

# **City of Taylor, Michigan**

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**Financial Report  
with Supplemental Information  
June 30, 2010**

# City of Taylor, Michigan

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# City of Taylor, Michigan

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## Independent Auditor's Report

To the Honorable Mayor and  
Members of 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, 2010, 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 \$38,715,220 at March 31, 2010 and a net increase in net assets of \$845,061 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 Housing Commission, is based solely on the report of the other auditors. The other auditor's report, dated November 2, 2010, 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.

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, 2010 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 Honorable Mayor and  
Members of the City Council  
City of Taylor, Michigan

The management's discussion and analysis, budgetary comparison schedule - General Fund, and the pension systems schedule of funding progress, as identified in the table of contents, are not required parts of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

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 basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2010 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.

*Plante & Moran, PLLC*

December 10, 2010

# 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, 2010. Please read it in conjunction with the City's financial statements.

In the City's General Fund, the main operating fund of the City, revenue decreased approximately \$4 million from 2009.

- Property tax revenue decreased approximately \$1 million in 2010, is estimated at \$1.8 million less for 2010-2011, and with the continuing decreases in property values, the City estimates its tax revenue from the general operating tax millage to decrease \$1 million for 2011-2012.
- State-shared revenue was \$6.7 million and our second largest revenue source. That was approximately \$835,000 less than 2009, primarily as a result of reductions to the statutory portion of revenue sharing. The statutory portion, at approximately \$2.5 million, still represents a significant amount of at-risk revenue. As such, the City has budgeted the state-shared revenue conservatively for the 2010-2011 fiscal year at only \$5.9 million in anticipation of potential further cuts by the State.
- 23rd District Court revenue decreased approximately \$2 million from the prior year amount of \$4.9 million to approximately \$2.9 million for the year ended June 30, 2010. Police traffic enforcement is the major source of this revenue. While traffic enforcement provides revenue, it also adds a significant cost to the taxpayers by increasing police pensions, which are funded by a specific millage. The City's annual contribution for police and fire retiree benefits has increased from \$579,042 in 2002 to \$5,613,904 in 2010, an 870 percent increase. In January 2009, the City eliminated the traffic detail overtime in an effort to reduce this increasing cost to the taxpayers. It was brought back in 2010 upon negotiation of increased pension contributions and a 50 percent reduction of the traffic detail overtime attributable to final average compensation.
- Interest earnings decreased approximately \$140,000 from 2009, continuing a trend due to historically low interest rates and reduced cash balances.

General Fund expenditures were lower by approximately \$500,000 compared to 2009, representing a nominal 1 percent decrease but evidencing some progress toward reducing and eventually eliminating the structural deficit. However, total employee fringe benefit expenses increased by approximately \$1.7 million over 2009. Included in that cost was over \$2.9 million in payoffs of unused compensated absences for 2010 as compared to only \$1.9 million in 2009. As of June 30, 2010, the total liability (including business-type activities) for compensated absences was still \$5.65 million. Management realizes that compensated absences represent a significant budgetary problem and an opportunity for "spiking" final average compensation related to employee pension calculations, and is attempting to address those problems inherent in the employment contracts.

# City of Taylor, Michigan

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## Management's Discussion and Analysis (Continued)

The General Fund fund balance (the cumulative difference between revenue and expenses) has reached an extremely low level. 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 cost containment.

The City's golf courses operated at deficits, substantially as a result of depreciation of assets donated by the TIFA component unit. Although the golf courses reduced costs appreciably in order to operate more profitably before the effects of depreciation, they still have a long-standing negative cash flow. Revenue has been trending downward for several consecutive years, reflecting the poor economic conditions in southeast Michigan. Costs are in the process of being further reduced to establish a positive cash flow. Golf course restaurant operations are now closed during less-profitable winter months.

The Taylor Sportsplex had historically been operating at a loss. In November 2006, the outside firm managing the complex on behalf of the City was terminated, and the City entered into an arrangement to lease the facility to an unrelated entity. Therefore, the City is no longer subsidizing the operational cost. The TIFA will continue to pay the debt service on the Sportsplex. Operation of the Sportsplex for 2009 finally yielded a profit of approximately \$160,000 for the lessee, of which \$80,000 was paid to the City in accordance with the lease agreement.

Total net assets related to the City's governmental activities at the end of the year were approximately \$177.6 million, an \$11.7 million decrease from the prior year's approximately \$189.3 million in net assets. The net decrease is mainly due to recording of the additional net OPEB (other postemployee benefits) obligation of \$6.6 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.

# City of Taylor, Michigan

## Management's Discussion and Analysis (Continued)

**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 to the financial statements, 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.

### The City of Taylor as a Whole

The following table shows, in a condensed format, the net assets as of June 30, 2010 and 2009:

#### Summary Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2009	2010	2009	2010	2009	2010
<b>Assets</b>						
Current assets	\$ 28,683,335	\$ 28,545,175	\$ 13,730,525	\$ 15,131,358	\$ 42,413,860	\$ 43,676,533
Capital assets	217,858,220	212,535,488	132,923,781	134,465,078	350,782,001	347,000,566
Other noncurrent assets	2,467,199	2,240,609	9,803,443	8,762,490	12,270,642	11,003,099
Total assets	249,008,754	243,321,272	156,457,749	158,358,926	405,466,503	401,680,198
<b>Liabilities</b>						
Current liabilities	10,675,450	14,585,645	2,069,916	1,805,367	12,745,366	16,391,012
Long-term liabilities	49,002,285	51,097,686	57,759,164	57,355,861	106,761,449	108,453,547
Total liabilities	59,677,735	65,683,331	59,829,080	59,161,228	119,506,815	124,844,559
<b>Net Assets</b>						
Invested in capital assets - Net of related debt	183,302,257	181,030,772	80,198,639	83,136,855	263,500,896	264,167,627
Restricted	10,109,282	9,635,811	8,266,091	7,181,560	18,375,373	16,817,371
Unrestricted (deficit)	(4,080,520)	(13,028,642)	8,163,939	8,879,283	4,083,419	(4,149,359)
Total net assets	<u>\$ 189,331,019</u>	<u>\$ 177,637,941</u>	<u>\$ 96,628,669</u>	<u>\$ 99,197,698</u>	<u>\$ 285,959,688</u>	<u>\$ 276,835,639</u>



# City of Taylor, Michigan

## Management's Discussion and Analysis (Continued)

The City's combined net assets totaled \$276.8 million, a decrease of 3.2 percent from the prior year. As we look at the governmental activities separately from the business-type activities, we can see that the current level of unrestricted net assets decreased by \$8.9 million for our governmental activities. The business-type activities unrestricted net assets increased by \$0.7 million during 2010.

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

### Summary Condensed Income Statement

	Governmental Activities		Business-type Activities		Total	
	2009	2010	2009	2010	2009	2010
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 13,178,171	\$ 10,837,562	\$ 18,622,719	\$ 18,332,509	\$ 31,800,890	\$ 29,170,071
Operating grants and contributions	9,084,714	9,843,157	-	-	9,084,714	9,843,157
Capital grants and contributions	6,825,450	5,072,087	354,759	694,820	7,180,209	5,766,907
General revenue:						
Property taxes	32,167,939	30,980,253	5,446,025	4,233,979	37,613,964	35,214,232
State-shared revenue	7,544,380	6,708,971	-	-	7,544,380	6,708,971
Unrestricted investment earnings	301,516	108,116	203,280	90,707	504,796	198,823
Rental income and fees	295,638	392,644	-	-	295,638	392,644
Gain (loss) on disposal of assets	163,846	(280,579)	(36,308)	-	127,538	(280,579)
Miscellaneous revenue	867,523	750,267	298,314	313,423	1,165,837	1,063,690
Total revenue	70,429,177	64,412,478	24,888,789	23,665,438	95,317,966	88,077,916
<b>Program Expenses</b>						
General government	11,455,567	12,585,103	-	-	11,455,567	12,585,103
Public safety	35,297,658	34,486,833	-	-	35,297,658	34,486,833
Public works	17,987,018	18,346,895	-	-	17,987,018	18,346,895
Community and economic development	2,052,034	3,295,443	-	-	2,052,034	3,295,443
Recreation and culture	5,801,222	5,443,991	-	-	5,801,222	5,443,991
Interest on long-term debt	2,066,092	1,514,890	-	-	2,066,092	1,514,890
Water	-	-	7,565,689	7,635,964	7,565,689	7,635,964
Sewer	-	-	8,714,032	8,353,848	8,714,032	8,353,848
Golf courses	-	-	5,516,598	4,885,471	5,516,598	4,885,471
Ecorse Creek	-	-	299,822	221,126	299,822	221,126
Total program expenses	74,659,591	75,673,155	22,096,141	21,096,409	96,755,732	96,769,564
<b>Transfers</b>	(3,116)	(432,401)	3,116	-	-	(432,401)
<b>Change in Net Assets</b>	<b>\$ (4,233,530)</b>	<b>\$ (11,693,078)</b>	<b>\$ 2,795,764</b>	<b>\$ 2,569,029</b>	<b>\$ (1,437,766)</b>	<b>\$ (9,124,049)</b>

### Governmental Activities

The City's total governmental revenue was down from \$70.4 million to \$64.4 million, mainly due to the decreased tax revenue, state-shared revenue, and court revenue. The City's total governmental expenses increased by approximately \$1.0 million, which is a 1.4 percent increase over 2009. Again, during 2010, the City closely monitored its spending in all areas.

# City of Taylor, Michigan

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## Management's Discussion and Analysis (Continued)

### Business-type Activities

The City's business-type activities consist of the Water, Sewer, Ecorse Creek, and Golf Courses 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 2010, total revenue decreased approximately \$1.2 million. Total expenses were \$1.0 million less than 2009.

### 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 2010 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 \$21.3 million, and public works, which incurred expenses of \$12.9 million in 2010. Employee benefit expenses accounted for another \$13.9 million.

### General Fund Budgetary Highlights

Over the course of the year, the City amended the budget to take into account events during the year. Overall, the General Fund's revenue budget was decreased during the year by a net amount of approximately \$663,000. The total revenue budget included appropriation of prior years' fund balance and reserves for restricted revenue in the amount of approximately \$7.3 million. Overall actual revenue was greater than the budget (excluding appropriation of prior years fund balance and reserves) was approximately \$1.1 million, or 2 percent.

# City of Taylor, Michigan

## Management's Discussion and Analysis (Continued)

The City's expenditure budget was increased approximately \$1.5 million during the year to \$61.2 million. The City's departments overall stayed below budget, resulting in total expenditures of \$59.2 million, approximately 3.3 percent below budget. Approximately \$645,000 from special tax levies will be carried to 2011 to fund activities related to their specific purpose. An additional \$3.9 million of fund balance has been appropriated in 2011 to balance the 2011 fiscal year budget, reflecting a continuation of the structural deficit and the need for immediate further expenditure reductions to maintain fiscal stability. The General Fund's unreserved and undesignated fund balance is expected to approximate only \$190,000 at the end of fiscal year 2010/2011.

### **Capital Asset and Debt Administration**

At the end of 2010, the City, including its component units, had approximately \$387 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. New golf-cart lease debt was incurred in 2010. In addition, Wayne County issued \$3.1 million in new debt for improvements to the wastewater treatment plant. That debt is included in the City Sewer Fund, a business-type activity.

The City's investment in capital assets, net of related debt, increased from approximately \$263.5 million to approximately \$264.2 million. The component units' investment in capital assets, net of related debt, was essentially unchanged at approximately \$13.0 million. The City's total debt, which includes the OPEB obligation, was approximately \$182.9 million, including approximately \$78.6 million of component unit debt. Of the component unit debt, approximately \$2.2 million relates to TIFA debt issued on behalf of the Lakes of Taylor Golf Club, and approximately \$26.8 million relates to TIFA debt issued on behalf of the Sportsplex. The TIFA has also been responsible for covering debt service on debt issued by the Taylor Building Authority since the Sportsplex has been leased out. Expected 2010/2011 debt service payments on all long-term obligations exclusive of interest and OPEB are approximately \$16.4 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.

# City of Taylor, Michigan

## Management's Discussion and Analysis (Continued)

### 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 ending June 30, 2011, the possibility of continuing reductions to the statutory portion of state revenue sharing continues to be a concern. Therefore, only 88 percent of the 2010 amount was budgeted for state-shared revenue for 2011. State-shared gas and oil tax distributions that are used for road maintenance and construction also continue to trend downward. Despite increased employee co-pays, health insurance costs continue to increase. The City's contribution to the Police and Fire Retirement System and the General Employees' Retirement System increased by approximately \$131,000 and \$187,000, respectively, for 2010. Prior investment losses in both Retirement Systems will continue to affect future pension contribution rates.

