

City of Taylor, Michigan

**Financial Report
with Supplemental Information
June 30, 2015**

City of Taylor, Michigan

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Independent Auditor's Report

To the Mayor and Members of the City Council
City of Taylor, Michigan

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Taylor Housing Commission (a discretely presented component unit) which represents 15 percent of assets and 42 percent of revenue of the discretely presented component units of the City of Taylor for the year then ended. Those financial statements were audited by another auditor, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Taylor Housing Commission, is based solely on the report of the other auditor. The other auditor's report, dated August 11, 2015, expressed an unmodified 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 from material misstatement. The District Court Funds of District No. 23 were not audited in accordance with *Government Auditing Standards*.

To the Mayor and Members of the City Council
City of Taylor, Michigan

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Taylor, Michigan as of June 30, 2015 and the respective changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 19 to the basic financial statements, the 2015 Housing Commission's basic financial statements, audited by a component auditor, have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

As described in Note 19 to the basic financial statements, during the year ended June 30, 2015, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*, which establishes accounting and financial reporting standards for defined benefit pensions. Our opinion is not modified with respect to this matter.

As explained in Note 3, the financial statements include investments valued at \$20,253,690 (approximately 17 percent of the aggregate remaining fund information investments) at June 30, 2015 whose fair values have been estimated by management in the absence of readily determinable market values. Management's estimates are based on information provided by the fund manager of the retirement system investments for the Police and Fire Retirement System. Our opinion has not been modified with respect to this matter.

To the Mayor and Members of the City Council
City of Taylor, Michigan

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplemental information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Taylor, Michigan's basic financial statements. The other supplemental information is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2015 on our consideration of the City of Taylor, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Taylor, Michigan's internal control over financial reporting and compliance.



December 9, 2015

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, 2015. Please read it in conjunction with the City's financial statements.

In the City's General Fund, the main operating fund of the City, revenue increased approximately \$1.7 million from 2014. The majority of the increase was related to an increase in revenue generated by fines and forfeitures which increased approximately \$1.5 million from 2014. The other increase was related to amounts billed for services related to ordinance violations. The City increased fees associated with ordinance violations and the number of ordinance violations increased, resulting in an approximate increase of \$390,000 in charges for services revenue.

- Property tax related revenue, which is the largest source of revenue, continues to be a challenge. Property tax revenue decreased slightly in the current year by \$237,000. This decrease was due to one-time tax adjustments for tax appeals and County chargebacks in the previous year. Taxable values are estimated to increase 1-2 percent for FYE 2016 (the first increase since 2008). Although home values could increase more than 2 percent, the increases in taxable values are limited to inflation due to State laws, Proposal A, and the Headlee amendment.
- State-shared revenue was \$6.8 million and our second largest revenue source. It was higher than the 2014 amount by \$133,000. The total state-shared revenue for the 2016 FYE is expected to be \$242,000 more than 2015.
- 23rd District Court revenue increased approximately \$1,490,000 from the prior year amount of \$3.6 million to approximately \$5.1 million for the year ended June 30, 2015. The reason for this increase is related to the increase in traffic detail shifts and the establishment of a new patrol traffic bureau.

General Fund expenditures increased by \$1.4 million in the current year. Public safety experienced a slight increase (\$640,000) due to the addition of three new police officers hired with the 2014 COPS grant; an increase in compensated absences paid out to fire personnel when the SAFER grant expired in February 2015; and an increase in health insurance costs. Employee benefits experienced a slight increase (\$400,000) due to an 8 percent increase in retire healthcare costs and a 13 percent increase in pension contribution to the General Employees Retirement System (GERS).

City of Taylor, Michigan

Management's Discussion and Analysis (Continued)

The fund balance of the General Fund (the cumulative difference between revenue and expenditures) shows that the annual revenue was sufficient to pay for all expenditures. The unassigned fund balance at June 30, 2015 was a surplus of \$4,146,932. The increase in unassigned fund balance indicates that the City continues to move in the right direction. The \$4,146,932 of unassigned fund balance is approximately 12 percent of annual operating expenditures. Best practices and the City auditors state that in order to achieve financial stability, the City should have an unassigned fund balance of 15-30 percent of annual operating expenditures. Even though the City has increased its unassigned fund balance over the past two years, because of the limits on the City's ability to increase revenue, it is imperative that management's focus be on maintaining a structural surplus and only use fund balance reserve for capital or one-time expenditures. The City's golf courses continue to operate at a collective deficit, substantially as a result of depreciation of assets and retirement benefits known as "Other Postemployment Benefit" costs (OPEB) now currently being charged to golf operations due to a recent accounting standards change. The golf courses' plan to reduce costs appreciably in order to operate more profitably has resulted in positive cash flow during 2015 (fourth year of positive cash flow) adjusting for the effects of depreciation. The golf courses revenue continued to trend downward due to poor economic conditions in southeast Michigan. Constant review and evaluation of golf course operations are imperative which allows for timely adjustments that directly impact the golf courses' bottom line.

Total net position related to the City's governmental activities at the end of the year was approximately \$20.3 million, a \$106.1 million decrease from the prior year's approximately \$126.4 million in net position. The net decrease is mainly due to recording the increase in the annual OPEB obligation and adding a \$119 million net pension liability. The inclusion of the net pension liability is related to the new GASB 68 accounting standard that was implemented during the fiscal year ended June 30, 2015.

Overview of the Financial Statements

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

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

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

The City of Taylor as a Whole

The following table shows, in a condensed format, the net position as of June 30, 2014 and 2015:

	Governmental Activities		Business-type Activities		Total	
	2014	2015	2014	2015	2014	2015
Assets						
Current assets	\$ 29,038,775	\$ 26,746,806	\$ 18,468,726	\$ 23,387,957	\$ 47,507,501	\$ 50,134,763
Capital assets	185,570,886	178,487,745	132,243,591	136,525,227	317,814,477	315,012,972
Other noncurrent assets	2,034,381	1,934,381	10,117,231	11,989,582	12,151,612	13,923,963
Total assets	216,644,042	207,168,932	160,829,548	171,902,766	377,473,590	379,071,698
Deferred Outflows of Resources						
Bond refunding loss being amortized	140,001	93,334	-	-	140,001	93,334
Pensions	-	11,646,820	-	224,622	-	11,871,442
Total deferred outflows	140,001	11,740,154	-	224,622	140,001	11,964,776
Liabilities						
Current liabilities	21,909,940	14,443,091	2,791,794	9,307,769	24,701,734	23,750,860
Long-term liabilities	68,483,149	182,763,218	39,383,651	46,221,777	107,866,800	228,984,995
Total liabilities	90,393,089	197,206,309	42,175,445	55,529,546	132,568,534	252,735,855
Deferred Inflows of Resources -						
Pensions	-	1,449,589	-	-	-	1,449,589
Net Position						
Net investment in capital assets	164,828,519	161,233,820	96,092,572	104,079,000	260,921,091	265,312,820
Restricted	11,128,782	12,807,247	8,045,803	6,180,783	19,174,585	18,988,030
Unrestricted (deficit) assets	(49,566,347)	(153,787,879)	14,515,728	6,338,059	(35,050,619)	(147,449,820)
Total net position	<u>\$ 126,390,954</u>	<u>\$ 20,253,188</u>	<u>\$ 118,654,103</u>	<u>\$ 116,597,842</u>	<u>\$ 245,045,057</u>	<u>\$ 136,851,030</u>

City of Taylor, Michigan

Management's Discussion and Analysis (Continued)

The City's combined net position totaled \$136.9 million, a decrease of 45 percent from the prior year. As we look at the governmental activities separately from the business-type activities, we can see that the current level of unrestricted deficit increased by \$104 million for our governmental activities. The business-type activities unrestricted net position decreased by \$8.2 million during 2015.

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

Summary Condensed Statement of Activities

	Governmental Activities		Business-type Activities		Total	
	2014	2015	2014	2015	2014	2015
Revenue						
Program revenue:						
Charges for services	\$ 9,764,432	\$ 20,271,104	\$ 18,209,458	\$ 19,604,096	\$ 27,973,890	\$ 39,875,200
Operating grants and contributions	10,845,429	8,863,762	-	-	10,845,429	8,863,762
Capital grants and contributions	2,009,814	1,221,641	527,979	339,923	2,537,793	1,561,564
General revenue:						
Property taxes	26,871,936	26,736,329	5,140,804	4,786,881	32,012,740	31,523,210
State-shared revenue	6,659,428	6,792,539	-	-	6,659,428	6,792,539
Unrestricted investment earnings	13,118	30,326	70,422	50,902	83,540	81,228
Miscellaneous revenue	6,528,089	7,499,484	1,550	9,900	6,529,639	7,509,384
Total revenue	62,692,246	71,415,185	23,950,213	24,791,702	86,642,459	96,206,887
Program Expenses						
General government	10,024,933	9,532,320	-	-	10,024,933	9,532,320
Public safety	30,808,107	36,340,688	-	-	30,808,107	36,340,688
Public works	31,091,823	20,284,271	-	-	31,091,823	20,284,271
Community and economic development	2,321,383	2,276,497	-	-	2,321,383	2,276,497
Recreation and culture	3,455,688	5,073,923	-	-	3,455,688	5,073,923
Interest on long-term debt	770,803	924,617	-	-	770,803	924,617
Water	-	-	8,002,880	7,508,509	8,002,880	7,508,509
Sewer	-	-	7,043,227	7,984,627	7,043,227	7,984,627
Golf courses	-	-	3,703,433	3,813,912	3,703,433	3,813,912
Ecorse Creek	-	-	211,579	250,309	211,579	250,309
Total program expenses	78,472,737	74,432,316	18,961,119	19,557,357	97,433,856	93,989,673
Transfers	-	286,674	-	(286,674)	-	-
Change in Net Position	\$ (15,780,491)	\$ (2,730,457)	\$ 4,989,094	\$ 4,947,671	\$ (10,791,397)	\$ 2,217,214

Governmental Activities

The City's total governmental revenues were up from \$62.7 million to \$71.4 million, mainly due to an increase in Court fines and forfeitures related to traffic detail and a new traffic bureau as well as reclassifying a portion of GASB 70 non-exchange financial guarantee liability from public works to the Water and Sewer Funds. The City's total governmental expenses decreased by approximately \$4.0 million, a 5.2 percent decrease from 2014.

