 MI Transportation Bond Debt	2008 MI Transportation Bond Fund	Construction Fund	Nonmajor Governmental Funds
\$ 1,343,802	\$ 70,451	\$ 17,756	\$ -	\$ -	\$ -	\$ 21	\$ 171	\$ -	\$ -	\$ 8,007,471
10,987	-	-	-	-	-	-	-	-	-	10,987
-	-	-	-	-	119,288	-	400	-	-	127,124
-	-	160,181	-	-	-	-	-	-	-	778,450
-	-	-	-	-	-	-	-	-	-	1,444
318,973	-	-	-	1,699,121	1,627,464	-	304,250	-	-	3,977,061
-	-	163,740	-	-	-	-	-	-	-	163,740
\$ 1,673,762	\$ 70,451	\$ 341,677	\$ -	\$ 1,699,121	\$ 1,746,752	\$ 21	\$ 304,821	\$ -	\$ -	\$ 13,066,277
\$ 1	\$ 111	\$ 12,397	\$ -	\$ 43,666	\$ 296,362	\$ -	\$ -	\$ -	\$ -	\$ 498,734
41,454	-	-	-	72,753	-	-	-	-	-	114,207
-	-	38,792	-	-	-	-	-	-	-	43,582
-	4,264	104,366	-	-	658	7	65,400	-	-	1,651,878
69,926	66,076	-	-	424	17,927	-	-	-	-	158,804
-	-	154,038	-	-	33,641	-	-	-	-	321,249
111,381	70,451	309,593	-	116,843	348,588	7	65,400	-	-	2,788,454
-	-	-	-	-	-	-	239,421	-	-	3,447,314
-	-	-	-	-	-	-	-	-	-	2,389,157
1,562,381	-	-	-	-	-	-	-	-	-	1,562,381
-	-	163,740	-	-	-	-	-	-	-	163,740
-	-	-	-	1,582,278	1,398,164	-	-	-	-	2,980,442
-	-	(131,656)	-	-	-	14	-	-	-	(265,211)
1,562,381	-	32,084	-	1,582,278	1,398,164	14	239,421	-	-	10,277,823
\$ 1,673,762	\$ 70,451	\$ 341,677	\$ -	\$ 1,699,121	\$ 1,746,752	\$ 21	\$ 304,821	\$ -	\$ -	\$ 13,066,277

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	-	-	-	-	-	-	1,098,224
Federal grants	-	-	-	39,705	267,390	274,688	-
State-shared revenue and grants	2,771,290	988,969	92,000	-	-	-	-
Charges for services	-	6,800	-	-	-	-	-
Interest income	-	1,295	2,035	756	4,079	-	99
Rental income	-	-	-	-	-	-	-
DMA/911 and other revenue	-	-	-	-	-	-	-
Total revenue	2,771,290	997,064	94,035	40,461	271,469	274,688	1,098,323
Expenditures							
Current:							
Public safety	-	-	-	-	1,184,000	-	-
Public works	715,389	1,108,004	-	-	-	-	1,098,323
Community development	-	-	-	-	-	408,257	-
Capital outlay	142,858	75,508	143,516	-	16,576	-	-
Debt service	-	69,592	-	-	-	-	-
Total expenditures	858,247	1,253,104	143,516	-	1,200,576	408,257	1,098,323
Excess of Revenue Over (Under) Expenditures	1,913,043	(256,040)	(49,481)	40,461	(929,107)	(133,569)	-
Other Financing Sources (Uses)							
Transfers in	-	1,159,176	-	-	-	-	-
Transfers out	(1,513,176)	-	-	-	-	-	-
Total other financing (uses) sources	(1,513,176)	1,159,176	-	-	-	-	-
Net Change in Fund Balances	399,867	903,136	(49,481)	40,461	(929,107)	(133,569)	-
Fund Balances (Deficit) - Beginning of year	1,598,230	306,660	981,547	327,346	2,018,391	-	-
Fund Balances (Deficit) - End of year	\$ 1,998,097	\$ 1,209,796	\$ 932,066	\$ 367,807	\$ 1,089,284	\$ (133,569)	\$ -

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in
Fund Balances (Deficit)
Nonmajor Governmental Funds
Year Ended June 30, 2012