With the decline in market values of properties, the City is estimating a \$1.8 million decrease in tax revenue for fiscal year 2010/2011. Until the housing market rebounds, building fees and permit revenue will continue to be minimal. Because of the housing market collapse, the anticipated tax capture revenue to pay the debt on the Island Lakes (Midtown Basin) Brownfield bonds is much less than anticipated when the bonds were sold in 2005. Current projections are that the shortfall between taxes captured and debt service that must be paid by the City could range from \$500,000 to \$650,000 annually by the fiscal year beginning July 1, 2012.

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. But the gap cannot be closed quickly without substantial cooperation from everyone. Despite reducing the number of employees, limiting or eliminating wage increases, and implementing co-pay arrangements for health insurance, the current year 2010/2011 budget is still in a structural deficit, utilizing \$3.9 million of a total unrestricted fund balance at June 30, 2010 of \$4.1 million to balance revenue to expenditures.

Given these strains on the budget, the City understands the need to reduce the workforce and save on personal services and employee benefits, as these are the largest portions of the budget. Approximately 70 percent of the City's General Fund costs are employee related. Yet nearly all of the employee union contracts are still under negotiation, thereby stalling potential cost-saving opportunities. As the costs of providing services to the citizens continue to rise in excess of normal inflation despite the systematic limitations on revenue growth, it is clear that the municipal finance system in the state of Michigan needs some changes in addition to changes that can be made at the local level. Such changes, however, are not on the horizon.

# **City of Taylor, Michigan**

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## **Management's Discussion and Analysis (Continued)**

### **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, 2010

	Primary Government		Total	Component Units
	Governmental Activities	Business-type Activities		
<b>Assets</b>				
Cash and investments (Note 3)	\$ 13,773,355	\$ 10,488,142	\$ 24,261,497	\$ 15,786,627
Receivables - Net:				
Taxes	4,778,418	-	4,778,418	-
Special assessments	5,089,430	-	5,089,430	-
Customers	-	4,114,752	4,114,752	-
Other	1,761,067	45,296	1,806,363	851,680
Internal balances (Note 6)	(196,254)	196,254	-	-
Due from primary government	-	-	-	752,982
Due from other governmental units	2,188,983	-	2,188,983	-
Due from component units	234,492	-	234,492	-
Deferred charges	-	-	-	4,147,463
Prepaid costs and other assets	915,684	7,929	923,613	135,070
Long-term advances to (from) other funds (Note 6)	1,750,000	(1,750,000)	-	-
Inventories	-	-	278,985	-
Restricted assets (Note 8)	437,981	10,512,490	10,950,471	3,349,681
Notes receivable and accrued interest	-	-	-	-
Unamortized bond issuance costs	52,628	-	52,628	104,167
Nondepreciable capital assets (Note 5)	33,032,238	4,806,541	37,838,779	15,817,295
Depreciable capital assets - Net (Note 5)	179,503,250	129,377,624	308,880,874	23,848,787
Intangible assets (Note 5)	-	280,913	280,913	-
<b>Total assets</b>	<b>243,321,272</b>	<b>158,358,926</b>	<b>401,680,198</b>	<b>64,793,752</b>
<b>Liabilities</b>				
Accounts payable	1,710,623	1,090,760	2,801,383	2,268,878
Accrued and other liabilities	5,805,962	538,923	6,344,885	2,016,802
Due to primary government	-	-	-	234,492
Due to component units	752,982	-	752,982	-
Due to other governmental units	1,234,850	171,501	1,406,351	-
Deferred revenue (Note 4)	5,081,228	4,183	5,085,411	743,673
Current liabilities payable from restricted assets	-	4,187,722	4,187,722	-
Noncurrent liabilities:				
Debt due within one year (Note 7)	6,064,127	472,170	6,536,297	5,716,163
Debt due in more than one year (Note 7)	31,999,121	50,956,429	82,955,550	72,914,109
Net OPEB obligation (Note 13)	13,034,438	1,739,540	14,773,978	-
<b>Total liabilities</b>	<b>65,683,331</b>	<b>59,161,228</b>	<b>124,844,559</b>	<b>83,894,117</b>
<b>Net Assets (Deficit)</b>				
Invested in capital assets - Net of related debt	181,030,772	83,136,855	264,167,627	12,976,761
Restricted:				
Construction and other expenditures	4,909,562	-	4,909,562	-
Major and local streets projects	1,400,775	-	1,400,775	-
Police forfeiture	3,015,566	-	3,015,566	-
Debt service	309,908	6,324,768	6,634,676	-
Sewer	-	856,792	856,792	-
Property and other project expenditures	-	-	-	5,495,632
Unrestricted	(13,028,642)	8,879,283	(4,149,359)	(37,572,758)
<b>Total net assets (deficit)</b>	<b>\$ 177,637,941</b>	<b>\$ 99,197,698</b>	<b>\$ 276,835,639</b>	<b>\$ (19,100,365)</b>

# City of Taylor, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 12,585,103	\$ 5,610,168	\$ 2,429,902	\$ 213,138
Public safety	34,486,833	3,667,738	1,647,880	-
Public works	18,346,895	321,405	3,679,730	4,459,376
Community and economic development	3,295,443	56,972	1,876,192	46,674
Recreation and culture	5,443,991	1,181,279	209,453	352,899
Interest on long-term debt	1,514,890	-	-	-
Total governmental activities	75,673,155	10,837,562	9,843,157	5,072,087
Business-type activities:				
Water	7,635,964	7,573,277	-	-
Sewer	8,353,848	6,442,966	-	-
Golf courses	4,885,471	3,881,530	-	413,907
Ecorse Creek	221,126	434,736	-	280,913
Total business-type activities	21,096,409	18,332,509	-	694,820
Total primary government	<b>\$ 96,769,564</b>	<b>\$ 29,170,071</b>	<b>\$ 9,843,157</b>	<b>\$ 5,766,907</b>
<b>Component units:</b>				
Local Development Financing Authority	\$ -	\$ -	\$ -	\$ -
Tax Increment Financing Authority	8,273,897	-	-	-
Brownfield Redevelopment Authority	1,742,806	-	-	-
Downtown Development Authority	297,891	-	-	-
Housing Commission	18,111,785	6,781,802	11,718,045	-
Total component units	<b>\$ 28,426,379</b>	<b>\$ 6,781,802</b>	<b>\$ 11,718,045</b>	<b>\$ -</b>
<b>General revenue:</b>				
Property taxes				
State-shared revenue				
Unrestricted investment earnings				
Rental income and fees				
Loss on disposal of assets				
Miscellaneous				
Transfers				
Total general revenue				
<b>Change in Net Assets</b>				
<b>Net Assets (Deficit) - Beginning of year</b>				
<b>Less Prior Period Adjustment for Unrecorded Losses Related to the Investment in Partnership</b>				
<b>Net Assets (Deficit) - Beginning of year - As restated</b>				
<b>Net Assets (Deficit) - End of year</b>				

## Statement of Activities Year Ended June 30, 2010

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (4,331,895)	\$ -	\$ (4,331,895)	\$ -
(29,171,215)	-	(29,171,215)	-
(9,886,384)	-	(9,886,384)	-
(1,315,605)	-	(1,315,605)	-
(3,700,360)	-	(3,700,360)	-
(1,514,890)	-	(1,514,890)	-
(49,920,349)	-	(49,920,349)	-
-	(62,687)	(62,687)	-
-	(1,910,882)	(1,910,882)	-
-	(590,034)	(590,034)	-
-	494,523	494,523	-
-	(2,069,080)	(2,069,080)	-
(49,920,349)	(2,069,080)	(51,989,429)	-
-	-	-	-
-	-	-	(8,273,897)
-	-	-	(1,742,806)
-	-	-	(297,891)
-	-	-	388,062
-	-	-	(9,926,532)
30,980,253	4,233,979	35,214,232	13,700,488
6,708,971	-	6,708,971	-
108,116	90,707	198,823	128,082
392,644	-	392,644	-
(280,579)	-	(280,579)	-
750,267	313,423	1,063,690	1,891,573
(432,401)	-	(432,401)	432,401
38,227,271	4,638,109	42,865,380	16,152,544
(11,693,078)	2,569,029	(9,124,049)	6,226,012
189,331,019	96,628,669	285,959,688	(25,334,496)
-	-	-	8,119
189,331,019	96,628,669	285,959,688	(25,326,377)
<b>\$ 177,637,941</b>	<b>\$ 99,197,698</b>	<b>\$ 276,835,639</b>	<b>\$ (19,100,365)</b>



# City of Taylor, Michigan

## Governmental Funds Balance Sheet June 30, 2010

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash and investments (Note 3)	\$ 6,389,878	\$ 7,383,477	\$ 13,773,355
Receivables:			
Taxes	4,777,730	688	4,778,418
Special assessments	5,086,627	2,803	5,089,430
Other	1,755,183	5,884	1,761,067
Due from other governmental units	1,511,203	677,780	2,188,983
Due from component units	223,764	10,728	234,492
Due from other funds (Note 6)	2,570,592	999,067	3,569,659
Prepaid costs and other assets	913,338	2,346	915,684
Long-term advance to other funds (Note 6)	1,750,000	-	1,750,000
Restricted assets (Note 8)	-	437,981	437,981
Total assets	<b>\$ 24,978,315</b>	<b>\$ 9,520,754</b>	<b>\$ 34,499,069</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 1,518,345	\$ 192,278	\$ 1,710,623
Due to other governmental units	1,201,748	33,102	1,234,850
Due to other funds (Note 6)	1,473,286	2,292,627	3,765,913
Due to component units	730,482	22,500	752,982
Due to pension funds	2,888,279	-	2,888,279
Accrued and other liabilities	2,392,131	141,082	2,533,213
Deferred revenue (Note 4)	5,853,548	414	5,853,962
Total liabilities	16,057,819	2,682,003	18,739,822
<b>Fund Balances</b>			
Reserved for:			
Construction and other expenditures	3,035,772	242,304	3,278,076
Long-term assets	1,750,000	-	1,750,000
Unreserved - Designated for subsequent year's expenditures - Reported in:			
General Fund	3,945,000	-	3,945,000
Special Revenue Funds	-	516,819	516,819
Unreserved - Reported in:			
General Fund	189,724	-	189,724
Special Revenue Funds	-	5,769,720	5,769,720
Debt Service Funds	-	309,908	309,908
Total fund balances	8,920,496	6,838,751	15,759,247
Total liabilities and fund balances	<b>\$ 24,978,315</b>	<b>\$ 9,520,754</b>	<b>\$ 34,499,069</b>

# City of Taylor, Michigan

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## Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Assets (Deficit) June 30, 2010

**Fund Balance - Total Governmental Funds** \$ 15,759,247

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 governmental funds 212,535,488

Special assessment and other receivables are expected to be collected over several years and are not available to pay for current year expenditures 772,734

Unamortized bond issuance costs are not reported in the governmental funds 52,628

Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:

Long-term debt	(30,899,788)
Compensated absences	(5,269,222)
Accrued longevity	(334,981)
Bond premium	(835,065)
Workers' compensation claims	(724,192)
Net OPEB obligation	(13,034,438)

Accrued interest is not recorded in the funds (384,470)

**Net Assets - Governmental Activities** **\$ 177,637,941**

# City of Taylor, Michigan

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2010

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenue</b>			
Property taxes	\$ 31,477,171	\$ 1,661,146	\$ 33,138,317
Licenses and permits	1,075,179	1,317,278	2,392,457
Federal sources	575,301	2,639,497	3,214,798
State sources	7,200,334	3,982,486	11,182,820
Charges for services	2,822,175	30,065	2,852,240
Fines and forfeitures	3,320,518	-	3,320,518
Interest and rent	798,216	2,645,326	3,443,542
DMA/911 revenue	-	790,485	790,485
Other	7,673,790	6,021	7,679,811
Total revenue	54,942,684	13,072,304	68,014,988
<b>Expenditures</b>			
General government	7,147,137	-	7,147,137
Public safety	21,319,313	-	21,319,313
Public works and capital projects	12,948,281	3,819,747	16,768,028
Economic and community development	531,625	1,933,164	2,464,789
Recreation and cultural	2,873,000	-	2,873,000
Construction and development	-	832,345	832,345
Employee benefits	13,863,768	-	13,863,768
Capital outlay and other	-	647,425	647,425
Debt service	520,950	5,519,476	6,040,426
Total expenditures	59,204,074	12,752,157	71,956,231
<b>Excess of Expenditures (Under) Over Revenue</b>	(4,261,390)	320,147	(3,941,243)
<b>Other Financing Sources (Uses)</b>			
Transfers in (Note 6)	-	1,811,977	1,811,977
Transfers out (Note 6)	-	(2,244,378)	(2,244,378)
Total other financing uses	-	(432,401)	(432,401)
<b>Net Change in Fund Balances</b>	(4,261,390)	(112,254)	(4,373,644)
<b>Fund Balances - Beginning of year</b>	13,181,886	6,951,005	20,132,891
<b>Fund Balances - End of year</b>	<b>\$ 8,920,496</b>	<b>\$ 6,838,751</b>	<b>\$ 15,759,247</b>