City of Taylor, Michigan

Management's Discussion and Analysis (Continued)

Business-type Activities

The City's business-type activities consist of the Water, Sewer, Ecorse Creek, and Golf Course Enterprise Funds. The City provides water to residents from the Detroit Water System. The City also provides sewage treatment through a Wayne County-owned and operated sewage treatment plant. The City operates two outstanding golf courses. The Lakes of Taylor Golf Club is a championship caliber golf course designed to challenge golfers at every level. Taylor Meadows Golf Club is a links-style course, challenging yet still player-friendly. Both courses also provide food service and pro-shop operations as well. The Sewer Fund accounts for the activity related to the City's participation in the Downriver Sewer System, including the tax levy mandated to pay for the City's share of debt issued by Wayne County to pay for the recent improvements to the system. The EPA levy is adjusted annually based on debt service for the upcoming year less any credits available at Wayne County. For all business-type activities in 2015, total revenue increased approximately \$841,000 and total expenses increased \$596,000.

The City of Taylor's Funds

Our analysis of the City's major funds begins on page 15, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the City of Taylor as a whole. The City creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as bond projects. The City's major governmental funds for 2015 are the General Fund, the Police and Fire Retirement Fund, and the Act 179 Rubbish Fund.

The General Fund pays for most of the City's governmental services. The most significant are public safety, which incurred expenses of approximately \$13.9 million, and public works, which incurred expenses of \$4.2 million in 2015. Employee benefit expenses accounted for another \$5.3 million.

General Fund Budgetary Highlights

Over the course of the year, the City amended the budget to take into account changes in estimated revenue and expenditures. Overall, the General Fund's revenue budget was increased during the year by a net amount of approximately \$3.2 million. The major budget adjustment was an increase in federal grant revenue (\$2.4 million) due to a new COPS grant and an extension related to the SAFER grant. The remainder of the increase is related to an increase in other revenue (\$425,000) and increase in fines and forfeitures (\$260,000) based on more than anticipated activity.

The City's expenditure budget was increased approximately \$3.5 million during the fiscal year. The major budget adjustment was related to public safety (\$2.5 million) which increased based on retaining firemen after the SAFER grant expired and the hiring of three new police officers related to the new COPS grant. Taylor Sportsplex and Recreation expenditures increased by \$242,000 due to changes in assumptions related to the Sportsplex and the opening of the Recreation Center on a full-time basis. There were debt service expenditures of \$127,350 that were not originally budgeted.

City of Taylor, Michigan

Management's Discussion and Analysis (Continued)

Capital Asset and Debt Administration

At the end of 2015, the City, including its component units, had approximately \$331 million (net of depreciation) invested in a broad range of capital assets, including buildings, roads, water and sewer lines, parks, and machinery and equipment. The City finances most of its capital improvements through the issuance of long-term debt.

The City's investment in capital assets, net of related debt, increased from approximately \$261 million to approximately \$265 million. The component units' investment in capital assets, net of related debt, decreased from \$16.4 million to \$16.2 million. The City's (including Component units) total debt, including the recorded OPEB liability, net pension liability, and non-exchange financial guarantees, was approximately \$263.9 million, including approximately \$32.5 million of component unit debt. Expected FYE 2016 debt service payments on all long-term obligations inclusive of interest are approximately \$16.1 million for the City and component units in total. The overall debt, while manageable and within legal limits, does limit the flexibility of the City to respond to the future needs of the community.

Economic Factors and Next Year's Budgets

Like most other communities in Michigan, particularly southeast Michigan, the City continues to struggle with providing necessary services with limited revenue. The completion of fiscal year end June 30, 2015 demonstrated the ability to make necessary adjustments so that expenditures did not exceed revenue in the General Fund, which provides a more stable outlook to improve and restore services to the community. In the five years leading up to December 31, 2013, the City of Taylor, Michigan lost significant taxable value. Taxable values are expected to increase slightly for FYE 2016. Until the housing market rebounds, building fees and permit revenue will continue to be minimal. Because of the housing market collapse, the tax capture revenues to pay the debt on the Island Lakes (Midtown Basin) Brownfield bonds are much less than anticipated when the bonds were sold in 2005, and the developer's guarantee of support has been insufficient. The City had to budget \$372,000 from the General Fund in FYE 2015 to cover likely shortfalls in available debt service funding for the Island Lakes bonds. Current projections are that the shortfall between taxes captured and debt service that must be paid by the City could range from \$205,000 to \$478,000, which started annually in the fiscal year beginning July 1, 2012. Similarly, the reduction in tax revenue from the 1996 voted millage caused by the severe decline in taxable values will likely result in the need for support from other sources of revenue prior to the maturity of the related debt in September 2016. The Taylor Community Development Corporation, a separate entity which oversees the southwest district, has passed a resolution to cover the estimated shortfall related to the 1996 voted millage so that the City would not have to approach taxpayers for an extension of this millage.

City of Taylor, Michigan

Management's Discussion and Analysis (Continued)

Municipal revenue opportunities are systematically limited by state law as well as the current economic conditions, so the General Fund budget continues to depend on uncertain revenue such as state-shared revenue, cable franchise fees, court fines, and charges for services. With revenue limited, the City understands the need to continue to control expenditure budgets very closely. Due to the reduction of the number of employees, limiting wage increases, implementing co-pay arrangements for health insurance, and conservative spending, the City closed out the fiscal year ended June 30, 2015 with revenue exceeding expenditures in the General Fund and a positive unassigned fund balance that totaled \$4,146,932.

Contacting the City's Management

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

City of Taylor, Michigan

Statement of Net Position June 30, 2015

	Primary Government			Component Units
	Governmental	Business-type	Total	
	Activities	Activities		
Assets				
Cash and investments (Note 3)	\$ 17,656,538	\$ 21,439,328	\$ 39,095,866	\$ 10,907,890
Receivables - Net:				
Property taxes	820,864	148,674	969,538	-
Customers	-	5,118,893	5,118,893	-
Other	2,103,804	90,955	2,194,759	743,673
Due from other governmental units	2,577,120	-	2,577,120	-
Special assessments	1,141,016	-	1,141,016	-
Due from component units	1,521,876	472,534	1,994,410	278,000
Due from primary government	-	-	-	598,536
Internal balances (Note 6)	620,319	(620,319)	-	-
Inventory	-	237,891	237,891	-
Prepaid expenses and other assets	305,270	-	305,270	10,209
Restricted assets (Note 8)	-	10,239,582	10,239,582	-
Long-term advances to (from) other funds	1,750,000	(1,750,000)	-	-
Land held for resale	184,381	-	184,381	-
Due from other governmental units	-	-	-	841,821
Capital assets:				
Nondepreciable capital assets (Note 5)	29,755,882	8,676,520	38,432,402	15,282,603
Depreciable capital assets (Note 5)	148,731,863	127,848,707	276,580,570	975,907
Total assets	207,168,933	171,902,765	379,071,698	29,638,639
Deferred Outflows of Resources				
Bond refunding loss being amortized (Note 4)	93,334	-	93,334	-
Pensions (Notes 4 and 17)	11,646,820	224,622	11,871,442	-
Total deferred outflows of resources	11,740,154	224,622	11,964,776	-
Liabilities				
Accounts payable	2,896,833	2,375,354	5,272,187	634,526
Due to other governmental units	1,346,349	228,690	1,575,039	-
Due to component units	372,000	226,536	598,536	278,000
Due to primary government	-	-	-	1,994,410
Accrued liabilities and other	3,555,808	699,752	4,255,560	421,660
Unearned revenue	1,141,016	3,563	1,144,579	743,673
Current liabilities payable from restricted assets	-	4,538,201	4,538,201	-
Tenant security deposits	-	-	-	26,811
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 7)	875,237	71,023	946,260	-
Nonexchange financial guarantee (Note 7)	130,846	229,154	360,000	-
Current portion of long-term debt (Note 7)	4,125,003	935,495	5,060,498	3,808,036
Due in more than one year:				
Compensated absences (Note 7)	2,001,545	99,782	2,101,327	19,036
Workers' compensation (Note 7)	495,603	-	495,603	-
Nonexchange Financial Guarantee (Note 7)	3,827,154	3,014,882	6,842,036	-
Net OPEB obligation (Note 10)	44,333,222	4,239,174	48,572,396	-
Net pension liability (Note 17)	118,976,772	7,357,207	126,333,979	-
Long-term debt (Note 7)	13,128,922	31,510,732	44,639,654	28,693,935
Total liabilities	197,206,310	55,529,545	252,735,855	36,620,087
Deferred Inflows of Resources - Pensions	1,449,589	-	1,449,589	-

City of Taylor, Michigan

Statement of Net Position (Continued) June 30, 2015

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Net Position				
Net investment in capital assets	\$ 161,233,820	\$ 104,079,000	\$ 265,312,820	\$ 16,258,510
Restricted:				
Debt service	1,849,328	5,701,381	7,550,709	-
Roads	2,895,431	-	2,895,431	-
Drug forfeiture	1,379,171	-	1,379,171	-
Sewer	-	479,402	479,402	-
Special millages	4,964,113	-	4,964,113	-
HAP restricted	-	-	-	182,669
Grants	888,515	-	888,515	-
Building	830,689	-	830,689	-
Unrestricted	(153,787,879)	6,338,059	(147,449,820)	(23,422,627)
Total net position	\$ 20,253,188	\$ 116,597,842	\$ 136,851,030	\$ (6,981,448)

City of Taylor, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 9,532,320	\$ 7,560,164	\$ 121,756	\$ 9,434
District court	-	-	78,434	5,299
Public safety	36,340,688	2,137,539	3,305,208	37,279
Public works	20,284,271	8,487,216	4,390,413	1,077,034
Community and economic development	2,276,497	-	780,652	-
Recreation and culture	5,073,923	2,086,185	187,299	92,595
Interest on long-term debt	924,617	-	-	-
Total governmental activities	74,432,316	20,271,104	8,863,762	1,221,641
Business-type activities:				
Water	7,508,509	8,989,976	-	6,222
Sewer	7,984,627	7,046,533	-	-
Golf courses	3,813,912	2,973,440	-	333,701
Ecorse Creek	250,309	594,147	-	-
Total business-type activities	19,557,357	19,604,096	-	339,923
Total primary government	\$ 93,989,673	\$ 39,875,200	\$ 8,863,762	\$ 1,561,564
Component units	\$ 10,978,981	\$ 338,663	\$ 7,049,510	\$ 66,732

General revenue:

Property taxes
 State-shared revenue
 Investment income
 Cable franchise fees
 Other miscellaneous income
 Gain on sale of fixed assets
 Contribution from General Fund

Total general revenue

Transfers

Change in Net Position

Net Position - Beginning of year - As restated (Note 19)

Net Position - End of year

**Statement of Activities
Year Ended June 30, 2015**

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (1,840,966)	\$ -	\$ (1,840,966)	\$ -
83,733	-	83,733	-
(30,860,662)	-	(30,860,662)	-
(6,329,608)	-	(6,329,608)	-
(1,495,845)	-	(1,495,845)	-
(2,707,844)	-	(2,707,844)	-
(924,617)	-	(924,617)	-
(44,075,809)	-	(44,075,809)	-
-	1,487,689	1,487,689	-
-	(938,094)	(938,094)	-
-	(506,771)	(506,771)	-
-	343,838	343,838	-
-	386,662	386,662	-
(44,075,809)	386,662	(43,689,147)	-
-	-	-	(3,524,076)
26,736,329	4,786,881	31,523,210	9,257,325
6,792,539	-	6,792,539	-
30,326	50,902	81,228	16,821
154,831	-	154,831	-
7,344,653	-	7,344,653	-
-	9,900	9,900	-
-	-	-	372,000
41,058,678	4,847,683	45,906,361	9,646,146
286,674	(286,674)	-	-
(2,730,457)	4,947,671	2,217,214	6,122,070
22,983,645	111,650,171	134,633,816	(13,103,518)
\$ 20,253,188	\$ 116,597,842	\$ 136,851,030	\$ (6,981,448)

City of Taylor, Michigan

Governmental Funds Balance Sheet June 30, 2015

	General Fund	Act 179 Rubbish Fund	Police and Fire Retirement Fund	Nonmajor Funds	Total
Assets					
Cash and investments (Note 3)	\$ 5,198,767	\$ 2,158,610	\$ 1,712,674	\$ 8,586,487	\$ 17,656,538
Receivables - Net:					
Property taxes receivable	362,033	111,817	269,589	77,425	820,864
Special assessments	1,141,016	-	-	-	1,141,016
Other	1,969,458	129,478	-	4,868	2,103,804
Due from other governmental units	1,712,094	-	-	865,026	2,577,120
Due from component units (Note 6)	729,844	204,365	427,625	160,042	1,521,876
Due from other funds (Note 6)	1,663,818	-	583,075	1,276,931	3,523,824
Prepaid expenses and other assets	295,198	-	-	10,072	305,270
Long-term advances to other funds	1,750,000	-	-	-	1,750,000
Properties held for resale	-	-	-	184,381	184,381
Total assets	\$ 14,822,228	\$ 2,604,270	\$ 2,992,963	\$ 11,165,232	\$ 31,584,693
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 1,262,404	\$ 169,664	\$ -	\$ 1,464,765	\$ 2,896,833
Due to other governmental units (Note 6)	810,335	143,210	282,605	110,199	1,346,349
Due to component units (Note 6)	372,000	-	-	-	372,000
Due to other funds (Note 6)	745,938	84,386	-	2,073,181	2,903,505
Accrued liabilities and other	3,000,622	44,873	261,391	44,861	3,351,747
Unearned revenue	1,141,016	-	-	-	1,141,016
Total liabilities	7,332,315	442,133	543,996	3,693,006	12,011,450
Deferred Inflows of Resources -					
Unavailable revenue (Note 4)	720,249	124,527	-	50,252	895,028
Fund Balances					
Nonspendable:					
Prepaid expenses	295,198	-	-	10,072	305,270
Long-term advance	1,750,000	-	-	-	1,750,000
Inventory	-	-	-	184,381	184,381
Restricted:					
Roads	-	-	-	2,895,431	2,895,431
Drug forfeiture	-	-	-	1,369,099	1,369,099
Debt service	-	-	-	1,849,328	1,849,328
Grants	577,534	-	-	-	577,534
Special millage	-	2,037,610	2,448,967	353,009	4,839,586
Building	-	-	-	830,689	830,689
Unassigned	4,146,932	-	-	(70,035)	4,076,897
Total fund balances	6,769,664	2,037,610	2,448,967	7,421,974	18,678,215
Total liabilities, deferred inflows of resources, and fund balances	\$ 14,822,228	\$ 2,604,270	\$ 2,992,963	\$ 11,165,232	\$ 31,584,693

City of Taylor, Michigan

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position June 30, 2015

Fund Balance Reported in Governmental Funds	\$ 18,678,215
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	178,487,745
Special assessment, grants, and other receivables are expected to be collected over several years and are not available to pay for current year expenditures	895,028
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds - Long-term debt	(17,253,925)
Net OPEB obligation	(44,333,222)
Net pension liabilities, pension-related deferred inflows and outflows, and bond refunding deferred outflows are not current financial resources and are not reported in the funds	(108,686,207)
Workers' compensation claims	(495,603)
Accrued interest payable	(204,061)
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	(2,876,782)
Nonexchange financial guarantee	<u>(3,958,000)</u>
Net Position of Governmental Activities	<u>\$ 20,253,188</u>

City of Taylor, Michigan

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

	General Fund	Act 179 Rubbish Fund	Police and Fire Retirement Fund	Nonmajor Funds	Total
Revenue					
Property taxes	\$ 11,408,759	\$ 4,230,113	\$ 8,825,231	\$ 4,036,746	\$ 28,500,849
Licenses and permits	1,507,974	-	-	1,845,871	3,353,845
Federal grants	2,770,238	19,204	516,723	606,620	3,912,785
State-shared revenue and grants	7,143,592	-	-	4,684,203	11,827,795
Charges for services	2,529,639	324,329	-	-	2,853,968
Fines and forfeitures	5,138,463	-	-	-	5,138,463
Investment income	-	7,246	10,858	14,321	32,425
Rental income	765,852	-	-	526,230	1,292,082
Other revenue	5,989,437	-	-	1,512,972	7,502,409
Total revenue	37,253,954	4,580,892	9,352,812	13,226,963	64,414,621
Expenditures					
Current:					
General government	6,783,407	-	-	-	6,783,407
Public safety	13,930,678	-	-	186,930	14,117,608
Public works and capital projects	4,251,015	4,181,638	-	6,305,948	14,738,601
Employee benefits	5,302,698	-	8,719,754	-	14,022,452
Economic and community development	1,254,643	-	-	525,700	1,780,343
Recreation and cultural	2,895,766	-	-	-	2,895,766
Capital outlay and other	15,000	-	-	586,598	601,598
Debt service:					
Principal	77,644	352,000	-	4,090,796	4,520,440
Interest on long-term debt	26,391	85,773	-	832,673	944,837
Total expenditures	34,537,242	4,619,411	8,719,754	12,528,645	60,405,052
Excess of Revenue Over (Under) Expenditures					
	2,716,712	(38,519)	633,058	698,318	4,009,569
Other Financing Sources (Uses)					
Face value of debt issue	-	-	-	6,965,000	6,965,000
Debt premium or discount	-	-	-	673,406	673,406
Transfers in (Note 6)	286,674	-	-	3,501,656	3,788,330
Transfers out (Note 6)	-	-	-	(3,501,656)	(3,501,656)
Payment to bond refunding escrow agent	-	-	-	(7,400,000)	(7,400,000)
Total other financing sources	286,674	-	-	238,406	525,080
Net Change in Fund Balances	3,003,386	(38,519)	633,058	936,724	4,534,649
Fund Balances - Beginning of year	3,766,278	2,076,129	1,815,909	6,485,250	14,143,566
Fund Balances - End of year	<u>\$ 6,769,664</u>	<u>\$ 2,037,610</u>	<u>\$ 2,448,967</u>	<u>\$ 7,421,974</u>	<u>\$ 18,678,215</u>

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

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, 2015

Net Change in Fund Balances - Total Governmental Funds	\$	4,534,649
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are capitalized and expense is recorded over their estimated useful lives through depreciation		2,724,158
Statement of activities records depreciation on capital assets		(9,783,856)
Proceeds from asset sales are recorded in the governmental funds; on the statement of activities, a loss is recorded		(23,443)
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		238,994
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)		(51,439)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)		11,220,244
Amortization of bond premium liabilities and deferred cost of financing are reported as expense in the governmental funds when issued		69,714
Change in accrued interest on long-term debt is not recorded in the governmental funds		37,027
Increase in accumulated employee sick and vacation pay and other similar expenses reported in the statement of activities do not require the use of current resources and therefore are not reported in the fund statements until they come due for payment		577,415
Decrease in estimated workers' compensation liability is recorded in the statement of activities		98,463
The change in the net OPEB obligation is not included in the governmental funds		(6,613,745)
Governmental funds report expenditures for pension as they make contributions; in the statement of activities, the change in net pension liability does not require the use of current financial resources		(5,372,232)
Bond proceeds provide financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position		(6,965,000)
Bond premiums are not reported in the funds		(673,406)
Decrease in nonexchange financial guarantee		7,252,000
Change in Net Position	\$	<u>(2,730,457)</u>