Special Revenue Funds						Debt Service Funds		Capital Projects Fund	Total Nonmajor Governmental Funds
1996 Voted Levy	DARE/GREAT	Neighborhood Stabilization Program	Energy Efficiency and Conservation Block Grant	Taylor Building Authority	Act 179 Rubbish	Taylor Building Authority Debt	2008 MI Transportation Bond Debt	2008 MI Transportation Bond Construction Fund	
\$ 1,361,636	\$ -	\$ -	\$ -	\$ 3,093,820	\$ 4,111,104	\$ -	\$ -	\$ -	\$ 8,566,560
-	-	-	-	-	-	-	-	-	1,098,224
-	-	322,339	25,031	-	-	-	-	-	929,153
-	-	-	-	-	-	-	-	-	3,852,259
-	-	-	-	-	591,190	-	-	-	597,990
2,867	108	-	-	-	-	-	-	99	11,338
-	-	-	-	-	-	545,026	-	-	545,026
-	13,321	-	-	-	71,578	-	-	-	84,899
<u>1,364,503</u>	<u>13,429</u>	<u>322,339</u>	<u>25,031</u>	<u>3,093,820</u>	<u>4,773,872</u>	<u>545,026</u>	<u>-</u>	<u>99</u>	<u>15,685,449</u>
-	-	-	-	-	-	-	-	-	1,184,000
181	-	-	-	476,175	3,756,396	-	-	-	7,154,468
-	-	283,388	-	-	-	-	-	-	691,645
-	13,429	-	25,031	-	-	-	-	-	416,918
<u>1,604,650</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>437,672</u>	<u>2,613,133</u>	<u>353,999</u>	<u>-</u>	<u>5,079,046</u>
<u>1,604,831</u>	<u>13,429</u>	<u>283,388</u>	<u>25,031</u>	<u>476,175</u>	<u>4,194,068</u>	<u>2,613,133</u>	<u>353,999</u>	<u>-</u>	<u>14,526,077</u>
(240,328)	-	38,951	-	2,617,645	579,804	(2,068,107)	(353,999)	99	1,159,372
-	-	-	-	1,032,740	818,360	2,068,107	593,345	-	5,671,728
-	-	-	-	(2,068,107)	-	-	-	(239,345)	(3,820,628)
-	-	-	-	(1,035,367)	818,360	2,068,107	593,345	(239,345)	1,851,100
(240,328)	-	38,951	-	1,582,278	1,398,164	-	239,346	(239,246)	3,010,472
1,802,709	-	(6,867)	-	-	-	14	75	239,246	7,267,351
<u>\$ 1,562,381</u>	<u>\$ -</u>	<u>\$ 32,084</u>	<u>\$ -</u>	<u>\$ 1,582,278</u>	<u>\$ 1,398,164</u>	<u>\$ 14</u>	<u>\$ 239,421</u>	<u>\$ -</u>	<u>\$ 10,277,823</u>

City of Taylor, Michigan

Other Supplemental Information Combining Statement of Net Assets Fiduciary Funds June 30, 2012

	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 Agency Funds
	System	Pension Plan*	Total	Tax Receiving	Agency	23rd District Court	Total Agency Funds
Assets							
Cash and cash equivalents	\$ 6,068,013	\$ 2,239,361	\$ 8,307,374	\$ 1,726,793	\$ 33,670	\$ 467,447	\$ 2,227,910
Investments:							
U.S. government securities	8,235,808	7,038,445	15,274,253	-	-	-	-
Common and preferred stock	32,572,434	22,852,048	55,424,482	-	-	-	-
Corporate bonds	10,698,880	6,406,676	17,105,556	-	-	-	-
Mutual funds	11,711,488	195,304	11,906,792	-	-	-	-
Partnerships	25,132,649	-	25,132,649	-	-	-	-
Receivables:							
Accrued interest receivable	185,687	107,672	293,359	-	-	-	-
Other receivables	-	-	-	57,245	-	-	57,245
Due from other governmental units	-	-	-	20,002	-	-	20,002
Due from primary government	37,490	27,666	65,156	-	-	-	-
Total assets	<u>94,642,449</u>	<u>38,867,172</u>	<u>133,509,621</u>	<u>\$ 1,804,040</u>	<u>\$ 33,670</u>	<u>\$ 467,447</u>	<u>\$ 2,305,157</u>
Liabilities							
Due to other governmental units	-	-	-	\$ 880,961	\$ -	\$ 467,447	\$ 1,348,408
Accrued liabilities and other	-	-	-	747,295	33,670	-	780,965
Tax collections distributable	-	-	-	175,784	-	-	175,784
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 1,804,040</u>	<u>\$ 33,670</u>	<u>\$ 467,447</u>	<u>\$ 2,305,157</u>
Net Assets Held in Trust for Pension and Other Employee Benefits	<u>\$ 94,642,449</u>	<u>\$ 38,867,172</u>	<u>\$ 133,509,621</u>				

* Balances are as of December 31, 2011.

City of Taylor, Michigan

Other Supplemental Information Combining Statement of Changes in Fiduciary Net Assets Fiduciary Funds Year Ended June 30, 2012