# City of Taylor, Michigan

## Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2010

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ (4,373,644)</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	(7,894,039)
Capital contribution from TIFA, DDA, and Ecorse Creek is not a current financial resource	2,875,404
Proceeds from asset sales are recorded in the governmental funds; on the statement of activities, a loss is recorded	(304,097)
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	(3,770)
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)	64,950
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	4,052,502
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	(5,958)
Change in accrued interest on long-term debt is not recorded in the governmental funds	43,477
The change in liabilities for longevity, compensated absences, general claims, and net OPEB obligation is recorded when incurred in the statement of activities:	
Compensated absences	831,732
Longevity	(2,399)
Workers' compensation claims	(402,671)
Net OPEB obligation	(6,632,829)
<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$ (11,693,078)</u></b>

# City of Taylor, Michigan

## Proprietary Funds Statement of Net Assets June 30, 2010

	Water	Sewer	Golf Courses	Nonmajor - Ecorse Creek	Total Enterprise Funds
<b>Current Assets</b>					
Cash and investments (Note 3)	\$ 5,808,954	\$ 3,824,846	\$ 343,472	\$ 510,870	\$ 10,488,142
Receivables:					
Customers	2,183,833	1,794,221	-	136,698	4,114,752
Other	43,805	-	1,491	-	45,296
Due from other funds (Note 6)	456,029	2,935,648	-	56,215	3,447,892
Inventories	164,446	3,562	110,977	-	278,985
Prepaid costs and other assets	5,668	2,261	-	-	7,929
<b>Total current assets</b>	<b>8,662,735</b>	<b>8,560,538</b>	<b>455,940</b>	<b>703,783</b>	<b>18,382,996</b>
<b>Noncurrent Assets</b>					
Restricted assets (Note 8)	-	10,512,490	-	-	10,512,490
Intangible assets	-	-	-	280,913	280,913
Capital assets - Net (Note 5)	21,071,430	97,855,765	15,256,970	-	134,184,165
<b>Total noncurrent assets</b>	<b>21,071,430</b>	<b>108,368,255</b>	<b>15,256,970</b>	<b>280,913</b>	<b>144,977,568</b>
<b>Total assets</b>	<b>29,734,165</b>	<b>116,928,793</b>	<b>15,712,910</b>	<b>984,696</b>	<b>163,360,564</b>
<b>Current Liabilities</b>					
Accounts payable	556,744	326,171	207,749	96	1,090,760
Due to other governmental units	167,763	3,738	-	-	171,501
Due to other funds (Note 6)	2,410,352	158,004	683,282	-	3,251,638
Deferred revenue	-	-	4,183	-	4,183
Accrued and other liabilities	46,800	308,007	184,116	-	538,923
Current provision for compensated absences (Note 7)	80,426	28,749	73,850	-	183,025
Current portion of long-term debt (Note 7)	100,000	144,081	45,064	-	289,145
<b>Total current liabilities</b>	<b>3,362,085</b>	<b>968,750</b>	<b>1,198,244</b>	<b>96</b>	<b>5,529,175</b>
<b>Noncurrent Liabilities</b>					
Current liabilities payable from restricted assets	-	4,187,722	-	-	4,187,722
Long-term advances from other funds (Note 6)	-	-	1,750,000	-	1,750,000
Provision for compensated absences (Note 7)	117,624	23,166	57,474	-	198,264
Long-term debt - Net of current portion (Note 7)	945,000	49,678,428	134,737	-	50,758,165
Net OPEB obligation (Note 13)	913,258	391,397	434,885	-	1,739,540
<b>Total liabilities</b>	<b>5,337,967</b>	<b>55,249,463</b>	<b>3,575,340</b>	<b>96</b>	<b>64,162,866</b>
<b>Net Assets</b>					
Invested in capital assets - Net of related debt	20,026,430	48,033,256	15,077,169	-	83,136,855
Restricted for debt service	-	6,324,768	-	-	6,324,768
Restricted for sewer grant expenditures	-	856,792	-	-	856,792
<b>Unrestricted</b>	<b>4,369,768</b>	<b>6,464,514</b>	<b>(2,939,599)</b>	<b>984,600</b>	<b>8,879,283</b>
<b>Total net assets</b>	<b>\$ 24,396,198</b>	<b>\$ 61,679,330</b>	<b>\$ 12,137,570</b>	<b>\$ 984,600</b>	<b>\$ 99,197,698</b>

# City of Taylor, Michigan

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2010

	Water	Sewer	Golf Courses	Nonmajor - Ecorse Creek	Total Enterprise Funds
<b>Operating Revenue</b>					
Water sales	\$ 6,187,312	\$ -	\$ -	\$ -	\$ 6,187,312
Sewage disposal services	-	5,557,217	-	-	5,557,217
Charges for services	1,385,965	885,749	2,289,308	434,736	4,995,758
Sales of merchandise	-	-	1,552,222	-	1,552,222
Other	3,918	-	40,000	-	43,918
<b>Total operating revenue</b>	<b>7,577,195</b>	<b>6,442,966</b>	<b>3,881,530</b>	<b>434,736</b>	<b>18,336,427</b>
<b>Operating Expenses</b>					
Cost of water operations	6,537,205	-	-	-	6,537,205
Cost of sewage disposal operations	-	5,208,580	-	-	5,208,580
Ecorse Creek user charge system	-	-	-	221,126	221,126
Cost of sales	-	-	690,349	-	690,349
Operation and maintenance	-	-	1,031,608	-	1,031,608
General and administrative	-	-	2,279,912	-	2,279,912
Other expenses	-	105	-	-	105
Depreciation and amortization	1,052,477	1,705,577	879,898	-	3,637,952
<b>Total operating expenses</b>	<b>7,589,682</b>	<b>6,914,262</b>	<b>4,881,767</b>	<b>221,126</b>	<b>19,606,837</b>
<b>Operating (Loss) Income</b>	<b>(12,487)</b>	<b>(471,296)</b>	<b>(1,000,237)</b>	<b>213,610</b>	<b>(1,270,410)</b>
<b>Nonoperating Revenue (Expenses)</b>					
Property taxes	-	4,233,979	-	-	4,233,979
Interest income	29,899	57,490	1,391	1,927	90,707
Interest expense	(46,282)	(1,440,387)	(3,704)	-	(1,490,373)
Other	-	310,306	-	-	310,306
<b>Total nonoperating (expenses) revenue</b>	<b>(16,383)</b>	<b>3,161,388</b>	<b>(2,313)</b>	<b>1,927</b>	<b>3,144,619</b>
<b>Net (Loss) Income - Before donated assets</b>	<b>(28,870)</b>	<b>2,690,092</b>	<b>(1,002,550)</b>	<b>215,537</b>	<b>1,874,209</b>
<b>Capital Contributions - Donated assets</b>	<b>-</b>	<b>-</b>	<b>413,907</b>	<b>280,913</b>	<b>694,820</b>
<b>Change in Net Assets</b>	<b>(28,870)</b>	<b>2,690,092</b>	<b>(588,643)</b>	<b>496,450</b>	<b>2,569,029</b>
<b>Net Assets - Beginning of year</b>	<b>24,425,068</b>	<b>58,989,238</b>	<b>12,726,213</b>	<b>488,150</b>	<b>96,628,669</b>
<b>Net Assets - End of year</b>	<b>\$ 24,396,198</b>	<b>\$ 61,679,330</b>	<b>\$ 12,137,570</b>	<b>\$ 984,600</b>	<b>\$ 99,197,698</b>

# City of Taylor, Michigan

## Proprietary Funds Statement of Cash Flows Year Ended June 30, 2010

	Water	Sewer	Golf Courses	Nonmajor - Ecorse Creek	Total Enterprise Funds
<b>Cash Flows from Operating Activities</b>					
Receipts from customers	\$ 7,622,877	\$ 6,571,791	\$ 3,844,166	\$ 433,822	\$ 18,472,656
Payments to suppliers	(3,834,196)	(4,428,227)	(2,186,967)	(221,069)	(10,670,459)
Payments to employees	(2,541,485)	(632,477)	(1,595,562)	-	(4,769,524)
Internal activity - (Payments to) receipts from other funds	(74,752)	(65,136)	178,506	70,884	109,502
Other receipts (payments)	3,918	(142,565)	40,000	-	(98,647)
Net cash provided by operating activities	1,176,362	1,303,386	280,143	283,637	3,043,528
<b>Cash Flows from Capital and Related Financing Activities</b>					
Purchase of capital assets	(1,148,431)	(32,930)	(207,996)	-	(1,389,357)
Proceeds from issuance of debt	-	-	191,368	-	191,368
Proceeds from sales of capital assets	715	6,726	16,629	-	24,070
Principal and interest paid on capital debt	(141,282)	(139,382)	(165,271)	-	(445,935)
Payments to the County	-	(4,233,979)	-	-	(4,233,979)
Property taxes	-	4,233,979	-	-	4,233,979
Net cash used in capital and related financing activities	(1,288,998)	(165,586)	(165,270)	-	(1,619,854)
<b>Cash Flows from Investing Activities -</b>					
Interest received on investments	29,899	131,550	1,391	1,927	164,767
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	<b>(82,737)</b>	<b>1,269,350</b>	<b>116,264</b>	<b>285,564</b>	<b>1,588,441</b>
<b>Cash and Cash Equivalents - Beginning of year</b>	<b>5,891,691</b>	<b>2,555,496</b>	<b>227,208</b>	<b>225,306</b>	<b>8,899,701</b>
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 5,808,954</b>	<b>\$ 3,824,846</b>	<b>\$ 343,472</b>	<b>\$ 510,870</b>	<b>\$ 10,488,142</b>
<b>Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities</b>					
Operating (loss) income	\$ (12,487)	\$ (471,296)	\$ (1,000,237)	\$ 213,610	\$ (1,270,410)
Adjustments to reconcile operating (loss) income to net cash from operating activities:					
Depreciation and amortization	1,052,477	1,705,577	879,898	-	3,637,952
Changes in assets and liabilities:					
Receivables	(17,142)	128,825	2,636	(914)	113,405
Due from other funds	(199,139)	(223,140)	-	75,492	(346,787)
Inventories and other assets	(65,307)	(2,309)	32,317	-	(35,299)
Accounts payable	(44,665)	(34,538)	252	57	(78,894)
Deferred revenue	-	-	4,183	-	4,183
Accrued and other liabilities	(121,327)	(12,129)	(36,253)	-	(169,709)
Due to other governmental units	-	(142,565)	-	-	(142,565)
Due to other funds	124,387	158,004	178,506	(4,608)	456,289
Net OPEB obligation	459,565	196,957	218,841	-	875,363
Net cash provided by operating activities	<b>\$ 1,176,362</b>	<b>\$ 1,303,386</b>	<b>\$ 280,143</b>	<b>\$ 283,637</b>	<b>\$ 3,043,528</b>

**Noncash Investing, Capital, and Financing Activities** - During the year ended June 30, 2010, the City had several noncash transactions with the assets held at Wayne County, including interest earnings of \$40,031, debt payments of \$4,091,652, debt issuances of \$3,119,142, and interest payments of \$1,418,726. The TIFA purchased and donated assets to the Golf Course Fund totaling \$413,907. The Ecorse Creek Fund received a donated asset in the amount of \$280,913 from Wayne County.

# City of Taylor, Michigan

## Fiduciary Funds Statement of Net Assets June 30, 2010

	Pension and Other Employee Benefit Plans*	Agency Funds
<b>Assets</b>		
Cash and equivalents	\$ 5,224,539	\$ 1,498,308
Investments:		
Corporate bonds	20,221,337	-
U.S. government securities	20,957,657	-
Common and preferred stock	49,403,292	-
Mutual funds	9,397,706	-
Partnerships	17,435,845	-
Due from primary government	2,919,718	-
Accrued interest	419,150	-
	125,979,244	<u>\$ 1,544,400</u>
<b>Liabilities</b>		
Due to other governmental units	-	\$ 1,387,083
Accrued and other liabilities	5,083	35,634
Tax collections distributable	-	121,683
	5,083	<u>\$ 1,544,400</u>
<b>Net Assets</b> - Held in trust for pension and other employee benefits	<u>\$ 125,974,161</u>	

\* Balances are as of December 31, 2009 for the General Employees' Pension Plan and as of June 30, 2010 for the Police and Fire Retirement System.



# City of Taylor, Michigan

## Fiduciary Funds Statement of Changes in Net Assets Year Ended June 30, 2010

	<u>Pension and Other Employee Benefit Plans*</u>
<b>Additions</b>	
Investment income:	
Interest and dividends	\$ 3,466,375
Net increase in fair value of investments	10,368,555
Less investment expenses	<u>(391,552)</u>
Net investment income	13,443,378
Contributions:	
Employer	8,128,847
Employee	<u>1,089,670</u>
Total contributions	<u>9,218,517</u>
Total additions - Net of investment expenses	22,661,895
<b>Deductions</b>	
General and administrative	79,643
Benefit payments	<u>14,058,045</u>
Total deductions	<u>14,137,688</u>
<b>Net Increase in Net Assets</b>	8,524,207
<b>Net Assets Held in Trust for Pension and Other Employee Benefits</b>	
Beginning of year	<u>117,449,954</u>
End of year	<u><b>\$ 125,974,161</b></u>

\* Balances are as of December 31, 2009 for the General Employees' Pension Plan and as of June 30, 2010 for the Police and Fire Retirement System.