City of Taylor, Michigan

Proprietary Funds Statement of Net Position June 30, 2015

	Enterprise Funds				
	Water	Sewer	Golf Courses	Nonmajor - Ecorse Creek	Total
Assets					
Current assets:					
Cash and investments (Note 3)	\$ 6,635,270	\$ 12,103,765	\$ 760,121	\$ 1,940,172	\$ 21,439,328
Receivables - Net:					
Property taxes receivable	-	148,674	-	-	148,674
Customers	2,524,727	2,348,737	-	245,429	5,118,893
Other	7,310	-	83,645	-	90,955
Due from component units	195,607	276,927	-	-	472,534
Due from other funds (Note 6)	212	659,615	-	83,820	743,647
Inventories	110,365	4,561	122,965	-	237,891
Total current assets	9,473,491	15,542,279	966,731	2,269,421	28,251,922
Noncurrent assets:					
Restricted assets (Note 8)	-	10,203,473	-	36,109	10,239,582
Capital assets - Net (Note 5):					
Assets not subject to depreciation	2,948,508	-	5,041,949	686,063	8,676,520
Assets subject to depreciation	22,400,548	95,665,569	7,751,667	2,030,923	127,848,707
Total noncurrent assets	25,349,056	105,869,042	12,793,616	2,753,095	146,764,809
Total assets	34,822,547	121,411,321	13,760,347	5,022,516	175,016,731
Deferred Outflows of Resources - Pensions	144,518	80,104	-	-	224,622
Liabilities					
Current liabilities:					
Accounts payable	1,108,612	1,046,174	149,301	71,267	2,375,354
Due to other governmental units	53,371	157,306	18,013	-	228,690
Due to component units	-	226,536	-	-	226,536
Due to other funds (Note 6)	742,628	248,851	372,487	-	1,363,966
Accrued and other liabilities	83,826	365,777	238,362	11,787	699,752
Unearned revenue	-	-	3,563	-	3,563
Liabilities payable from restricted assets	-	4,538,201	-	-	4,538,201
Current portion of compensated absences (Note 7)	48,410	20,790	1,823	-	71,023
Nonexchange financial guarantee	114,577	114,577	-	-	229,154
Current portion of long-term debt (Note 7)	115,000	545,496	111,218	163,781	935,495
Total current liabilities	2,266,424	7,263,708	894,767	246,835	10,671,734
Noncurrent liabilities:					
Long-term advances from other funds (Note 6)	-	-	1,750,000	-	1,750,000
Compensated absences (Note 7)	50,912	26,577	22,293	-	99,782
Net OPEB obligation (Note 10)	2,176,691	915,604	1,146,879	-	4,239,174
Net pension liability	4,733,496	2,623,711	-	-	7,357,207
Nonexchange financial guarantee	1,507,441	1,507,441	-	-	3,014,882
Long-term debt - Net of current portion (Note 7)	390,000	29,094,420	320,773	1,705,539	31,510,732
Total noncurrent liabilities	8,858,540	34,167,753	3,239,945	1,705,539	47,971,777
Total liabilities	11,124,964	41,431,461	4,134,712	1,952,374	58,643,511
Net Position					
Net investment in capital assets	24,844,056	66,025,653	12,361,625	847,666	104,079,000
Restricted:					
Debt service	-	5,665,272	-	36,109	5,701,381
Sewer grant expenditures	-	479,402	-	-	479,402
Unrestricted	(1,001,955)	7,889,637	(2,735,990)	2,186,367	6,338,059
Total net position	\$ 23,842,101	\$ 80,059,964	\$ 9,625,635	\$ 3,070,142	\$ 116,597,842

City of Taylor, Michigan

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

	Enterprise Funds				Total
	Water	Sewer	Golf Courses	Nonmajor - Ecorse Creek	
Operating Revenue					
Water sales	\$ 7,593,795	\$ -	\$ -	\$ -	\$ 7,593,795
Sewage disposal charges	-	6,330,149	-	-	6,330,149
Charges for services	1,395,893	942,920	1,684,527	594,147	4,617,487
Sale of merchandise	-	-	1,230,913	-	1,230,913
Other	288	-	58,000	-	58,288
Total operating revenue	8,989,976	7,273,069	2,973,440	594,147	19,830,632
Operating Expenses					
Cost of water operations	6,724,093	-	-	-	6,724,093
Cost of sewage treatment	-	5,346,476	-	-	5,346,476
Ecorse Creek user charge system	-	-	-	158,395	158,395
Cost of sales	-	-	601,735	-	601,735
Cost of operating and maintenance	-	-	1,153,624	-	1,153,624
General and administrative	-	-	1,324,169	-	1,324,169
Depreciation and amortization	757,696	1,672,134	728,884	43,211	3,201,925
Total operating expenses	7,481,789	7,018,610	3,808,412	201,606	18,510,417
Operating Income (Loss)	1,508,187	254,459	(834,972)	392,541	1,320,215
Nonoperating Revenue (Expenses)					
Property taxes	-	4,786,881	-	-	4,786,881
Investment income	7,420	37,966	1,776	3,740	50,902
Interest expense	(26,720)	(966,017)	(5,500)	(48,703)	(1,046,940)
Gain on sale of assets	-	-	9,900	-	9,900
Brownfield debt guarantee	-	(226,536)	-	-	(226,536)
Total nonoperating (expenses) revenue	(19,300)	3,632,294	6,176	(44,963)	3,574,207
Income (Loss) - Before contributions	1,488,887	3,886,753	(828,796)	347,578	4,894,422
Donated Assets	6,222	-	333,701	-	339,923
Transfers Out	-	(286,674)	-	-	(286,674)
Change in Net Position	1,495,109	3,600,079	(495,095)	347,578	4,947,671
Net Position - Beginning of year - As restated (Note 19)	22,346,992	76,459,885	10,120,730	2,722,564	111,650,171
Net Position - End of year	<u>\$ 23,842,101</u>	<u>\$ 80,059,964</u>	<u>\$ 9,625,635</u>	<u>\$ 3,070,142</u>	<u>\$ 116,597,842</u>

City of Taylor, Michigan

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

	Enterprise Funds				
	Water	Sewer	Golf Courses	Nonmajor - Ecorse Creek	Total
Cash Flows from Operating Activities					
Receipts from customers	\$ 8,786,237	\$ 7,166,081	\$ 2,973,440	\$ 571,492	\$ 19,497,250
Internal activity - Receipts and payments to other funds	(105,111)	(42,720)	188,554	(31,960)	8,763
Payments to suppliers	(4,811,622)	(5,712,454)	(1,763,024)	(119,002)	(12,406,102)
Payments to employees	(1,836,731)	(673,573)	(1,187,076)	-	(3,697,380)
Other payments	(108,498)	(258,567)	(44,682)	-	(411,747)
Net cash provided by operating activities	1,924,275	478,767	167,212	420,530	2,990,784
Cash Flows from Noncapital Financing Activities - Brownfield debt guarantee	-	(513,210)	-	-	(513,210)
Cash Flows from Capital and Related Financing Activities					
Proceeds from sales of capital assets	-	-	9,900	-	9,900
Property taxes	-	4,638,207	-	-	4,638,207
Purchase of capital assets	(1,743,466)	(136,752)	(440,551)	-	(2,320,769)
Change in capital related financing	-	-	-	(397,194)	(397,194)
Payments on capital related debt	(152,157)	(5,976,020)	386,146	(211,609)	(5,953,640)
Net cash used in capital and related financing activities	(1,895,623)	(1,474,565)	(44,505)	(608,803)	(4,023,496)
Cash Flows from Investing Activities					
Interest received on investments	7,420	37,966	1,776	3,740	50,902
Interest-bearing advances made to and received from other funds	1,650,000	5,850,000	-	-	7,500,000
Net cash provided by investing activities	1,657,420	5,887,966	1,776	3,740	7,550,902
Net Increase (Decrease) in Cash and Cash Equivalents	1,686,072	4,378,958	124,483	(184,533)	6,004,980
Cash and Cash Equivalents - Beginning of year	4,949,198	17,928,280	635,638	2,160,814	25,673,930
Cash and Cash Equivalents - End of year	\$ 6,635,270	\$ 22,307,238	\$ 760,121	\$ 1,976,281	\$ 31,678,910
Balance Sheet Classification of Cash and Cash Equivalents					
Cash and investments	\$ 6,635,270	\$ 12,103,765	\$ 760,121	\$ 1,940,172	\$ 21,439,328
Restricted cash	-	10,203,473	-	36,109	10,239,582
Total cash and cash equivalents	\$ 6,635,270	\$ 22,307,238	\$ 760,121	\$ 1,976,281	\$ 31,678,910

City of Taylor, Michigan

Proprietary Funds Statement of Cash Flows (Continued) Year Ended June 30, 2015

	Enterprise Funds				
	Water	Sewer	Golf Courses	Nonmajor - Ecorse Creek	Total
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities					
Operating income (loss)	\$ 1,508,187	\$ 254,459	\$ (834,972)	\$ 392,541	\$ 1,320,215
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation and amortization	757,696	1,672,134	728,884	43,211	3,201,925
Pension expense	82,773	45,880	-	-	128,653
Changes in assets and liabilities:					
Receivables	(312,237)	(365,555)	(44,682)	(22,655)	(745,129)
Due from other funds	(105,111)	(42,720)	188,554	(63,920)	(23,197)
Inventories and other assets	61,208	(3,721)	11,374	28,580	97,441
Accounts payable	(219,772)	(1,124,158)	(12,253)	10,813	(1,345,370)
Advances to other funds	-	-	-	31,960	31,960
Accrued compensation	151,531	42,448	130,307	-	324,286
Net cash provided by operating activities	\$ 1,924,275	\$ 478,767	\$ 167,212	\$ 420,530	\$ 2,990,784

Noncash Investing, Capital, and Financing Activities - During the year ended June 30, 2015, the City had several noncash transactions with the assets held at Wayne County, including debt payments of \$5,005,902 and interest payments of \$1,005,153.

In addition, as participants in the Downriver Sewage Disposal System, the City was allocated \$1,219,812 of additional debt in the current year.

City of Taylor, Michigan

Fiduciary Funds Statement of Fiduciary Net Position June 30, 2015

	Pension and Other Employee Benefit Plans*	<u>Agency Funds</u>
Assets		
Cash and cash equivalents	\$ 10,861,947	\$ 2,357,905
Investments:		
U.S. government securities	8,905,602	-
Agency securities	650,395	-
Stocks	80,738,961	-
Bonds	8,297,342	-
Mutual funds	30,685,608	-
Partnerships	20,253,690	-
Receivables	<u>312,658</u>	<u>882,368</u>
Total assets	160,706,203	<u>\$ 3,240,273</u>
Liabilities		
Due to other governmental units	-	\$ 1,750,042
Accrued liabilities and other	-	1,021,689
Tax collection distributable	<u>-</u>	<u>468,542</u>
Total liabilities	<u>-</u>	<u>\$ 3,240,273</u>
Net Position Held in Trust for Pension and Other Employee Benefits	<u>\$ 160,706,203</u>	

* Balances are as of December 31, 2014 for the General Employees' Pension Plan and as of June 30, 2015 for the Police and Fire Retirement System.

City of Taylor, Michigan

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

	Pension and Other Employee Benefit Plans*
Additions	
Investment income:	
Interest and dividends	\$ 3,862,829
Net increase in fair value of investments	5,546,696
Less investment expenses	<u>(597,440)</u>
Net investment income	8,812,085
Contributions:	
Employer	8,134,787
Employee	<u>995,254</u>
Total contributions	<u>9,130,041</u>
Total additions - Net of investment expenses	17,942,126
Deductions	
Benefit payments	17,583,540
General and administrative	<u>303,443</u>
Total deductions	<u>17,886,983</u>
Net Increase in Net Position Held in Trust	55,143
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year	<u>160,651,060</u>
Net Position Held in Trust for Pension and Other Employee Benefits - End of year	<u>\$ 160,706,203</u>

* Balances are as of December 31, 2014 for the General Employees' Pension Plan and as of June 30, 2015 for the Police and Fire Retirement System.