	<u>Police and Fire Retirement System</u>	<u>General Employees' Pension Plan *</u>	<u>Total</u>
Additions			
Investment income:			
Interest and dividends	\$ 1,715,692	\$ 1,087,042	\$ 2,802,734
Net decrease in fair value of investments	(1,048,064)	(1,993,782)	(3,041,846)
Less investment expenses	<u>(290,344)</u>	<u>(275,627)</u>	<u>(565,971)</u>
Total investment income	377,284	(1,182,367)	(805,083)
Contributions:			
Employer	6,059,600	2,657,993	8,717,593
Employee	<u>653,239</u>	<u>761,906</u>	<u>1,415,145</u>
Total contributions	<u>6,712,839</u>	<u>3,419,899</u>	<u>10,132,738</u>
Total additions - Net of investment expenses	7,090,123	2,237,532	9,327,655
Deductions			
Benefit payments	11,203,764	5,957,090	17,160,854
General and administrative	<u>58,056</u>	<u>47,973</u>	<u>106,029</u>
Total deductions	<u>11,261,820</u>	<u>6,005,063</u>	<u>17,266,883</u>
Net Decrease in Net Assets Held in Trust	(4,171,697)	(3,767,531)	(7,939,228)
Net Assets Held in Trust for Pension and Other Employee Benefits - Beginning of year	<u>98,814,146</u>	<u>42,634,703</u>	<u>141,448,849</u>
Net Assets Held in Trust for Pension and Other Employee Benefits - End of year	<u><u>\$ 94,642,449</u></u>	<u><u>\$ 38,867,172</u></u>	<u><u>\$ 133,509,621</u></u>

* Balances are as of December 31, 2011.

City of Taylor, Michigan

Other Supplemental Information Combining Statement of Net Assets Component Unit - Housing Commission June 30, 2012

	<u>Housing Commission*</u>	<u>Taylor Community Development Corporation*</u>	<u>Total</u>
Assets			
Current assets:			
Cash and investments	\$ 2,914,150	\$ 4,901,364	\$ 7,815,514
Receivables	225	164,364	164,589
Due from primary government	-	43,114	43,114
Prepaid expenses and other assets	9,096	264,513	273,609
Other assets	-	3,039,848	3,039,848
Total current assets	<u>2,923,471</u>	<u>8,413,203</u>	<u>11,336,674</u>
Noncurrent assets:			
Restricted assets	-	4,269,470	4,269,470
Capital assets	<u>2,091,614</u>	<u>26,727,692</u>	<u>28,819,306</u>
Total noncurrent assets	<u>2,091,614</u>	<u>30,997,162</u>	<u>33,088,776</u>
Total assets	<u>5,015,085</u>	<u>39,410,365</u>	<u>44,425,450</u>
Liabilities			
Current liabilities:			
Accounts payable	8,417	834,371	842,788
Due to primary government	-	120,638	120,638
Accrued liabilities and other	25,269	675,115	700,384
Other current liabilities	<u>36,828</u>	<u>336,962</u>	<u>373,790</u>
Total current liabilities	70,514	1,967,086	2,037,600
Noncurrent liabilities - Long-term debt	-	<u>32,374,347</u>	<u>32,374,347</u>
Total liabilities	<u>70,514</u>	<u>34,341,433</u>	<u>34,411,947</u>
Net Assets			
Invested in capital assets - Net of related debt	2,091,614	(4,555,241)	(2,463,627)
Restricted	503,465	3,921,729	4,425,194
Unrestricted	<u>2,349,492</u>	<u>5,702,444</u>	<u>8,051,936</u>
Total net assets	<u>\$ 4,944,571</u>	<u>\$ 5,068,932</u>	<u>\$ 10,013,503</u>

* Balances are as of March 31, 2012 for the Housing Commission and as of June 30, 2012 for the Taylor Community Development Corp., its component unit.

City of Taylor, Michigan

Other Supplemental Information Combining Statement of Changes in Net Assets Component Unit - Housing Commission Year Ended June 30, 2012

	Housing Commission*	Taylor Community Development Corporation*	Total
Revenue			
Rental income	\$ 312,038	\$ 6,374,711	\$ 6,686,749
Other	6,866,708	5,104,985	11,971,693
Total revenue	7,178,746	11,479,696	18,658,442
Expenditures			
General administration	460,261	2,592,588	3,052,849
Housing assistance payments	6,152,895	-	6,152,895
Utilities	145,761	1,659,942	1,805,703
Operation and maintenance	325,488	3,591,652	3,917,140
Depreciation and amortization	193,399	2,115,274	2,308,673
Other	36,221	796,309	832,530
Total expenditures	7,314,025	10,755,765	18,069,790
Operating (Loss) Income	(135,279)	723,931	588,652
Nonoperating Revenue (Expenses)			
Other nonoperating income	49,812	378,700	428,512
Interest income	2,710	14,279	16,989
Interest expense	-	(619,483)	(619,483)
Loss in investment in affiliate	-	(944,990)	(944,990)
Total nonoperating revenue (expense)	52,522	(1,171,494)	(1,118,972)
Change in Net Assets	(82,757)	(447,563)	(530,320)
Net Assets - Beginning of year	-	-	-
Prior Period Adjustment Related to Housing Commission Grants	97,384	-	97,384
Net Assets - As restated	4,929,944	5,516,495	10,446,439
Net Assets - End of year	\$ 4,944,571	\$ 5,068,932	\$ 10,013,503

* Balances are as of March 31, 2012 for the Housing Commission and as of June 30, 2012 for the Taylor Community Development Corp., its component unit.