# City of Taylor, Michigan

## Component Units Statement of Net Assets (Deficit) June 30, 2010

	Local Development Financing Authority	Tax Increment Financing Authority	Brownfield Redevelopment Authority	Downtown Development Authority	Housing Commission*	Total
<b>Assets</b>						
Cash and investments (Note 3)	\$ 419,270	\$ 5,401,615	\$ 3,380,297	\$ 340,219	\$ 6,245,226	\$ 15,786,627
Accounts receivable	-	-	743,673	-	108,007	851,680
Deferred charges	-	-	-	-	4,147,463	4,147,463
Unamortized bond issuance costs	-	-	104,167	-	-	104,167
Due from primary government	10,946	469,502	-	250,034	22,500	752,982
Internal balances	-	-	169,185	(169,185)	-	-
Prepaid expenses and other assets	-	-	-	-	135,070	135,070
Restricted assets (Note 8)	-	-	-	-	3,349,681	3,349,681
Capital assets (Note 5)	17,745	13,536,684	77,187	1,327,193	24,707,273	39,666,082
Total assets	447,961	19,407,801	4,474,509	1,748,261	38,715,220	64,793,752
<b>Liabilities</b>						
Accounts payable	-	1,630,523	13,691	52,254	572,410	2,268,878
Deferred revenue (Note 4)	-	-	743,673	-	-	743,673
Due to primary government	-	5,077	44,565	-	184,850	234,492
Tenant security deposits	-	-	-	-	325,557	325,557
Accrued and other liabilities	-	309,991	683,965	34,939	662,350	1,691,245
Long-term debt (Note 7)	-	32,883,400	16,733,878	1,580,000	27,432,994	78,630,272
Total liabilities	-	34,828,991	18,219,772	1,667,193	29,178,161	83,894,117
<b>Net Assets (Deficit)</b>						
Investment in capital assets - Net of related debt	17,745	13,536,684	77,187	1,327,193	(1,982,048)	12,976,761
Restricted	-	-	1,279,174	-	4,216,458	5,495,632
Unrestricted	430,216	(28,957,874)	(15,101,624)	(1,246,125)	7,302,649	(37,572,758)
Total net assets (deficit)	<u>\$ 447,961</u>	<u>\$ (15,421,190)</u>	<u>\$ (13,745,263)</u>	<u>\$ 81,068</u>	<u>\$ 9,537,059</u>	<u>\$ (19,100,365)</u>

\* Balances are as of March 31, 2010 for the Housing Commission and as of June 30, 2010 for the Taylor Community Development Corp., its component unit.

# City of Taylor, Michigan

	Program Revenue			
	Expenses	Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions
Tax Increment Financing Authority - Public works	\$ 8,273,897	\$ -	\$ -	\$ -
Brownfield Redevelopment Authority - Public works	1,742,806	-	-	-
Downtown Development Authority - Public works	297,891	-	-	-
Housing Commission	<u>18,111,785</u>	<u>6,781,802</u>	<u>11,718,045</u>	<u>-</u>
Total component unit activities	<b><u>\$ 28,426,379</u></b>	<b><u>\$ 6,781,802</u></b>	<b><u>\$ 11,718,045</u></b>	<b><u>\$ -</u></b>

General revenue:  
 Capture taxes  
 Interest  
 Transfers  
 Other

Total general revenue

**Change in Net Assets (Deficit)**

**Net Assets (Deficit) - Beginning of year**

**Less Prior Period Adjustment for Unrecorded  
 Losses Related to the Investment in Partnership**

**Net Assets (Deficit) - Beginning of year - As restated**

**Net Assets (Deficit) - End of year**

\* Balances are as of March 31, 2010 for the Housing Commission and as of June 30, 2010 for the Taylor Community Development Corp., its component unit.

**Component Units  
Statement of Activities  
Year Ended June 30, 2010**

Net (Expense) Revenue and Changes in Net Assets					
Local Development Financing Authority	Tax Increment Financing Authority	Brownfield Redevelopment Authority	Downtown Development Authority	Housing Commission*	Total
\$ -	\$ (8,273,897)	\$ -	\$ -	\$ -	\$ (8,273,897)
-	-	(1,742,806)	-	-	(1,742,806)
-	-	-	(297,891)	-	(297,891)
-	-	-	-	388,062	388,062
-	(8,273,897)	(1,742,806)	(297,891)	388,062	(9,926,532)
67,312	12,073,250	721,800	838,126	-	13,700,488
1,982	44,226	14,046	2,402	65,426	128,082
-	(117,474)	719,060	(169,185)	-	432,401
-	-	1,500,000	-	391,573	1,891,573
69,294	12,000,002	2,954,906	671,343	456,999	16,152,544
69,294	3,726,105	1,212,100	373,452	845,061	6,226,012
378,667	(19,147,295)	(14,957,363)	(292,384)	8,683,879	(25,334,496)
-	-	-	-	8,119	8,119
378,667	(19,147,295)	(14,957,363)	(292,384)	8,691,998	(25,326,377)
<b>\$ 447,961</b>	<b>\$ (15,421,190)</b>	<b>\$ (13,745,263)</b>	<b>\$ 81,068</b>	<b>\$ 9,537,059</b>	<b>\$ (19,100,365)</b>

## **Note I - Summary of Significant Accounting Policies**

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

### **Reporting Entity**

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

**Blended Presented 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 23<sup>rd</sup> 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.

## **Note I - Summary of Significant Accounting Policies (Continued)**

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

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, 2010, rental revenue from HUD totaled approximately \$5,000,000, representing 44 percent of net rental revenue.

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

## **Note I - Summary of Significant Accounting Policies (Continued)**

### **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.

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.

## **Note I - Summary of Significant Accounting Policies (Continued)**

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. In 2010, the City's receipt of its property tax settlement for delinquent taxes from Wayne County, which is normally received within 60 days of year end, was significantly delayed. Due to the unusual circumstances surrounding the delay and the fact that the City does normally receive this within the 60-day time frame, the City did record this as revenue on the modified accrual basis in fiscal year ended 2010. 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.

The City's only major governmental fund for June 30, 2010 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.



## **Note I - Summary of Significant Accounting Policies (Continued)**

Additionally, the City reports the following fund types:

**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, 2009. Therefore, the General Employees' Pension Plan is included in this report as of December 31, 2009. 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.

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.

## **Note I - Summary of Significant Accounting Policies (Continued)**

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 2009 tax is levied and collectible on July 1, 2009 and is recognized as revenue in the year ended June 30, 2010, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2009 taxable valuation of the City totaled \$1,351,324,026, on which taxes levied consisted of 8.4211 mills for operating purposes, 0.7387 mills for library services, 5.6928 mills for public safety pension, 1.4225 mills for disposal authority, 2.6591 mills for garbage and rubbish services, 0.0364 mills for publicity services, 2.3450 mills for the building authority, 3.2489 for EPA debt, and .9601 mills for the Southend Project. This resulted in approximately \$11,400,000 for operating purposes, \$1,000,000 for library services, \$7,700,000 for public safety pension, \$1,900,000 for disposal authority, \$3,600,000 for garbage and rubbish services, \$50,000 for publicity services, \$3,200,000 for the building authority, \$4,400,000 for EPA debt, and \$1,700,000 for the Southend Project. These amounts are recognized in the respective General, Debt Service, and Enterprise Funds financial statements as tax revenue.

## **Note I - Summary of Significant Accounting Policies (Continued)**

### **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 Costs** - 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** - Unspent bond proceeds of the Capital Projects Funds are required to be set aside for construction. In addition, restricted assets also include assets held at Wayne County.

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 mortgagor. Restricted deposits are held in a separate account and generally are not available for operating purposes. During the year ended June 30, 2010, withdrawals of \$536,825 were taken from the replacement reserve.

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.

### Note I - Summary of Significant Accounting Policies (Continued)

**Capital Assets** - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. 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. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

**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. 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.

## **Note 1 - Summary of Significant Accounting Policies (Continued)**

**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 reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to first apply restricted sources.

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

## **Note 2 - 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 management and adopted by the City Council; subsequent amendments are approved by the City Council.

### **Note 2 - Stewardship, Compliance, and Accountability (Continued)**

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.

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, 2010 has not been calculated. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

**Fund Deficits** - There are no fund deficits on the modified accrual basis at June 30, 2010. The component units are presented on the full accrual basis in the basic financial statements, resulting in deficits on that basis in the Tax Increment Financing Authority, Brownfield Redevelopment Authority, and Downtown Development Authority. The Golf Courses Fund has an unrestricted net deficit as of June 30, 2010. There are no other proprietary funds with a deficit at June 30, 2010.

### **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 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.

## **Note 3 - Deposits and Investments (Continued)**

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

The City has designated two banks for the deposit of its funds. The investment policy adopted by the Council 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 \$24,432,407 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. In addition, the City's component units had \$7,977,977 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.

### Note 3 - Deposits and Investments (Continued)

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

Investment Type	Fair Value	Less Than One Year	1 to 5 Years	6 to 10 Years	More Than 10 Years
<b>General Employees' Pension Plan</b>					
Corporate bonds	\$ 6,605,223	\$ 1,179,815	\$ 4,176,734	\$ 1,248,674	\$ -
U.S. government securities	9,095,704	2,035,620	4,010,098	2,811,110	238,876
<b>Police and Fire Retirement System</b>					
Corporate bonds	13,616,114	226,403	6,408,984	6,945,504	35,223
U.S. government securities	11,861,953	562,274	3,506,519	5,027,597	2,765,563



### 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 Type	Fair Value				Rating	Rating Organization
	Primary Government	Component Units	Police and Fire Retirement System	General Employees' Pension Plan		
Corporate bonds	\$ -	\$ -	\$ -	\$ 501,215	AA+	S&P
Corporate bonds	-	-	-	1,801,215	A+	S&P
Corporate bonds	-	-	-	1,429,598	A	S&P
Corporate bonds	-	-	-	432,244	A-	S&P
Corporate bonds	-	-	-	1,713,954	BBB+	S&P
Corporate bonds	-	-	-	189,142	BBB	S&P
Corporate bonds	-	-	-	537,855	BBB-	S&P
U.S. government securities	-	-	-	3,732,726	Not rated	N/A
Corporate bonds	-	-	-	-	Aa1	Moody's
Corporate bonds	-	-	774,001	-	A1	Moody's
Corporate bonds	-	-	778,278	-	A2	Moody's
Corporate bonds	-	-	1,270,186	-	A3	Moody's
Corporate bonds	-	-	145,781	-	Aa1	Moody's
Corporate bonds	-	-	533,851	-	Aa2	Moody's
Corporate bonds	-	-	728,191	-	Aa3	Moody's
Corporate bonds	-	-	4,319,878	-	Aaa	Moody's
Corporate bonds	-	-	348,019	-	B1	Moody's
Corporate bonds	-	-	327,013	-	B2	Moody's
Corporate bonds	-	-	139,980	-	B3	Moody's
Corporate bonds	-	-	460,853	-	Ba1	Moody's
Corporate bonds	-	-	206,520	-	Ba2	Moody's
Corporate bonds	-	-	305,963	-	Ba3	Moody's
Corporate bonds	-	-	1,358,714	-	Baa1	Moody's
Corporate bonds	-	-	1,288,048	-	Baa2	Moody's
Corporate bonds	-	-	584,876	-	Baa3	Moody's
Corporate bonds	-	-	35,962	-	Caa1	Moody's
U.S. government securities	-	-	168,780	-	Baa2	Moody's
U.S. government securities	-	-	3,619,597	-	Not rated	N/A
Bank investment pools	-	1,636	-	-	AAA	S&P
Bank investment pools	-	176,899	-	-	Not rated	N/A

### Note 3 - Deposits and Investments (Continued)

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

### 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 and the governmental activities 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 deferred revenue recorded is as follows:

	Unavailable	Unearned	Total
Special assessments	\$ 219,262	\$ 5,081,228	\$ 5,300,490
Grant receivables	94,912	-	94,912
ALS receivables	301,259	-	301,259
Other	157,301	-	157,301
Total	<u>\$ 772,734</u>	<u>\$ 5,081,228</u>	<u>\$ 5,853,962</u>