City of Taylor, Michigan

Component Units Statement of Net Position June 30, 2015

	Local Development Financing Authority	Tax Increment Financing Authority	Brownfield Redevelopment Authority	Downtown Development Authority	Housing Commission	Total
Assets						
Cash and investments (Note 3)	\$ 312,098	\$ 6,697,224	\$ 687,796	\$ 488,035	\$ 2,722,737	\$ 10,907,890
Accounts receivable	-	-	743,673	-	-	743,673
Due from component units	-	-	278,000	-	-	278,000
Due from primary government	-	-	598,536	-	-	598,536
Prepaid expenses and other assets	-	-	-	-	10,209	10,209
Due from other governmental units	114,918	651,016	46,870	29,017	-	841,821
Capital assets:						
Capital assets (Note 5)	17,745	13,536,684	77,187	859,375	791,612	15,282,603
Capital assets subject to depreciation	-	-	-	-	975,907	975,907
Total assets	444,761	20,884,924	2,432,062	1,376,427	4,500,465	29,638,639
Liabilities						
Accounts payable	-	617,359	-	874	16,293	634,526
Due to component units	-	40,000	-	238,000	-	278,000
Due to primary government	57,577	1,935,961	-	872	-	1,994,410
Accrued liabilities and other	-	88,673	318,284	9,813	4,890	421,660
Unearned revenue	-	-	743,673	-	-	743,673
Tenant security deposits	-	-	-	-	26,811	26,811
Due within one year (Note 7) - Current portion of long-term debt	-	3,046,435	516,601	245,000	-	3,808,036
Due in more than one year (Note 7): Compensated absences	-	-	-	-	19,036	19,036
Long-term debt	-	14,413,974	14,019,961	260,000	-	28,693,935
Total liabilities	57,577	20,142,402	15,598,519	754,559	67,030	36,620,087
Net Position						
Net investment in capital assets	17,745	12,052,549	77,187	354,375	1,767,519	14,269,375
Restricted - HAP payments	-	-	-	-	182,669	182,669
Unrestricted	369,439	(11,310,027)	(13,243,644)	267,493	2,483,247	(21,433,492)
Total net position	\$ 387,184	\$ 742,522	\$ (13,166,457)	\$ 621,868	\$ 4,433,435	\$ (6,981,448)

* Balances are as of March 31, 2015 for the Housing Commission.

City of Taylor, Michigan

Functions/Programs	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Local Development Financing Authority	\$ -	\$ -	\$ -	\$ -
Tax Increment Financing Authority	2,499,625	-	-	-
Brownfield Redevelopment Authority - Public works	1,128,778	-	226,536	-
Downtown Development Authority - Public works	90,541	-	-	-
Housing Commission	7,260,037	338,663	6,822,974	66,732
Total component units	\$ 10,978,981	\$ 338,663	\$ 7,049,510	\$ 66,732
General revenue:				
Property taxes				
Investment income				
Contribution from General Fund				
Total general revenue				
Transfers				
Change in Net Position				
Net Position - Beginning of year - As restated (Note 19)				
Net Position - End of year				

* Balances are as of March 31, 2015 for the Housing Commission.

**Component Units
Statement of Activities
Year Ended June 30, 2015**

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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	(2,499,625)	-	-	-	(2,499,625)
-	-	(902,242)	-	-	(902,242)
-	-	-	(90,541)	-	(90,541)
-	-	-	-	(31,668)	(31,668)
-	(2,499,625)	(902,242)	(90,541)	(31,668)	(3,524,076)
143,874	8,271,041	345,936	496,474	-	9,257,325
531	10,913	3,348	1,005	1,024	16,821
-	-	372,000	-	-	372,000
144,405	8,281,954	721,284	497,479	1,024	9,646,146
-	(40,000)	278,000	(238,000)	-	-
144,405	5,742,329	97,042	168,938	(30,644)	6,122,070
242,779	(4,999,807)	(13,263,499)	452,930	4,464,079	(13,103,518)
\$ 387,184	\$ 742,522	\$ (13,166,457)	\$ 621,868	\$ 4,433,435	\$ (6,981,448)

Note I - Summary of Significant Accounting Policies

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

Reporting Entity

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

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

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

Discretely Presented Component Units - The following component units are reported within the component unit columns to emphasize that they are legally separate from the City.

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

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

Note I - Summary of Significant Accounting Policies (Continued)

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

The Taylor Housing Commission is a nonprofit corporation that was organized under the laws of the State of Michigan to provide low-rent housing for qualified individuals in accordance with the rules and regulations prescribed by the U.S. Department of Housing and Urban Development (HUD). The Taylor Housing Commission operates with a fiscal year ended March 31. The Taylor Housing Commission is governed by a five-member board that is appointed by the mayor and confirmed by the City Council. A complete financial statement for the Taylor Housing Commission can be obtained at 15270 Plaza South, Taylor, Michigan 48180.

Accounting and Reporting Principles

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

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as 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. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

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

Note I - Summary of Significant Accounting Policies (Continued)

For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

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

Fund Accounting

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

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

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

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

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

Note I - Summary of Significant Accounting Policies (Continued)

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

- The Pension Trust Fund accounts for the activities of the City's two defined benefit pension plans, including the Police and Fire Retirement System and the General Employees' Pension Plan. The General Employees' Pension Plan has a calendar year end of December 31, 2014. Therefore, the General Employees' Pension Plan is included in this report as of December 31, 2014. The plans accumulate resources for pension benefit payments to qualified employees.
- The agency funds account for assets held by the City in a trustee capacity. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of the results of operations. The City's agency funds include the Tax Receiving Fund, the Agency Fund, and the 23rd District Court Fund.

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

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

Basis of Accounting

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

Note I - Summary of Significant Accounting Policies (Continued)

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

Revenues are not recognized until they are collected, or collected soon enough after the end of the year that they are available to pay for obligations outstanding at the end of the year. For this purpose, the City considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period. Conversely, certain special assessments and federal grant reimbursements may be collected after the period of availability; accordingly, receivables have been recorded for these, along with a "deferred inflow."

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

Specific Balances and Transactions

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

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

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

Note I - Summary of Significant Accounting Policies (Continued)

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

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

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

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

Note I - Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government reports deferred outflows related to pensions for the difference between projected and actual investment earnings, differences between projected and actual experiences, and changes in assumptions. A deferred outflow is also reported for the deferred charge on refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The government reports deferred inflows related to pensions for the difference between expected and actual experience. A deferred inflow is also reported related to unavailable revenue. Unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from two primary sources: grants and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position Flow Assumption

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

Note I - Summary of Significant Accounting Policies (Continued)

Fund Balance Flow Assumption

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

Fund Balance Policies

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

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

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

Property Tax Revenue

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

Note I - Summary of Significant Accounting Policies (Continued)

The City's 2014 tax is levied and collectible on July 1, 2014 and is recognized as revenue in the year ended June 30, 2015, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2014 taxable valuation of the City totaled \$1,303,655,087 (a portion of which is abated and a portion of which is captured by the TIFA, BRDA, LDFA, and DDA), on which taxes levied consisted of 8.4211 mills for operating purposes, 0.8862 mills for library services, 8.7045 mills for public safety pension, 1.4331 mills for disposal authority, 2.6591 mills for garbage and rubbish services, 0.0370 mills for publicity services, 2.1888 mills for building authority, 4.7617 for EPA debt, and 0.9601 mills for the Southend Project. This resulted in approximately \$8,800,000 for operating purposes, \$930,000 for library services, \$8,900,000 for public safety pension, \$1,500,000 for disposal authority, \$2,700,000 for garbage and rubbish services, \$39,000 for publicity services, \$2,800,000 for the building authority, \$4,800,000 for EPA debt, and \$1,230,000 for the Southend Project. These amounts are recognized in the respective General Fund, special revenue funds, debt service funds, and enterprise funds financial statements as tax revenue.

Pension and Other Postemployment Benefit (OPEB) Costs - The City offers a defined benefit pension plan to its employees. The City records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The City also offers healthcare benefits to retirees. The City receives an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the respective obligations over the remaining amortization periods. In the governmental funds, OPEB costs are recognized as contributions are made. For the government-wide statements and proprietary funds, the City reports the full accrual cost of OPEB, which equals the current year required contribution, adjusted for interest and "adjustment to the ARC" on the beginning of year underpaid amount, if any.

The net pension obligation and net OPEB obligation have generally been liquidated from the funds from which the individual employees' salaries are paid, which are primarily the General and Water and Sewer Funds.

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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

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

Note 2 - Stewardship, Compliance, and Accountability

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

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 the budget together. The budget is submitted to the City Council on or before April 1. During the next month, the City Council reviews the budget and considers any changes. After a public hearing, the final budget is adopted by resolution no later than May 1.

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

The amount of encumbrances outstanding at June 30, 2015 has not been calculated. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Fund Deficits - On the modified accrual basis, the Community Development Block Grant Fund and the Neighborhood Stabilization Fund have an unassigned fund balance deficit at June 30, 2015. The component units are presented on the full accrual basis in the basic financial statements, resulting in deficits on that basis in the Brownfield Redevelopment Authority, the Tax Increment Financing Authority, and the Downtown Development Authority. The Golf Courses Fund and the Water Fund also have an unrestricted net position deficit as of June 30, 2015.

Note 3 - Deposits and Investments

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

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

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

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$40,208,255 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. In addition, the City's component units had \$6,935,154 of bank deposits that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

City of Taylor, Michigan

Notes to Financial Statements June 30, 2015

Note 3 - Deposits and Investments (Continued)

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

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

General Employees' Pension Plan	Fair Value	Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years
Corporate bonds	\$ 5,035,008	\$ 356,843	\$ 2,558,178	\$ 2,120,087	\$ -
U.S. government securities	5,582,378	1,823,898	3,758,480	-	-
Agency securities	650,395	404,542	245,853	-	-
Total	<u>\$ 11,267,781</u>	<u>\$ 2,585,283</u>	<u>\$ 6,562,511</u>	<u>\$ 2,120,087</u>	<u>\$ -</u>
Police and Fire Retirement System	Fair Value	Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years
Corporate bonds	\$ 3,262,234	\$ 202,382	\$ 1,961,633	\$ 1,068,982	\$ 29,237
U.S. government securities	3,323,224	1,172,221	1,822,252	328,751	-
Total	<u>\$ 6,585,458</u>	<u>\$ 1,374,603</u>	<u>\$ 3,783,885</u>	<u>\$ 1,397,733</u>	<u>\$ 29,237</u>

Note 3 - Deposits and Investments (Continued)

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

Investment	Fair Value	Rating	Rating Organization
General Employees' Pension Plan			
Corporate bonds	\$ 401,148	A+	S&P
Corporate bonds	2,009,680	A	S&P
Corporate bonds	386,362	A-	S&P
Corporate bonds	384,000	AA-	S&P
Corporate bonds	450,092	AA+	S&P
Corporate bonds	407,508	BBB+	S&P
Corporate bonds	508,824	BBB	S&P
Corporate bonds	487,394	BBB-	S&P
U.S. government securities	5,582,378	AA+	S&P
Agency securities	650,395	AA+	S&P
Police and Fire Retirement System			
Corporate bonds	204,606	A1	Moody's
Corporate bonds	130,955	A2	Moody's
Corporate bonds	229,458	A3	Moody's
Corporate bonds	63,673	Aa1	Moody's
Corporate bonds	40,604	Aa2	Moody's
Corporate bonds	53,924	Aa3	Moody's
Corporate bonds	600,913	Aaa	Moody's
Corporate bonds	163,144	B1	Moody's
Corporate Bonds	20,550	B2	Moody's
Corporate bonds	194,701	Ba1	Moody's
Corporate bonds	211,409	Ba2	Moody's
Corporate bonds	31,300	Ba3	Moody's
Corporate bonds	480,059	Baa1	Moody's
Corporate bonds	39,992	Baa2	Moody's
Corporate bonds	550,293	Baa3	Moody's
Corporate bonds	6,800	Caa-1	Moody's
Corporate bonds	239,853	Not rated	N/A
U.S. government securities	3,323,224	Aaa	Moody's

Note 3 - Deposits and Investments (Continued)

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

Alternative Investment Valuation - Approximately 17 percent of the Police and Fire Retirement System assets is not publicly traded and therefore does not have a readily determinable market value. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ significantly from the values that would have been used had a ready market for these securities existed. The difference could be material.

Note 4 - Deferred Inflows/Outflows of Resources

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

	Governmental Funds	Governmental Activities
Special assessments - Unavailable	\$ 296,727	\$ -
Grant revenue - Unavailable	116,705	-
Pension deferrals	-	1,449,589
Other unavailable revenue	481,596	-
Total deferred inflows	<u>\$ 895,028</u>	<u>\$ 1,449,589</u>

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

	Government- wide Statements
Pension deferrals	\$ 11,871,442
Bond refunding loss being amortized	93,334
Total deferred outflows	<u>\$ 11,964,776</u>

Note 5 - Capital Assets

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

	Balance July 1, 2014	Reclassifications	Additions	Disposals	Balance June 30, 2015
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 29,384,567	\$ -	\$ -	\$ (3,000)	\$ 29,381,567
Construction in progress	554,204	(479,664)	299,775	-	374,315
Subtotal	29,938,771	(479,664)	299,775	(3,000)	29,755,882
Capital assets being depreciated:					
Buildings and improvements	89,078,791	-	181,014	-	89,259,805
Machinery and equipment	38,509,364	74,787	579,008	(24,052)	39,139,107
Other improvements	18,832,560	-	48,000	-	18,880,560
Roads and sidewalks	253,112,433	404,877	1,616,361	-	255,133,671
Subtotal	399,533,148	479,664	2,424,383	(24,052)	402,413,143
Accumulated depreciation:					
Buildings and improvements	33,455,677	-	2,145,163	-	35,600,840
Machinery and equipment	30,950,241	-	1,503,306	(3,609)	32,449,938
Other improvements	15,074,204	-	892,546	-	15,966,750
Roads and sidewalks	164,420,911	-	5,242,841	-	169,663,752
Subtotal	243,901,033	-	9,783,856	(3,609)	253,681,280
Net capital assets being depreciated	155,632,115	479,664	(7,359,473)	(20,443)	148,731,863
Net capital assets	\$ 185,570,886	\$ -	\$ (7,059,698)	\$ (23,443)	\$ 178,487,745
Business-type Activities					
Capital assets not being depreciated:					
Land	\$ 4,758,372	\$ -	\$ -	\$ -	\$ 4,758,372
Construction in progress	5,435,080	(3,929,756)	2,412,824	-	3,918,148
Subtotal	10,193,452	(3,929,756)	2,412,824	-	8,676,520
Capital assets being depreciated:					
Water mains and meters	35,380,705	3,527,840	1,637,337	(3,795)	40,542,087
Sanitary sewer system	121,986,625	401,916	2,803,657	-	125,192,198
Buildings and improvements	10,105,582	-	-	-	10,105,582
Machinery and equipment	3,152,581	-	665,538	(522,601)	3,295,518
Vehicles	573,125	-	-	(27,672)	545,453
Furniture and fixtures	1,245,354	-	7,343	(26,406)	1,226,291
Land improvements	9,003,727	-	-	-	9,003,727
Intangible ECPAD improvement	2,160,556	-	-	-	2,160,556
Subtotal	183,608,255	3,929,756	5,113,875	(580,474)	192,071,412
Accumulated depreciation:					
Water mains and meters	17,947,941	-	658,137	(3,796)	18,602,282
Sanitary sewer system	27,923,851	-	1,641,049	-	29,564,900
Buildings and improvements	3,627,342	-	227,800	-	3,855,142
Machinery and equipment	2,748,724	-	220,714	(479,460)	2,489,978
Vehicles	504,300	-	20,191	(27,672)	496,819
Furniture and fixtures	1,080,029	-	35,078	(26,408)	1,088,699
Land improvements	7,639,510	-	355,745	-	7,995,255
Intangible ECPAD improvement	86,419	-	43,211	-	129,630
Subtotal	61,558,116	-	3,201,925	(537,336)	64,222,705
Net capital assets being depreciated	122,050,139	3,929,756	1,911,950	(43,138)	127,848,707
Net capital assets	\$ 132,243,591	\$ -	\$ 4,324,774	\$ (43,138)	\$ 136,525,227

Note 5 - Capital Assets (Continued)

	Local Development Financing Authority	Tax Increment Financing Authority	Brownfield Redevelopment Authority	Downtown Development Authority	Housing Commission	Total
Component Units						
Capital assets not being depreciated:						
Land	\$ 17,745	\$ 13,536,684	\$ 77,187	\$ 859,375	\$ 759,999	\$ 15,250,990
Construction in progress	-	-	-	-	31,613	31,613
Subtotal	17,745	13,536,684	77,187	859,375	791,612	15,282,603
Capital assets being depreciated:						
Building and building improvements	-	-	-	-	2,777,621	2,777,621
Furniture, equipment, and machinery	-	-	-	-	255,079	255,079
Furniture, equipment, and machinery - Administration	-	-	-	-	287,207	287,207
Buildings and improvements	-	-	-	-	2,261,118	2,261,118
Subtotal	-	-	-	-	5,581,025	5,581,025
Accumulated depreciation	-	-	-	-	(4,605,118)	(4,605,118)
Net capital assets being depreciated	-	-	-	-	975,907	975,907
Net capital assets	\$ 17,745	\$ 13,536,684	\$ 77,187	\$ 859,375	\$ 1,767,519	\$ 16,258,510

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

Governmental activities:

General government	\$ 838,328
Public safety	891,491
Public works	6,490,099
Economic development	197,527
Recreation and culture	1,366,411
Total governmental activities	\$ 9,783,856

Business-type activities:

Water	\$ 757,696
Sewer	1,672,134
Ecorse Creek	43,211
Golf	728,884
Total business-type activities	\$ 3,201,925

City of Taylor, Michigan

Notes to Financial Statements June 30, 2015

Note 5 - Capital Assets (Continued)

Construction Commitments - The City has various active construction projects ongoing at year end whereby the City has a contractual obligation with a third party for construction and design work. At year end, the City's outstanding commitments with vendors by reporting unit are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Governmental activities	\$ 239,300	\$ 873,998
Business-type activities	2,910,508	948,716
Component units	<u>335,343</u>	<u>69,688</u>
Total	<u>\$ 3,485,151</u>	<u>\$ 1,892,402</u>

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due to/from Other Funds		
General Fund	Golf Courses Fund	\$ 372,487
	Sewer Fund	248,851
	Act 179 Rubbish Fund	84,386
	Other nonmajor governmental funds	<u>958,094</u>
	Total General Fund	1,663,818
Other nonmajor governmental funds	General Fund	161,844
	Other nonmajor governmental funds	<u>1,115,087</u>
	Total nonmajor governmental funds	1,276,931
Water Fund	General Fund	212
Sewer Fund	Water Fund	659,615
Ecorse Creek	Water Fund	83,013
	General Fund	<u>807</u>
	Total Ecorse Creek	83,820
Police and Fire Retirement Fund	General Fund	<u>583,075</u>
	Total	<u>\$ 4,267,471</u>

City of Taylor, Michigan

Notes to Financial Statements June 30, 2015

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

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

Receivable Fund	Payable Fund	Amount
Advances from/to Other Funds		
General Fund	Golf Courses Fund	\$ 1,750,000
Due to/from Primary Government and Component Units		
Brownfield Redevelopment Authority	General Fund	\$ 372,000
	Sewer Fund	226,536
	Tax Increment Financing Authority	40,000
	Downtown Development Authority	238,000
	Total Brownfield Redevelopment Authority	876,536
Nonmajor governmental funds	Tax Increment Financing Authority	160,042
General Fund	Tax Increment Financing Authority	708,973
	Local Development Financing Authority	19,999
	Downtown Development Authority	872
	Total General Fund	729,844
Police and Fire Retirement Fund	Local Development Financing Authority	18,629
	Tax Increment Financing Authority	408,996
	Total Police and Fire Retirement Fund	427,625
Act 179 Rubbish Fund	Local Development Financing Authority	8,758
	Tax Increment Financing Authority	195,607
	Total Act 179 Rubbish Fund	204,365
Sewer Fund	Local Development Financing Authority	10,191
	Tax Increment Financing Authority	266,736
	Total Sewer Fund	276,927
Water Fund	Tax Increment Financing Authority	195,607
	Total	\$ 2,870,946

City of Taylor, Michigan

Notes to Financial Statements June 30, 2015

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

The advance from the General Fund to the Golf Courses Fund is expected to be repaid based on anticipated revenue from the golf courses in future years and is considered long term.