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

# City of Taylor, Michigan

## Notes to Financial Statements June 30, 2010

### Note 5 - Capital Assets

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

<b>Governmental Activities</b>	Balance	Additions	Disposals	Reclassifications	Balance
	July 1, 2009				June 30, 2010
Capital assets not being depreciated:					
Land	\$ 28,012,989	\$ 1,386,509	\$ (8,681)	\$ -	\$ 29,390,817
Construction in progress	6,037,526	2,240,638	(208,189)	(4,428,554)	3,641,421
Subtotal	34,050,515	3,627,147	(216,870)	(4,428,554)	33,032,238
Capital assets being depreciated:					
Roads and sidewalks	240,312,615	1,009,228	-	4,274,500	245,596,343
Buildings and improvements	86,946,440	32,872	-	84,530	87,063,842
Other improvements	18,604,093	219,011	-	41,939	18,865,043
Machinery and equipment	35,190,237	701,311	(908,038)	27,585	35,011,095
Subtotal	381,053,385	1,962,422	(908,038)	4,428,554	386,536,323
Accumulated depreciation:					
Roads and sidewalks	138,479,376	5,207,443	-	-	143,686,819
Buildings and improvements	23,157,891	2,038,159	-	-	25,196,050
Other improvements	10,871,004	918,107	-	-	11,789,111
Machinery and equipment	24,737,409	2,444,495	(820,811)	-	26,361,093
Subtotal	197,245,680	10,608,204	(820,811)	-	207,033,073
Net capital assets being depreciated	183,807,705	(8,645,782)	(87,227)	4,428,554	179,503,250
Net capital assets	\$ 217,858,220	\$ (5,018,635)	\$ (304,097)	\$ -	\$ 212,535,488

# City of Taylor, Michigan

## Notes to Financial Statements June 30, 2010

### Note 5 - Capital Assets (Continued)

Business-type Activities	Balance				Balance
	July 1, 2009	Additions	Disposals	Reclassifications	June 30, 2010
Capital assets not being depreciated:					
Land	\$ 4,758,372	\$ -	\$ -	\$ -	\$ 4,758,372
Intangible ECPAD improvement	-	280,913	-	-	280,913
Construction in progress	18,783	1,158,502	(7,440)	(1,121,676)	48,169
Subtotal	4,777,155	1,439,415	(7,440)	(1,121,676)	5,087,454
Capital assets being depreciated:					
Land improvements	8,464,888	355,727	-	-	8,820,615
Machinery and equipment	3,358,243	207,995	(272,526)	-	3,293,712
Buildings and building improvements	9,690,034	42,950	-	-	9,732,984
Vehicles	650,793	3,733	-	-	654,526
Sanitary sewer system	115,900,263	3,119,142	-	-	119,019,405
Water mains and meters	33,606,300	19,127	(1,809)	1,121,676	34,745,294
Furniture and fixtures	1,209,970	15,230	(19,022)	-	1,206,178
Subtotal	172,880,491	3,763,904	(293,357)	1,121,676	177,472,714
Accumulated depreciation:					
Land improvements	5,602,533	448,095	-	-	6,050,628
Machinery and equipment	2,136,888	347,347	(255,898)	-	2,228,337
Buildings and building improvements	2,522,205	217,581	-	-	2,739,786
Vehicles	437,684	34,218	-	-	471,902
Sanitary sewer system	19,928,045	1,582,112	-	-	21,510,157
Water mains and meters	13,217,487	956,201	(1,807)	-	14,171,881
Furniture and fixtures	889,023	52,398	(19,022)	-	922,399
Subtotal	44,733,865	3,637,952	(276,727)	-	48,095,090
Net capital assets being depreciated	128,146,626	125,952	(16,630)	1,121,676	129,377,624
Net capital assets	\$ 132,923,781	\$ 1,565,367	\$ (24,070)	\$ -	\$ 134,465,078

### Note 5 - Capital Assets (Continued)

The component unit capital assets are composed of the following:

	LDFA	TIFA	BRDA	DDA	Housing Commission	Total
Capital assets not being depreciated:						
Land	\$ 17,745	\$ 13,536,684	\$ 77,187	\$ 1,327,193	\$ 760,000	\$ 15,718,809
Construction in progress	-	-	-	-	98,486	98,486
Subtotal	17,745	13,536,684	77,187	1,327,193	858,486	15,817,295
Capital assets being depreciated:						
Land improvements	-	-	-	-	6,625,958	6,625,958
Vehicles, machinery, and equipment	-	-	-	-	7,183,319	7,183,319
Building	-	-	-	-	32,324,819	32,324,819
Subtotal	-	-	-	-	46,134,096	46,134,096
Accumulated depreciation	-	-	-	-	(22,285,309)	(22,285,309)
Net capital assets being depreciated	-	-	-	-	23,848,787	23,848,787
Net capital assets	<u>\$ 17,745</u>	<u>\$ 13,536,684</u>	<u>\$ 77,187</u>	<u>\$ 1,327,193</u>	<u>\$ 24,707,273</u>	<u>\$ 39,666,082</u>

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

Governmental activities:	
General government	\$ 997,557
Public safety	1,850,943
Public works	6,165,858
Economic development	213,793
Recreation and culture	1,380,053
Total governmental activities	<u>\$ 10,608,204</u>
Business-type activities:	
Water	\$ 1,052,477
Sewer	1,705,577
Golf	879,898
Total business-type activities	<u>\$ 3,637,952</u>
Component unit activities - Housing Commission	<u>\$ 1,945,854</u>

# City of Taylor, Michigan

## Notes to Financial Statements June 30, 2010

### Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
<b>Due to/from Other Funds</b>		
General Fund	Water Fund	\$ 276,978
	Sewer Fund	158,004
	Golf Courses Fund	683,282
	Other nonmajor governmental funds	<u>1,452,328</u>
	Total General Fund	2,570,592
Other nonmajor governmental funds	General Fund	158,768
	Other nonmajor governmental funds	<u>840,299</u>
	Total nonmajor governmental funds	999,067
Water Fund	General Fund	456,029
Sewer Fund	General Fund	858,489
	Water Fund	<u>2,077,159</u>
	Total Sewer Fund	2,935,648
Ecorse Creek	Water Fund	<u>56,215</u>
	Total	<u>\$ 7,017,551</u>

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

Receivable Fund	Payable Fund	Amount
<b>Advances to/from Other Funds</b>		
General Fund	Golf Courses Fund	\$ 1,750,000

The advance from the General Fund is expected to be repaid based on anticipated revenue from the golf courses in future years.

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

**Interfund Transfers**

Fund Providing Resources	Fund Receiving Resources	Amount
Other nonmajor governmental funds	Other nonmajor governmental funds	\$ 1,811,977
	Brownfield Redevelopment Authority	<u>432,401</u>
	Total other nonmajor governmental funds	<u>\$ 2,244,378</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. The transfer between other nonmajor governmental fund and the Brownfield Redevelopment Authority was to transfer the equity out of the 2005 BRDA debt service fund into the Brownfield Redevelopment Authority where the activity is now presented.

### 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.

Long-term obligation activity can be summarized as follows:

	Interest Rate Range	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>						
Bonds and contractual obligations:						
2001 Certificates of Participation - Honeywell Project - Amount of issue - \$4,125,000	5.0%	\$ 965,000	\$ -	\$ 470,000	\$ 495,000	\$ 495,000
2001 Installment Purchase Agreement - Downriver Mutual Aid E911 - Amount of issue - \$7,250,000	6.45%	1,446,717	-	935,258	511,459	511,459
Building Authority Bonds - Series 2000 - Amount of issue - \$10,475,000	5.125%-6.0%	2,805,000	-	635,000	2,170,000	705,000
Building Authority Public Facilities Bonds - Series 2003 - Amount of issue - \$13,750,000	3.0%-5.0%	11,105,000	-	570,000	10,535,000	590,000
2004 Building Authority Public Facilities Bonds - Amount of issue - \$1,250,000	2.55%-4.75%	1,055,000	-	50,000	1,005,000	55,000
General Obligation Bonds - Series 2004 - Storm - Amount of issue - \$945,000	3.625%-4.4%	565,000	-	50,000	515,000	50,000
Limited Tax General Obligation Bonds - Series 2005 - Amount of issue - \$14,795,000	4.0%-5.0%	10,850,000	-	1,045,000	9,805,000	1,120,000
2005 Building Authority Refunding Bonds - Amount of issue - \$3,445,000	5.0%	3,401,600	-	-	3,401,600	-
2008 Ambulance Lease - Amount of issue - \$313,074	4.38%	255,709	-	59,877	195,832	62,500
2008 Michigan Transportation Fund Bonds - Amount of issue - \$3,075,000	4.30%	2,825,000	-	235,000	2,590,000	245,000
2007 Pitney Bowes Mailing Machine: Amount of issue - \$10,714	9.50%	4,933	-	2,367	2,566	2,566
Deferred costs of financing		(373,336)	-	(46,667)	(326,669)	(46,667)
Other long-term obligation:						
Accrued longevity		332,582	334,981	332,582	334,981	334,981
Workers' compensation claims		321,521	402,671	-	724,192	45,099
Bond premium		939,996	-	104,931	835,065	104,931
Compensated absences		6,100,954	1,203,342	2,035,074	5,269,222	1,789,258
Total governmental activities		<u>\$ 42,600,676</u>	<u>\$ 1,940,994</u>	<u>\$ 6,478,422</u>	<u>\$ 38,063,248</u>	<u>\$ 6,064,127</u>



# City of Taylor, Michigan

## Notes to Financial Statements June 30, 2010

### Note 7 - Long-term Debt (Continued)

	Interest Rate Range	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-type Activities</b>						
General obligation bonds:						
General Obligation Bonds - Series 2004 - Water and Sewer - Amount of issue - \$1,655,000	3.625%-4.4%	\$ 1,315,000	\$ -	\$ 110,000	\$ 1,205,000	\$ 115,000
1994 Downriver Sewage Disposal System Bonds - Amount of issue - \$87,367,763	Various	54,917,964	3,119,143	4,186,876	53,850,231	4,316,803
Lease Purchase Agreement - Golf Carts for LTGC - Amount of issue - \$191,368	4.44%	-	191,368	11,567	179,801	45,064
Municipal Purchase Agreement - Amount of issue - \$563,520	3.58%	150,000	-	150,000	-	-
Other long-term obligation - Compensated absences		512,023	100,639	231,373	381,289	183,025
Total business-type activities		<u>\$ 56,894,987</u>	<u>\$ 3,411,150</u>	<u>\$ 4,689,816</u>	<u>\$ 55,616,321</u>	<u>\$ 4,659,892</u>
<b>Component Units</b>						
TIFA Bonds - 2000-A HUD Section 108 Loan - Senior Activities Center - Amount of issue - \$1,500,000	Various	\$ 540,000	\$ -	\$ 120,000	\$ 420,000	\$ 120,000
Tax Increment Bonds - Series 1998 Refunding Amount of issue - \$19,570,000	4.5%	4,260,000	-	2,080,000	2,180,000	2,180,000
Land contract - Alert Kennel	6.0%	475,000	-	100,000	375,000	375,000
Tax Increment Bonds - Series 2001 - Amount of issue - \$36,000,000	4.25%-5.5%	28,260,000	-	1,480,000	26,780,000	1,625,000
Sportsplex Building Authority Bonds - Series 2000 - Amount of issue - \$5,525,000	4.65%-5.125%	1,570,000	-	355,000	1,215,000	395,000
2005 Building Authority Refunding Bonds - Amount of issue - \$1,870,000	5.0%	1,913,400	-	-	1,913,400	-
Total TIFA		37,018,400	-	4,135,000	32,883,400	4,695,000
Brownfield Redevelopment Tax Increment Bonds, tax exempt - Series 2006 - Amount of issue - \$3,100,000	5.5%-6.0%	2,850,000	-	85,000	2,765,000	90,000
Brownfield Redevelopment Tax Increment Bonds, tax exempt - Series 2005 - Amount of issue - \$11,080,000	3.625%-5.00%	11,080,000	-	105,000	10,975,000	120,000
Brownfield Redevelopment Tax Increment Bonds, taxable Series 2005 - Amount of issue - \$3,080,000	4.40%-5.30%	3,080,000	-	105,000	2,975,000	110,000
Other long-term obligation - Bond premium		19,956	-	1,078	18,878	1,079
Total Brownfield		17,029,956	-	296,078	16,733,878	321,079
DDA Bonds - Downtown Development Bond - Series 2002 - Amount of issue - \$2,500,000	4.125%-4.7%	1,770,000	-	190,000	1,580,000	195,000
Condor Lofts land contract	8%	38,142	-	38,142	-	-
Finish Line Car Wash land contract	7%	100,000	-	100,000	-	-
Total DDA		1,908,142	-	328,142	1,580,000	195,000
Housing Commission - Bonds and mortgage payable	Various	27,917,601	52,525	537,132	27,432,994	505,084
Total component units		<u>\$ 83,874,099</u>	<u>\$ 52,525</u>	<u>\$ 5,296,352</u>	<u>\$ 78,630,272</u>	<u>\$ 5,716,163</u>
Total City debt		<u>\$ 183,369,762</u>	<u>\$ 5,404,669</u>	<u>\$ 16,464,590</u>	<u>\$ 172,309,841</u>	<u>\$ 16,440,182</u>

## **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 \$23,860,000 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 .4157 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, 2010, 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, 2010 was \$2,291,365.