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

Transfer In	Transfer Out	Amount
Local Streets Fund	Major Streets Fund	\$ 1,100,000
Taylor Building Authority Debt Fund	Building and Grounds Fund	2,044,668
2008 MI Transportation Bond Debt Fund	Major Streets Fund	356,988
General Fund	Sewer Fund	286,674
	Total	<u>\$ 3,788,330</u>

Note 7 - Long-term Debt

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

City of Taylor, Michigan

Notes to Financial Statements June 30, 2015

Note 7 - Long-term Debt (Continued)

Long-term debt activity can be summarized as follows:

	Interest Rate Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities						
Bonds and contractual obligations:						
Building Authority Public Facilities Bonds - Series 2003 - Amount of issue - \$13,750,000	2.50%	\$ 8,070,000	\$ -	\$ 8,070,000	\$ -	\$ -
2004 Building Authority Public Facilities Bonds - Amount of issue - \$1,250,000	2.00%	775,000	-	65,000	710,000	65,000
General Obligation Bonds - Series 2004 - Storm - Amount of issue - \$945,000	4.20%-4.40%	305,000	-	55,000	250,000	60,000
Limited Tax General Obligation Bonds - Series 2005 - Amount of issue - \$14,795,000	5.00%	4,805,000	-	1,490,000	3,315,000	1,600,000
APEX 47 Turf Vacuum - Amount of issue - \$12,750	11.00%	12,750	-	3,798	8,952	4,233
2008 Michigan Transportation Fund Bonds - Amount of issue - \$3,075,000	3.50%-5.25%	1,555,000	-	285,000	1,270,000	295,000
2011 Installment purchase contract trash totes - Amount of issue - \$1,880,000	3.83%	1,388,000	-	177,000	1,211,000	183,000
2011 Installment purchase contract trash trucks - Amount of issue - \$1,232,000	4.36%	748,000	-	175,000	573,000	183,000
Building Authority Refunding Bonds 2005 (with Sportsplex)	5.00%	2,611,200	-	825,600	1,785,600	870,400
VDI Desktop Storage Replacement - Amount of issue - \$380,977	3.24%	380,977	-	73,846	307,131	73,106
2015 Building Authority Refunding Bonds - \$6,965,000	2.00% - 5.00%	-	6,965,000	-	6,965,000	625,000
Bond premium		301,217	673,406	116,381	858,242	166,264
Total bonds payable		20,952,144	7,638,406	11,336,625	17,253,925	4,125,003
Other long-term obligations:						
Workers' compensation claims		620,430	264,882	389,709	495,603	-
Nonexchange financial guarantee		11,210,000	-	7,252,000	3,958,000	130,846
Compensated absences		3,454,197	576,344	1,153,759	2,876,782	875,237
Total governmental activities		\$ 36,236,771	\$ 8,479,632	\$ 20,132,093	\$ 24,584,310	\$ 5,131,086

City of Taylor, Michigan

Notes to Financial Statements June 30, 2015

Note 7 - Long-term Debt (Continued)

	Interest Rate Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities						
General obligation bonds:						
Series 2004 - Water and Sewer - Amount of issue - \$1,655,000	3.00%-4.40%	\$ 730,000	\$ -	\$ 145,000	\$ 585,000	\$ 135,000
1994 Downriver Sewage Disposal System Bonds - Amount of issue - \$87,367,763	Various	37,823,093	1,181,640	4,906,618	34,098,115	5,063,696
Series 2009A - ECPAD I CWRF - Amount of issue - \$3,717,000	2.50%	1,309,587	-	99,284	1,210,303	100,626
Lease purchase agreement - Golf carts for LTGC - Amount of issue - \$236,021	3.1031%	-	236,021	15,041	220,980	56,445
Lease purchase agreement - Golf carts for TMGC - Amount of issue - \$222,299	3.1031%	-	222,299	14,166	208,133	53,163
Lease purchase agreement - Golf carts for LTGC - Amount of issue - \$195,810	4.44%	39,273	-	39,273	-	-
Lease purchase agreement - Two Ranger Xarts split 50/50 TMGC/LTGC	5.75%	4,402	-	1,520	2,882	1,610
ECPAD I Taylor/Pelham Basin Series 2014 - Amount of issue - \$722,172	2.50%	722,172	-	63,157	659,015	63,156
Total bonds payable		40,628,527	1,639,960	5,284,059	36,984,428	5,473,696
Other long-term obligation - Compensated absences		209,481	27,784	66,460	170,805	71,023
Nonexchange financial guarantee		-	3,244,036	-	3,244,036	229,154
Total business-type activities		\$ 40,838,008	\$ 4,911,780	\$ 5,350,519	\$ 40,399,269	\$ 5,773,873

City of Taylor, Michigan

Notes to Financial Statements June 30, 2015

Note 7 - Long-term Debt (Continued)

	Interest Rate Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Component Unit Activities						
TIFA:						
2005 Building Authority Refunding Bonds - Amount of issue - \$1,870,000	5.0%	\$ 1,468,800	\$ -	\$ 464,400	\$ 1,004,400	\$ 489,600
2013 Refunding - Series A - Amount of issue - \$15,995,000	2.00%-3.25%	13,775,000	-	2,370,000	11,405,000	2,495,000
2013 Refunding - Series B - Amount of issue - \$4,680,000	4.00%	4,680,000	-	-	4,680,000	-
Bond premium		432,843	-	61,834	371,009	61,835
Total TIFA		20,356,643	-	2,896,234	17,460,409	3,046,435
Brownfield:						
Brownfield Redevelopment Tax Increment Bonds, tax exempt - Series 2006 - Amount of issue - \$3,100,000	5.70%-6.00%	2,355,000	-	125,000	2,230,000	135,000
Brownfield Redevelopment Tax Increment Bonds, tax exempt - Series 2005 - Amount of issue - \$11,080,000	3.625%-5.00%	10,430,000	-	10,430,000	-	-
Brownfield Redevelopment Tax Increment Bonds, taxable Series 2005 - Amount of issue - \$3,080,000	4.75%-5.30%	2,450,000	-	165,000	2,285,000	215,000
Brownfield Redevelopment Tax Increment Bonds, Series 2015	2.00% - 5.00%	-	9,625,000	-	9,625,000	145,000
Bond premium		14,563	389,918	7,919	396,562	21,601
Total Brownfield		15,249,563	10,014,918	10,727,919	14,536,562	516,601
DDA - DDA Bonds - Downtown Development Bond - Series 2002 - Amount of issue - \$2,500,000	4.45%-4.70%	740,000	-	235,000	505,000	245,000
Total bonds payable		\$ 36,346,206	\$ 10,014,918	\$ 13,859,153	\$ 32,501,971	\$ 3,808,036

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

Years Ending June 30	Governmental Activities			Business-type Activities			Component Unit Activities		
	Principal*	Interest	Total	Principal	Interest	Total	Principal*	Interest	Total
2016	\$ 3,958,739	\$ 723,859	\$ 4,682,598	\$ 5,473,696	\$ 957,839	\$ 6,431,535	\$ 3,724,600	\$ 1,309,562	\$ 5,034,162
2017	4,227,423	497,575	4,724,998	5,429,218	819,060	6,248,278	3,984,800	1,127,100	5,111,900
2018	1,634,981	378,087	2,013,068	5,505,574	677,783	6,183,357	3,160,000	999,340	4,159,340
2019	1,500,540	308,590	1,809,130	4,580,014	539,737	5,119,751	3,365,000	893,240	4,258,240
2020	1,058,000	245,647	1,303,647	3,408,793	431,485	3,840,278	3,255,000	780,340	4,035,340
2021-2025	4,016,000	483,902	4,499,902	7,644,112	1,276,164	8,920,276	6,815,000	2,397,438	9,212,438
2026-2030	-	-	-	4,386,344	388,007	4,774,351	4,000,000	1,375,125	5,375,125
2031-2035	-	-	-	556,677	25,088	581,765	3,430,000	439,760	3,869,760
Total	\$ 16,395,683	\$ 2,637,660	\$ 19,033,343	\$ 36,984,428	\$ 5,115,163	\$ 42,099,591	\$ 31,734,400	\$ 9,321,905	\$ 41,056,305

* Balances exclude bond premium

Note 7 - Long-term Debt (Continued)

In conjunction with the issuance of \$20,675,000 for the Tax Increment Financing Authority (TIFA) bond Series 2013A and Series 2013B, the component unit is required to maintain debt service reserves in the amount of \$1,608,500. In order to cover the reserve requirement, the TIFA component unit has obtained insurance coverage totaling \$1,608,500 for this purpose. In addition to the reserves and in conjunction with the above debt issue, the City has agreed to certain covenants, including, but not limited to, restriction on amendments to the TIFA plan districts and continued compliance with the State of Michigan regulations and statutes affecting the TIFA bond indenture.

Advance Refundings - During the year, the City issued \$9,625,000 and \$6,965,000 in limited tax obligation bonds with interest rates ranging between 2.00 percent and 5.00 percent for both bonds. The proceeds of the \$9,625,000 issuance were used to advance refund \$10,265,000 of outstanding 2005 Tax Increment Bonds with interest rates ranging from 3.625 percent to 5.00 percent. The net proceeds of \$9,660,533 (after payment of \$354,385 in underwriting fees, insurance, and other issuance costs and receipt of \$389,918 in bond premiums) plus an additional \$852,792 of Brownfield Redevelopment Authority debt retirement funds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the general long-term debt of the City. The advanced refunding reduced total debt service payments over the next 19 years by approximately \$1,506,000, which represents an economic gain of \$435,238.

The proceeds of the \$6,965,000 issuance were used to advance refund \$7,400,000 of outstanding 2003 Building Authority Public Facilities Bonds with interest rates ranging from 3.50 percent to 5.00 percent. The net proceeds of \$7,399,929 (after payment of \$238,477 in underwriting fees, insurance, and other issuance costs and receipt of \$673,406 in bond premiums) plus an additional \$164,550 of Building Authority funds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the general long-term debt of the City. The advanced refunding reduced total debt service payments over the next nine years by approximately \$322,000, which represents an economic gain of \$392,249.