### Note 7 - Long-term Debt (Continued)

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

	Governmental Activities			Business-type Activities			Component Unit Activities		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 3,836,525	\$ 1,385,917	\$ 5,222,442	\$ 4,476,867	\$ 1,459,117	\$ 5,935,984	\$ 5,715,084	\$ 2,760,977	\$ 8,476,061
2012	2,940,237	1,224,321	4,164,558	4,759,831	1,337,089	6,096,920	3,416,049	2,505,226	5,921,275
2013	3,113,095	1,086,283	4,199,378	4,892,511	1,209,009	6,101,520	3,800,928	2,336,604	6,137,532
2014	3,215,400	918,565	4,133,965	5,008,398	1,076,627	6,085,025	6,066,016	2,067,121	8,133,137
2015	3,390,600	770,175	4,160,775	4,947,974	945,057	5,893,031	4,170,558	1,857,956	6,028,514
2016-2020	10,725,600	1,872,456	12,598,056	22,096,218	2,815,647	24,911,865	22,733,575	6,481,596	29,215,171
2021-2025	4,005,000	411,563	4,416,563	5,747,845	919,299	6,667,144	12,702,527	2,776,400	15,478,927
2026-2030	-	-	-	3,036,162	241,509	3,277,671	11,907,778	1,570,900	13,478,678
2031-2035	-	-	-	269,226	3,365	272,591	8,011,696	475,510	8,487,206
Amount of principal reserve payments made, but not yet used to redeem the bonds	-	-	-	-	-	-	87,183	-	87,183
<b>Total</b>	<b>\$ 31,226,457</b>	<b>\$ 7,669,280</b>	<b>\$ 38,895,737</b>	<b>\$ 55,235,032</b>	<b>\$ 10,006,719</b>	<b>\$ 65,241,751</b>	<b>\$ 78,611,394</b>	<b>\$ 22,832,290</b>	<b>\$ 101,443,684</b>

In conjunction with the issuances of \$19,570,000 and \$36,000,000 of Tax Increment Financing Authority (TIFA) bonds Series 1998 and 2001, respectively, the component unit is required to maintain debt service reserves in the amounts of \$218,000 and \$3,448,681, respectively. In order to cover the reserve requirement, the TIFA component unit has obtained insurance coverage totaling \$5,310,681 for this purpose. In addition to the reserves and in conjunction with the above debt issues, 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.

### Defeased Debt-Component Units

In prior years, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2010, the component unit's portion of bonds outstanding that are considered defeased approximates \$2,230,000.

# City of Taylor, Michigan

## Notes to Financial Statements June 30, 2010

### Note 7 - Long-term Debt (Continued)

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

### Note 8 - Restricted Assets

The balances of the restricted asset accounts are as follows:

	Governmental Activities	Business-type Activities	Component Units
Unspent bond proceeds and related interest	\$ 230,137	\$ -	\$ -
Assets held at Wayne County for future debt payments	-	8,693,544	-
Assets held at Wayne County for sewer operations	-	1,818,946	-
Restricted deposits - Cash	207,844	-	69,473
Restricted deposits held by lender	-	-	3,280,208
	<u>          </u>	<u>          </u>	<u>          </u>
Total restricted assets	<u>\$ 437,981</u>	<u>\$ 10,512,490</u>	<u>\$ 3,349,681</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 \$7,400,623 of the obligations; in addition, it has pledged to raise property taxes, to the extent permitted by law, to fund \$46,449,606 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 \$63,572,144. During the current year, net revenue of the system was \$1,288,664 compared to the annual debt requirements of \$221,444. Annual tax collections related to the debt were \$4,357,324 compared to the annual debt requirements of \$5,406,964.

### 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.

The City estimates the liability for workers' compensation claims that have been incurred through the end of the fiscal year, including both those 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>2010</u>	<u>2009</u>
Unpaid claims - Beginning of year	\$ 321,521	\$ 564,525
Incurred claims - Including claims incurred but not reported	717,161	114,559
Claim payments	<u>(314,490)</u>	<u>(357,563)</u>
Unpaid claims - End of year	<u>\$ 724,192</u>	<u>\$ 321,521</u>

### Note 10 - Defined Benefit Pension Plan

#### Plan Description

**Police and Fire Retirement System** - 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, 2009, the date of the most recent actuarial valuation, membership consisted of 196 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 151 current active employees. The plan does not issue a separate financial report.

## **Note 10 - Defined Benefit Pension Plan (Continued)**

**General Employees' Pension Plan** - 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 and police and fire employees. The system provides retirement disability and death benefits to plan members and their beneficiaries. At December 31, 2009, the date of the most recent actuarial valuation, membership consisted of 214 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 125 current active employees. The plan does not issue a separate financial report.

**Municipal Employees' Retirement System of Michigan** - The City also participates in the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan that covers all 23rd District Court employees of the City. The MERS provides retirement, disability, and death benefits to plan members and their beneficiaries. The MERS issues a publicly available financial report that includes financial statements and required supplemental information for the MERS. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, MI 48917.

### **Funding Policy**

**Police and Fire Retirement System, General Employees' Pension Plan, and Municipal Employees' Retirement System of Michigan** - 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.

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 (Continued)**

### **Annual Pension Cost**

**Police and Fire Retirement System** - For the year ended June 30, 2010, the City's contribution of approximately \$5,614,000 equaled the annual pension cost, of which approximately \$2,807,000 was paid subsequent to June 30, 2010. The annual required contribution was determined as part of an actuarial valuation at June 30, 2008 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, (b) projected salary increases of 5.0 percent per year compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.1 percent to 3.0 percent per year, attributable to seniority/merit, and (d) no postretirement benefit increases. 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 20 years.

**General Employees' Pension Plan** - For the year ended December 31, 2009, the City's annual pension cost of approximately \$2,515,000 for the plan was equal to the City's required contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2007 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, of which 2.5 percent is attributable to inflation, (b) projected salary increases of 2.5 percent per year compounded annually, attributable to inflation, and (c) no postretirement benefit increases. 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 14 years.

### Note 10 - Defined Benefit Pension Plan (Continued)

**Municipal Employees' Retirement System of Michigan** - For the year ended June 30, 2010, the City's actual pension cost of \$28,546 was equal to the City's required contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2007 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 attributable to inflation, (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0 percent to 8.40 percent per year, attributable to seniority/merit, and (d) no postretirement benefit increases. 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.

#### Reserves

As of June 30, 2010, the plans' legally required reserves are as follows:

Police and Fire Retirement System:	
Reserve for employees' contributions	\$ 7,880,852
Reserve for retired benefit payments	95,711,850
General Employees' Pension Plan - Reserve for employees' contributions	4,589,973

For the Police and Fire Retirement System, the reserves were more than the net assets of the Plan as of June 30, 2010.



# City of Taylor, Michigan

## Notes to Financial Statements June 30, 2010

### Note 10 - Defined Benefit Pension Plan (Continued)

Three-year trend information for the Police and Fire Retirement System is as follows:

	Fiscal Year Ended June 30		
	2010	2009	2008
Annual pension cost (APC)	\$ 5,614,000	\$ 5,483,000	\$ 4,978,000
Percentage of APC contributed	100.0%	100.0%	100.0%

  

	Fiscal Year Ended June 30		
	2009	2008	2007
Actuarial value of assets*	\$106.0	\$107.6	\$105.3
Actuarial accrued liability (AAL) (entry age method)*	\$146.4	\$143.6	\$138.9
Unfunded AAL (UAAL)*	\$40.4	\$36.0	\$33.6
Funded ratio	72.4%	74.9%	75.8%
Covered payroll*	\$13.9	\$14.0	\$14.3
UAAL as a percentage of covered payroll	290.6%	257.1%	235.0%

\*Dollar amounts in millions

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.

# City of Taylor, Michigan

## Notes to Financial Statements June 30, 2010

### Note 10 - Defined Benefit Pension Plan (Continued)

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

	Year Ended December 31		
	2009	2008	2007
Annual pension cost (APC)	\$ 2,515,000	\$ 2,328,000	\$ 2,086,000
Percentage of APC contributed	100.0%	100.0%	100.0%
	Fiscal Year Ended December 31		
	2009	2008	2007
Actuarial value of assets*	\$49.5	\$50.5	\$51.6
Actuarial accrued liability (AAL)			
(entry age method)*	\$71.0	\$70.4	\$67.4
Unfunded AAL (UAAL)*	\$21.5	\$19.9	\$15.8
Funded ratio	70.0%	72.0%	77.0%
Covered payroll*	\$7.1	\$8.1	\$8.1
UAAL as a percentage of covered payroll	302.8%	245.7%	195.1%

\*Dollar amounts in millions

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.

# City of Taylor, Michigan

## Notes to Financial Statements June 30, 2010

### Note 10 - Defined Benefit Pension Plan (Continued)

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

	Fiscal Year Ended June 30		
	2010	2009	2008
Annual pension cost (APC)	\$ 28,546	\$ 34,099	\$ 47,383
Percentage of APC contributed	100.0%	100.0%	100.0%

  

	Fiscal Year Ended December 31		
	2009	2008	2007
Actuarial value of assets	\$ 2,521,749	\$ 2,387,776	\$ 2,256,579
Actuarial accrued liability (AAL) (entry age method)	\$ 2,522,533	\$ 2,548,652	\$ 2,346,592
Unfunded AAL (UAAL)	\$ 784	\$ 160,876	\$ 90,013
Funded ratio	100.0%	93.7%	96.2%
Covered payroll	\$ 690,803	\$ 734,516	\$ 720,939
UAAL as a percentage of covered payroll	0.11%	21.90%	12.49%

# City of Taylor, Michigan

## Notes to Financial Statements June 30, 2010

### Note 10 - Defined Benefit Pension Plan (Continued)

#### Financial Statement Information

As of June 30, 2010, the statement of net assets for the pension plan is as follows:

	Trust Funds		
	Pension and Other Employee Benefit Plans		
	General		Total
Police and Fire Retirement System	Employees' Pension Plan*		
<b>Assets</b>			
Cash and equivalents	\$ 2,803,835	\$ 2,420,704	\$ 5,224,539
Investments:			
Corporate bonds	13,616,114	6,605,223	20,221,337
U.S. government securities	11,861,953	9,095,704	20,957,657
Common and preferred stock	25,870,159	23,533,133	49,403,292
Mutual funds	9,397,706	-	9,397,706
Partnerships	17,435,845	-	17,435,845
Due from primary government	2,880,618	39,100	2,919,718
Accrued interest	248,232	170,918	419,150
	<u>\$ 84,114,462</u>	<u>\$ 41,864,782</u>	<u>\$ 125,979,244</u>
<b>Liabilities - Accrued and other liabilities</b>	<u>\$ -</u>	<u>\$ 5,083</u>	<u>\$ 5,083</u>
<b>Net Assets - Held in trust for pension and other employee benefits</b>	<u>\$ 84,114,462</u>	<u>\$ 41,859,699</u>	<u>\$ 125,974,161</u>

\* Balances are as of December 31, 2009

# City of Taylor, Michigan

## Notes to Financial Statements June 30, 2010

### Note 10 - Defined Benefit Pension Plan (Continued)

For the year ended June 30, 2010, the statement of changes in net assets for the pension plan is as follows:

	Police and Fire Retirement System	General Employees' Pension Plan*	Total
<b>Additions</b>			
Investment income:			
Interest and dividends	\$ 2,278,541	\$ 1,187,834	\$ 3,466,375
Net increase in fair value of investments	6,427,825	3,940,730	10,368,555
Less investment expenses	<u>(216,892)</u>	<u>(174,660)</u>	<u>(391,552)</u>
Net investment income	8,489,474	4,953,904	13,443,378
Contributions:			
Employer	5,613,904	2,514,943	8,128,847
Employee	<u>705,418</u>	<u>384,252</u>	<u>1,089,670</u>
Total contributions	<u>6,319,322</u>	<u>2,899,195</u>	<u>9,218,517</u>
Total additions - Net of investment expenses	14,808,796	7,853,099	22,661,895
<b>Deductions</b>			
General and administrative	34,285	45,358	79,643
Benefit payments	<u>9,083,364</u>	<u>4,974,681</u>	<u>14,058,045</u>
Total deductions	<u>9,117,649</u>	<u>5,020,039</u>	<u>14,137,688</u>
<b>Net Increase in Net Assets</b>	5,691,147	2,833,060	8,524,207
<b>Net Assets Held in Trust for Pension and Other Employee Benefits</b>			
Beginning of year	<u>78,423,315</u>	<u>39,026,639</u>	<u>117,449,954</u>
End of year	<u><b>\$ 84,114,462</b></u>	<u><b>\$ 41,859,699</b></u>	<u><b>\$ 125,974,161</b></u>

\* Balances are as of December 31, 2009

## **Note 11 - Defined Contribution 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 \$28,196,941. The current year contribution was calculated based on covered payroll of \$2,287,212, resulting in an employer contribution of \$98,100 and employee contributions of \$91,488.

## **Note 12 - 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. The City has not recorded an estimate of this liability at June 30, 2010.

The City receives numerous federal grants. Each grant has compliance requirements which are subject to review by the granting agency before the grant is closed. The City has been contacted by the Environmental Protection Agency that there may be questioned costs in the amount of approximately \$190,000 related to the Brownfield Cleanup Revolving Loan Pilot CFDA No. 66.811.

During the year, the Wayne County Drain Commissioner, on behalf of the City of Taylor, issued bonds for Ecorse Creek Pollution Abatement District No. 1 for approximately \$959,000. This bond is an SRF and, as of year end, no draws had been made so the debt is not yet recorded. The project is expected to be completed during the fiscal year ending June 30, 2011 and the debt will be recorded at that time.

### Note 12 - Contingent Liabilities (Continued)

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, the City drew upon the \$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.

**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	\$ 3,655,928	\$ 832,164
Primary government	507,622	250,225
Enterprise units	<u>1,500,958</u>	<u>-</u>
Total	<u>\$ 5,664,508</u>	<u>\$ 1,082,389</u>

### Note 13 - Other Postemployment Benefits

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

**Funding Policy** - The labor contracts require no contribution by the participant. 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).

### Note 13 - Other Postemployment Benefits (Continued)

**Funding Progress** - For the year ended June 30, 2010, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2008. 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:

	Governmental			Golf Courses	
	Funds	Water Fund	Sewer Fund	Fund	Total
Annual required contribution (recommended)	\$ 11,722,211	\$ 787,039	\$ 337,302	\$ 374,781	\$ 13,221,333
Interest on the prior year's net OPEB obligation	320,080	22,685	9,722	10,802	363,289
Annual OPEB cost	12,042,291	809,724	347,024	385,583	13,584,622
Amounts contributed - Payment of current premiums	5,409,462	350,159	150,067	166,742	6,076,430
Increase in net OPEB obligation	6,632,829	459,565	196,957	218,841	7,508,192
OPEB obligation - Beginning of year	6,401,609	453,693	194,440	216,044	7,265,786
OPEB obligation - End of year	\$ 13,034,438	\$ 913,258	\$ 391,397	\$ 434,885	\$ 14,773,978

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB obligation for the current year and prior year was as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Annual OPEB Costs	Percentage of ARC Contributed	Percentage of OPEB Costs Contributed	Net OPEB Obligation
June 30, 2009	June 30, 2008	\$ 12,759,379	\$ 12,759,379	43.1%	43.1%	\$ 7,265,786
June 30, 2010	June 30, 2008	13,221,333	13,584,622	46.0%	44.7%	14,773,978



### Note 13 - Other Postemployment Benefits (Continued)

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

Valuation as of June 30, 2008:

Actuarial value of assets	\$	-
Actuarial accrued liability (AAL)	\$	173,173,410
Unfunded AAL (UAAL)	\$	173,173,410
Funded ratio		0.0%
Annual covered payroll		N/A
Ratio of UAAL to covered payroll		N/A

**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, 2008 actuarial valuation, the individual entry age actuarial cost method was used. The actuarial assumptions included a 5.0 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, 2008 was 30 years.

## **Note 14 - 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.

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

- Repayment of the National City Bank mortgage loan
- Repayment of the City's equity investment of \$17,633,330 plus 6 percent interest compounded annually, which accumulated to \$36,123,312 at June 30, 2010.
- Repayment of HUD's equity investment of \$16,276,340 plus interest at 6 percent compounded annually. At June 30, 2010, this amount totaled \$33,343,407.
- 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, 2010.

## **Note 15 - Subsequent Events**

In August, TCDC (a component unit of the Housing Commission) closed on a HUD Green Retrofit program for the Ponds' project. This program allows the project to borrow up to approximately \$6 million of federal funds. These funds can be used in a manner that minimizes utility usage, furthers occupant health, and minimizes the impact on the environment. In connection with this loan, TCDC has entered into construction commitments in the amount of approximately \$5 million for the improvements of the Ponds.

## **Note 16 - Upcoming Accounting Pronouncements**

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved will be replaced with five new classifications: nonspendable, restricted, committed, assigned, and unassigned. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The City will implement GASB Statement No. 54 beginning with the fiscal year ending June 30, 2011.

## **Required Supplemental Information**

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# City of Taylor, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2010

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Fund Balance - Beginning of year</b>	\$ 13,181,886	\$ 13,181,886	\$ 13,181,886	\$ -
<b>Revenue</b>				
Property taxes	31,760,900	31,846,000	31,477,171	(368,829)
Federal sources	174,900	723,055	575,301	(147,754)
State sources	376,600	428,800	491,363	62,563
State-shared revenue	7,871,000	6,583,323	6,708,971	125,648
Fees and permits	1,011,800	1,011,800	1,075,179	63,379
Fines and forfeitures	3,426,500	2,757,000	3,320,518	563,518
Charges for services	2,603,300	2,665,833	2,822,175	156,342
Charges to other funds	5,902,200	6,067,531	6,489,203	421,672
Interest income and rents	645,500	734,200	798,216	64,016
Other	768,400	1,060,341	1,184,587	124,246
Total revenue	54,541,100	53,877,883	54,942,684	1,064,801
<b>Expenditures</b>				
General government	7,303,300	7,126,500	7,147,137	(20,637)
Public safety	21,687,100	22,147,255	21,319,313	827,942
Public works*	14,309,200	14,183,783	13,469,231	714,552
Recreation and culture	2,845,200	3,099,000	2,873,000	226,000
Economic and community development	572,700	609,700	531,625	78,075
Employee benefits	12,955,300	14,049,800	13,863,768	186,032
Total expenditures	59,672,800	61,216,038	59,204,074	2,011,964
<b>Fund Balance - End of year</b>	<b><u>\$ 8,050,186</u></b>	<b><u>\$ 5,843,731</u></b>	<b><u>\$ 8,920,496</u></b>	<b><u>\$ 3,076,765</u></b>

\* Public works includes debt service payments, which are included in debt service in the governmental fund statement of revenue, expenditures, and changes in fund balances for the year ended June 30, 2010.

# City of Taylor, Michigan

## Required Supplemental Information Pension Systems Schedule of Funding Progress June 30, 2010 (dollar amounts in millions)

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Underfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
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### Police and Fire Retirement System

06/30/04	\$ 100.4	\$ 117.1	\$ 16.7	85.7	\$ 11.2	149.1
06/30/05	99.0	123.4	24.4	80.2	12.6	193.6
06/30/06	100.0	132.7	32.7	75.3	13.4	244.0
06/30/07	105.3	138.9	33.6	75.8	14.3	235.0
06/30/08	107.6	143.6	36.0	74.9	14.0	257.1
06/30/09	106.0	146.4	40.4	72.4	13.9	290.6

### General Employees' Retirement System

12/31/04	\$ 54.1	\$ 54.1	\$ -	100.0	\$ 10.3	-
12/31/05	52.8	52.8	-	100.0	10.1	-
12/31/06*	49.4	64.8	15.4	76.0	8.4	183.3
12/31/07*	51.6	67.4	15.8	77.0	8.1	195.1
12/31/08*	50.5	70.4	19.9	72.0	8.1	245.7
12/31/09*	49.5	71.0	21.5	70.0	7.1	302.8

\* Reflects entry age normal actuarial cost method

# City of Taylor, Michigan

## Required Supplemental Information Schedule of Employer Contributions June 30, 2010

### Police and Fire Retirement System

Year Ended June 30	Valuation Date June 30	Annual Required Contribution	Percentage Contributed
2005	2003	\$ 2,497,495	100
2006	2004	2,943,025	100
2007	2005	4,023,065	100
2008	2006	4,977,904	100
2009	2007	5,483,018	100
2010	2008	5,613,904	100

### General Employees' Retirement System

Year Ended December 31	Valuation Date December 31	Annual Required Contribution	Percentage Contributed
2004	2002	\$ 1,133,342	100
2005	2003	1,122,958	100
2006	2004	1,508,514	100
2007	2005	2,086,320	100
2008	2006	2,327,966	100
2009	2007	2,514,943	100

# City of Taylor, Michigan

## Required Supplemental Information Schedule of Employer Contributions (Continued) June 30, 2010

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of June 30, 2009 (Police and Fire Retirement System) and December 31, 2009 (General Employees' Pension Plan), the latest actuarial valuation dates, is as follows:

	Police and Fire Retirement System	General Employees' Pension Plan
Actuarial cost method	Individual entry age	Aggregate
Amortization method	Level percent of payroll	Level dollar, closed
Remaining amortization period	20 years	14 years
Asset valuation method	Five-year smoothed market	Five-year smoothed market
Actuarial assumptions:		
Investment rate of return*	7.6%	8.0%
Projected salary increases*	5.0%-8.0%	2.5%
*Includes inflation at	5.0%	2.5%
Cost-of-living adjustments	None	None



## **Other Supplemental Information**

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# City of Taylor, Michigan

## Special Revenue Funds

	Major Streets	Local Streets	Police Forfeiture	Treasury Forfeiture	Justice Forfeiture	Community Development Block Grant	Building Department	1996 Voted Levy
<b>Assets</b>								
Cash and investments	\$ 1,905,751	\$ 95,063	\$ 816,358	\$ 224,691	\$ 1,954,505	\$ 22,586	\$ 264,345	\$ 1,858,501
Accounts receivable:								
Taxes	-	-	-	-	-	-	-	688
Special assessments	-	2,803	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Due from other governmental units	439,488	155,478	-	-	-	82,814	-	-
Due from component units	709	-	-	-	-	-	1,444	-
Due from other funds	-	839,586	9,691	-	18,464	-	713	130,613
Prepaid expenses and other assets	-	-	-	-	-	2,346	-	-
Restricted assets	-	-	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 2,345,948</b>	<b>\$ 1,092,930</b>	<b>\$ 826,049</b>	<b>\$ 224,691</b>	<b>\$ 1,972,969</b>	<b>\$ 107,746</b>	<b>\$ 266,502</b>	<b>\$ 1,989,802</b>
<b>Liabilities and Fund Balances</b>								
<b>Liabilities</b>								
Accounts payable	\$ 68,510	\$ 28,800	\$ 1,867	\$ -	\$ 6,276	\$ 62,770	\$ 2,658	\$ 2,502
Due to other governmental units	-	-	-	-	-	-	-	33,102
Due to other funds	1,239,291	701,088	-	-	-	44,976	259,039	-
Due to component units	-	-	-	-	-	-	-	-
Accrued and other liabilities	-	-	-	-	-	-	4,805	84,000
Deferred revenue	-	414	-	-	-	-	-	-
<b>Total liabilities</b>	<b>1,307,801</b>	<b>730,302</b>	<b>1,867</b>	<b>-</b>	<b>6,276</b>	<b>107,746</b>	<b>266,502</b>	<b>119,604</b>
<b>Fund Balances</b>								
Reserved for construction and other expenditures	-	-	-	-	-	-	-	-
Unreserved - Designated for subsequent year's expenditures	47,240	109,579	60,000	-	300,000	-	-	-
Unreserved - Undesignated	990,907	253,049	764,182	224,691	1,666,693	-	-	1,870,198
<b>Total fund balances</b>	<b>1,038,147</b>	<b>362,628</b>	<b>824,182</b>	<b>224,691</b>	<b>1,966,693</b>	<b>-</b>	<b>-</b>	<b>1,870,198</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,345,948</b>	<b>\$ 1,092,930</b>	<b>\$ 826,049</b>	<b>\$ 224,691</b>	<b>\$ 1,972,969</b>	<b>\$ 107,746</b>	<b>\$ 266,502</b>	<b>\$ 1,989,802</b>

**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2010**

Special Revenue Funds			Debt Service Funds					Capital Projects Fund		Total Nonmajor Governmental Funds
DARE/ GREAT	Tree Replacement Fund	Neighborhood Stabilization Program	2005 BRDA Debt	Taylor Building Authority Debt	1996 Michigan Transportation Fund Bond	DMA/ 911 Debt	2008 MI Transportation Bond Debt	2008 MI Transportation Bond Construction Fund		
\$ 52,532	\$ 3,592	\$ 83,482	\$ -	\$ 7	\$ -	\$ 101,989	\$ 75	\$ -	\$ 7,383,477	
-	-	-	-	-	-	-	-	-	688	
-	-	-	-	-	-	-	-	-	2,803	
-	-	5,884	-	-	-	-	-	-	5,884	
-	-	-	-	-	-	-	-	-	677,780	
-	-	-	-	-	-	-	-	8,575	10,728	
-	-	-	-	-	-	-	-	-	999,067	
-	-	-	-	-	-	-	-	-	2,346	
-	-	-	-	-	-	207,844	-	230,137	437,981	
<b>\$ 52,532</b>	<b>\$ 3,592</b>	<b>\$ 89,366</b>	<b>\$ -</b>	<b>\$ 7</b>	<b>\$ -</b>	<b>\$ 309,833</b>	<b>\$ 75</b>	<b>\$ 238,712</b>	<b>\$ 9,520,754</b>	
\$ 255	\$ -	\$ 18,640	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 192,278	
-	-	-	-	-	-	-	-	-	33,102	
-	-	48,226	-	7	-	-	-	-	2,292,627	
-	-	22,500	-	-	-	-	-	-	22,500	
52,277	-	-	-	-	-	-	-	-	141,082	
-	-	-	-	-	-	-	-	-	414	
52,532	-	89,366	-	7	-	-	-	-	2,682,003	
-	3,592	-	-	-	-	-	-	238,712	242,304	
-	-	-	-	-	-	-	-	-	516,819	
-	-	-	-	-	-	309,833	75	-	6,079,628	
-	3,592	-	-	-	-	309,833	75	238,712	6,838,751	
<b>\$ 52,532</b>	<b>\$ 3,592</b>	<b>\$ 89,366</b>	<b>\$ -</b>	<b>\$ 7</b>	<b>\$ -</b>	<b>\$ 309,833</b>	<b>\$ 75</b>	<b>\$ 238,712</b>	<b>\$ 9,520,754</b>	

# City of Taylor, Michigan

## Special Revenue Funds

	Major Streets	Local Streets	Police Forfeiture	Treasury Forfeiture	Justice Forfeiture	Community Development Block Grant	Building Department	1996 Voted Levy	DARE/GREAT
<b>Revenue</b>									
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,661,146	\$ -
Licenses and permits	-	-	-	-	-	-	1,317,278	-	-
Federal sources	-	-	-	193,517	512,816	723,171	-	-	-
State sources	2,695,821	949,285	337,380	-	-	-	-	-	-
Charges for services	-	30,065	-	-	-	-	-	-	-
Interest and rent	3,542	1,017	3,800	600	8,483	-	1,491	9,437	296
DMA/911 revenue	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	6,021
<b>Total revenue</b>	<b>2,699,363</b>	<b>980,367</b>	<b>341,180</b>	<b>194,117</b>	<b>521,299</b>	<b>723,171</b>	<b>1,318,769</b>	<b>1,670,583</b>	<b>6,317</b>
<b>Expenditures</b>									
Current:									
Public works and capital projects	653,467	1,840,225	-	-	-	-	1,318,769	-	-
Community development	-	-	-	-	-	723,171	-	-	-
Construction and development	226,580	502,746	-	-	-	-	-	103,019	-
Capital outlay and other	250,559	104,127	45,825	66,090	174,507	-	-	-	6,317
Debt service	-	23,050	-	-	-	-	-	1,544,950	-
<b>Total expenditures</b>	<b>1,130,606</b>	<b>2,470,148</b>	<b>45,825</b>	<b>66,090</b>	<b>174,507</b>	<b>723,171</b>	<b>1,318,769</b>	<b>1,647,969</b>	<b>6,317</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>1,568,757</b>	<b>(1,489,781)</b>	<b>295,355</b>	<b>128,027</b>	<b>346,792</b>	<b>-</b>	<b>-</b>	<b>22,614</b>	<b>-</b>
<b>Other Financing Sources (Uses)</b>									
Transfers in	114,466	1,347,911	-	-	-	-	-	-	-
Transfers out	(1,697,511)	-	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(1,583,045)</b>	<b>1,347,911</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(14,288)</b>	<b>(141,870)</b>	<b>295,355</b>	<b>128,027</b>	<b>346,792</b>	<b>-</b>	<b>-</b>	<b>22,614</b>	<b>-</b>
<b>Fund Balances - Beginning of year</b>	<b>1,052,435</b>	<b>504,498</b>	<b>528,827</b>	<b>96,664</b>	<b>1,619,901</b>	<b>-</b>	<b>-</b>	<b>1,847,584</b>	<b>-</b>
<b>Fund Balances - End of year</b>	<b>\$ 1,038,147</b>	<b>\$ 362,628</b>	<b>\$ 824,182</b>	<b>\$ 224,691</b>	<b>\$ 1,966,693</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,870,198</b>	<b>\$ -</b>

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures, and**  
**Changes in Fund Balances - Nonmajor Governmental Funds**  
**Year Ended June 30, 2010**

Special Revenue Funds		Debt Service Funds				Capital Projects Fund		Total Nonmajor Governmental Funds
Tree Replacement Fund	Neighborhood Stabilization Program	2005 BRDA Debt	Taylor Building Authority Debt	1996 Michigan Transportation Fund Bond	DMA/ 911 Debt	2008 MI Transportation Bond Debt	2008 MI Transportation Bond Construction Fund	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,661,146
-	-	-	-	-	-	-	-	1,317,278
-	1,209,993	-	-	-	-	-	-	2,639,497
-	-	-	-	-	-	-	-	3,982,486
-	-	-	-	-	-	-	-	30,065
41	-	-	2,612,155	5	2,980	11	1,468	2,645,326
-	-	-	-	-	790,485	-	-	790,485
-	-	-	-	-	-	-	-	6,021
41	1,209,993	-	2,612,155	5	793,465	11	1,468	13,072,304
7,286	-	-	-	-	-	-	-	3,819,747
-	1,209,993	-	-	-	-	-	-	1,933,164
-	-	-	-	-	-	-	-	832,345
-	-	-	-	-	-	-	-	647,425
-	-	-	2,612,155	-	989,721	349,600	-	5,519,476
7,286	1,209,993	-	2,612,155	-	989,721	349,600	-	12,752,157
(7,245)	-	-	-	5	(196,256)	(349,589)	1,468	320,147
-	-	-	-	-	-	349,600	-	1,811,977
-	-	(432,401)	-	(2,050)	-	-	(112,416)	(2,244,378)
-	-	(432,401)	-	(2,050)	-	349,600	(112,416)	(432,401)
(7,245)	-	(432,401)	-	(2,045)	(196,256)	11	(110,948)	(112,254)
10,837	-	432,401	-	2,045	506,089	64	349,660	6,951,005
<b>\$ 3,592</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 309,833</b>	<b>\$ 75</b>	<b>\$ 238,712</b>	<b>\$ 6,838,751</b>

# City of Taylor, Michigan

## Other Supplemental Information Combining Statement of Net Assets Fiduciary Funds June 30, 2010

	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
<b>Assets</b>							
Cash and equivalents	\$ 2,803,835	\$ 2,420,704	\$ 5,224,539	\$ 782,831	\$ 35,634	\$ 679,843	\$ 1,498,308
Investments:							
Corporate bonds	13,616,114	6,605,223	20,221,337	-	-	-	-
U.S. government securities	11,861,953	9,095,704	20,957,657	-	-	-	-
Common and preferred stock	25,870,159	23,533,133	49,403,292	-	-	-	-
Mutual funds	9,397,706	-	9,397,706	-	-	-	-
Partnerships	17,435,845	-	17,435,845	-	-	-	-
Due from other governmental units	-	-	-	46,092	-	-	46,092
Due from primary government	2,880,618	39,100	2,919,718	-	-	-	-
Accrued interest	248,232	170,918	419,150	-	-	-	-
<b>Total assets</b>	<b>84,114,462</b>	<b>41,864,782</b>	<b>125,979,244</b>	<b>\$ 828,923</b>	<b>\$ 35,634</b>	<b>\$ 679,843</b>	<b>\$ 1,544,400</b>
<b>Liabilities</b>							
Due to other governmental units	-	-	-	\$ 707,240	\$ -	\$ 679,843	\$ 1,387,083
Accrued and other liabilities	-	5,083	5,083	-	35,634	-	35,634
Tax collections distributable	-	-	-	121,683	-	-	121,683
<b>Total liabilities</b>	<b>-</b>	<b>5,083</b>	<b>5,083</b>	<b>\$ 828,923</b>	<b>\$ 35,634</b>	<b>\$ 679,843</b>	<b>\$ 1,544,400</b>
<b>Net Assets - Held in trust for pension and other employee benefits</b>	<b><u>\$ 84,114,462</u></b>	<b><u>\$ 41,859,699</u></b>	<b><u>\$ 125,974,161</u></b>				

\* Balances are as of December 31, 2009

# City of Taylor, Michigan

## Other Supplemental Information Combining Statement of Changes in Net Assets Fiduciary Funds Year Ended June 30, 2010

	Police and Fire Retirement System	General Employees' Pension Plan*	Total
<b>Additions</b>			
Investment income:			
Interest and dividends	\$ 2,278,541	\$ 1,187,834	\$ 3,466,375
Net increase in fair value of investments	6,427,825	3,940,730	10,368,555
Less investment expenses	(216,892)	(174,660)	(391,552)
Net investment income	8,489,474	4,953,904	13,443,378
Contributions:			
Employer	5,613,904	2,514,943	8,128,847
Employee	705,418	384,252	1,089,670
Total contributions	6,319,322	2,899,195	9,218,517
Total additions - Net of investment expenses	14,808,796	7,853,099	22,661,895
<b>Deductions</b>			
General and administrative	34,285	45,358	79,643
Benefit payments	9,083,364	4,974,681	14,058,045
Total deductions	9,117,649	5,020,039	14,137,688
<b>Net Increase in Net Assets</b>	5,691,147	2,833,060	8,524,207
<b>Net Assets Held in Trust for Pension and Other Employee Benefits</b>			
Beginning of year	78,423,315	39,026,639	117,449,954
End of year	<b>\$ 84,114,462</b>	<b>\$ 41,859,699</b>	<b>\$ 125,974,161</b>

\* Balances are as of December 31, 2009

# City of Taylor, Michigan

## Other Supplemental Information Combining Statement of Net Assets Component Unit - Housing Commission June 30, 2010

	Housing Commission*	Taylor Community Development Corporation*	Total
<b>Assets</b>			
Cash and investments	\$ 2,272,166	\$ 3,973,060	\$ 6,245,226
Due from primary government	-	22,500	22,500
Accounts receivable	901	107,106	108,007
Other assets	-	4,147,463	4,147,463
Prepaid expenses and other assets	11,472	123,598	135,070
Restricted assets	-	3,349,681	3,349,681
Capital assets	<u>2,207,494</u>	<u>22,499,779</u>	<u>24,707,273</u>
Total assets	4,492,033	34,223,187	38,715,220
<b>Liabilities</b>			
Accounts payable	12,602	559,808	572,410
Due to primary government	-	184,850	184,850
Tenant security deposits	31,304	294,253	325,557
Accrued liabilities and other	15,763	646,587	662,350
Long-term debt	<u>-</u>	<u>27,432,994</u>	<u>27,432,994</u>
Total liabilities	<u>59,669</u>	<u>29,118,492</u>	<u>29,178,161</u>
<b>Net Assets</b>			
Invested in capital assets - Net of related debt	2,207,494	(4,189,542)	(1,982,048)
Restricted	733,698	3,482,760	4,216,458
Unrestricted	<u>1,491,172</u>	<u>5,811,477</u>	<u>7,302,649</u>
Total net assets	<u>\$ 4,432,364</u>	<u>\$ 5,104,695</u>	<u>\$ 9,537,059</u>

\* Balances are as of March 31, 2010 for the Housing Commission and as of June 30, 2010 for the Taylor Community Development Corporation, 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, 2010

	Housing Commission*	Taylor Community Development Corporation*	Total
<b>Revenue</b>			
Rental income	\$ 299,339	\$ 6,482,463	\$ 6,781,802
Other income	6,739,531	4,978,514	11,718,045
Total revenue	7,038,870	11,460,977	18,499,847
<b>Expenditures</b>			
General administration	416,902	2,727,099	3,144,001
Housing assistance payments	6,013,026	-	6,013,026
Utilities	143,259	1,744,074	1,887,333
Operation and maintenance	339,584	3,295,729	3,635,313
Depreciation and amortization	180,746	1,792,950	1,973,696
Other	27,821	858,670	886,491
Total expenditures	7,121,338	10,418,522	17,539,860
<b>Operating (Loss) Income</b>	(82,468)	1,042,455	959,987
<b>Nonoperating Revenue (Expenses)</b>			
Other nonoperating income	79,803	311,770	391,573
Interest income	27,064	38,362	65,426
Interest expense	-	(571,925)	(571,925)
Total nonoperating revenue (expenses)	106,867	(221,793)	(114,926)
<b>Change in Net Assets</b>	24,399	820,662	845,061
<b>Net Assets - Beginning of year</b>	4,399,846	4,284,033	8,683,879
<b>Prior Period Adjustment for Unrecorded Losses Related to the Investment in Partnership</b>			
	8,119	-	8,119
<b>Net Assets - Beginning of year - As restated</b>	4,407,965	4,284,033	8,691,998
<b>Net Assets - End of year</b>	<u>\$ 4,432,364</u>	<u>\$ 5,104,695</u>	<u>\$ 9,537,059</u>

\* Balances are as of March 31, 2010 for the Housing Commission and as of June 30, 2010 for the Taylor Community Development Corporation, its component unit.