Note 7 - Long-term Debt (Continued)

Nonexchange Financial Guarantee - In 2005, the City pledged its full faith and credit on bonds issued by the City's Brownfield Redevelopment Authority (Brownfield). The bonds were related to the Midtown (Island Lakes) development project. The City's pledge is considered a non-exchange financial guarantee or commitment to back the debt payments of the bonds which continue through fiscal year 2034. Due to the downturn in the economy, the development project was never finished and as a result, the Brownfield's projected tax increment revenues were insufficient to fully pay the bond debt. The present value of the total estimated shortfall related to the Brownfield's bond payments is \$7,202,036 and has been recognized by the City as a liability of \$3,958,000, \$1,622,018, and \$1,622,018 in the governmental activities, Water Fund, and Sewer Fund, respectively. In the prior year, the full amount was recorded in governmental activities; the City obtained additional guidance from third-party legal counsel that concluded that the Water and Sewer Funds are responsible for a portion of the cost. As such, the City recorded the proportionate share in these funds.

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 restricted assets are restricted for the following purposes:

	Business-type Activities
Assets held at Wayne County for future debt payments	\$ 7,899,582
Assets held at Wayne County for sewer operations	2,340,000
Total restricted assets	<u>\$ 10,239,582</u>

Note 8 - Restricted Assets (Continued)

The above contractual obligations to the County are the result of the County issuance of bonds on the City's behalf. The City has pledged substantially all revenue of the Sewer Fund, net of operating expenses, to repay \$9,552,215 of the obligations. In addition, it has pledged to raise property taxes, to the extent permitted by law, to fund \$25,545,900 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 \$38,794,273. During the current year, net revenue of the system was \$2,008,525 compared to the annual debt requirements of \$662,512. Annual tax collections related to the debt were \$4,818,082 compared to the annual debt requirements of \$5,228,367.

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 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:

	2015	2014
Unpaid claims - Beginning of year	\$ 620,430	\$ 810,235
Incurred claims, including adjustments to claims incurred but not reported	227,595	84,864
Claim payments (net of insurance refunds)	(352,422)	(274,669)
Unpaid claims - End of year	<u>\$ 495,603</u>	<u>\$ 620,430</u>

Note 10 - 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.

Note 10 - Other Postemployment Benefits (Continued)

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

Funding Progress - For the year ended June 30, 2015, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2014. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation’s computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 14,397,330
Interest on the prior year's net OPEB obligation	1,663,335
Less adjustment to the annual required contribution	<u>(1,604,427)</u>
Annual OPEB cost	14,456,238
Amounts contributed - Payments of current premiums	<u>7,467,152</u>
Increase in net OPEB obligation	6,989,085
OPEB obligation - Beginning of year	<u>41,583,310</u>
OPEB obligation - End of year	<u><u>\$ 48,572,396</u></u>

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

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Percentage of ARC Contributed	Net OPEB Obligation
6/30/12	6/30/10	\$ 13,692,138	55.8	\$ 27,381,992
6/30/13	6/30/12	13,674,671	47.7	34,574,640
6/30/14	6/30/12	13,900,300	50.0	41,583,310
6/30/15	6/30/14	14,397,330	51.9	48,572,396

Note 10 - Other Postemployment Benefits (Continued)

The funding progress of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/08	\$ -	\$ 173,173,410	\$ 173,173,410	- %	\$ -	- %
6/30/10	-	208,546,075	208,546,075	-	12,239,209	1,703.9
6/30/12	-	232,697,568	232,697,568	-	12,057,769	1,929.9
6/30/14	-	333,124,138	333,124,138	-	11,720,401	2,842.3

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, 2014 actuarial valuation, the individual entry age actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return per year compounded annually, which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 9.0 percent initially, reduced by decrements to an ultimate rate of 3.5 percent over 10 years. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2014 was 30 years.

Note 11 - Defined Contribution Pension Plan

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

The City's total payroll during the current year was \$19,716,301. The current year contribution was calculated based on covered payroll of \$2,470,180, resulting in an employer contribution of \$95,761 and employee contributions of \$98,807.

Note 12 - Pension Plan Description

General Government Employees' Retirement System

Plan Description - The City of Taylor General Employee Retirement System Board of Trustees administers the City of Taylor Government Employees' Retirement System - a single employer defined benefit pension plan that provides pensions for all employees of the City other than court, police, and fire employees. Benefit terms have been established by contractual agreements between the City and the various employee union representation; amendments are subject to the same process. The plan does not issue a separate financial report.

The financial statements of the plan are included in these financial statements as a fiduciary fund. Management of the plan is vested in the board of trustees, which consists of five members and appointed by the City.

Employees Covered by Benefit Terms - At December 31, 2014, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	250
Inactive plan members entitled to but not yet receiving benefits	22
Active plan members	<u>66</u>
Total employees covered by the plan	<u><u>338</u></u>

Note 12 - Pension Plan Description (Continued)

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

Local 1128 AFCSME and Local 1917 members hired prior to August 4, 1988 - Straight life pension equals 55 percent of average final compensation (AFC).

Taylor Governmental Management and Administrative Employees Association members hired prior to May 18, 1988 - Straight life pension equals 30 percent of average final compensation (AFC) after four years of service increasing by 6.25 percent each year until eight years, at which the pension equals 55 percent of AFC until 13 or more years of service, at which the pension equals 65 percent of AFC.

Elected officials elected before November 27, 1989 - Straight life pension equals 30 percent of average final compensation (AFC) after four years of service increasing by 6.25 percent each year until eight years of service, at which the pension equals 55 percent of AFC.

Local 1128 AFCSME and Local 1917 members hired on or after August 4, 1988 - Straight life pension equals 2.2 percent of average final compensation (AFC) per year of service to a maximum of 25 years of service.

Taylor Governmental Management and Administrative Employees Association members hired on or after May 18, 1988 - Straight life pension equals 30 percent of final average earnings (FAE) for service accrued before January 1, 2011 after five years of service increasing by 2.25 percent each year until 12 years, at which the percentage rate equals 47.5 percent. The pension then increases in years 13, 14, and 15 to 52.5, 60, and 65 percent, respectively, which is where the FAE is capped. The pension percentage increases 2.25 percent for each year of service accrued after January 1, 2011, not to exceed 65 percent.

Elected officials elected on or after November 27, 1989 excluding City Council elected on or after November 25, 1997, judges elected on or after October 1, 2008, and the mayor, clerk, and treasurer elected on or after November 8, 2005 - Straight life pension equals 30 percent of final average compensation after five years of service increasing by 2.25 percent each year not to exceed 55 percent.

Average final compensation is defined as the average of the employee's highest five years of earnings prior to retirement.

Note 12 - Pension Plan Description (Continued)

Local 1128 AFCSME and Local 1917 members hired prior to August 4, 1988 are eligible at the earlier of age 55 with eight or more years of service (10 or more years if hired after August 1, 1982), or 25 years of service. Taylor Governmental Management and Administrative Employees Association members and Elected Officials elected before November 27, 1989 hired prior to May 18, 1988 are eligible at age 55 with four or more years of service or any age with 25 or more years of service. Local 1128 AFCSME and Local 1917 members hired on or after August 4, 1988 are eligible at age 55 with 10 or more years of service; or age 50 and 25 or more years of service beginning January 1, 2009. Employees hired after December 22, 2004 are not eligible to participate. Taylor Governmental Management and Administrative Employees Association members hired on or after May 18, 1988 are eligible at age 55 with five or more years of service. Employees hired after March 6, 2001 are not eligible to participate. Elected Officials elected on or after November 27, 1989 excluding City Council elected on or after November 25, 1997, judges elected on or after October 1, 2008, and the mayor, clerk, and treasurer elected on or after November 8, 2005 are eligible at age 55 with five or more years of service.

Contributions - Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the pension board retains an independent actuary to determine the annual contribution. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year with an additional amount to finance any unfunded accrued liability. Contribution requirements of plan members are established and may be amended by the board of trustees in accordance with the City Charter, union contracts, and plan provisions. For the year ended December 31, 2014, the average active member contribution rate was 5.0 percent of annual pay and the City's average contribution rate was 85.94 percent of annual payroll.

Police and Fire Retirement System

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

The financial statements of the plan are included in these financial statements as a fiduciary fund. Management of the plan is vested in the Pension Board, which consists of five members: one police officer elected by the members, one firefighter elected by the members, two members representing the City, and the City Treasurer.

Note 12 - Pension Plan Description (Continued)

Employees Covered by Benefit Terms - At June 30, 2015, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	210
Inactive plan members entitled to but not yet receiving benefits	11
Active plan members	<u>113</u>
Total employees covered by the plan	<u><u>334</u></u>

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

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

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

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

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

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

Note 12 - Pension Plan Description (Continued)

Contributions - Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the Pension Board retains an independent actuary to determine the annual contribution. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year with an additional amount to finance any unfunded accrued liability. Contribution requirements of plan members are established and may be amended by the board of trustees in accordance with the City Charter, union contracts, and plan provisions. For the year ended December 31, 2014, the average active member contribution rate was 8 percent of annual pay, and the City's average contribution rate was 56 percent of annual payroll.

Note 13 - Pension Plan Investments - Policy and Rate of Return

General Employees' Retirement System

Investment Policy - The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Pension Board by a majority vote of its members. It is the policy of the Pension Board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Pension Board's adopted asset allocation policy as of December 31, 2014:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	52%
Fixed income	38%
International equity	10%

Concentrations - At December 31, 2014, the Plan held approximately 70 percent of its investment portfolio in equity securities.

Rate of Return - For the year ended December 31, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 3.92 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Note 13 - Pension Plan Investments - Policy and Rate of Return (Continued)

Police and Fire Retirement System

Investment Policy - The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Pension Board by a majority vote of its members. It is the policy of the Pension Board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Pension Board's adopted asset allocation policy as of June 30, 2015:

<u>Asset Class</u>	<u>Target Allocation</u>
Cash	2%
Fixed income	12%
Large cap equity	42%
Small cap equity	15%
International equity	17%
Real estate	10%
Hedge funds	2%

Concentrations - At June 30, 2015, the plan held approximately 68 percent of its investment portfolio in equity securities.

Rate of Return - For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 6.36 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

Police and Fire Retirement System

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

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

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

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

There are no employer reserves as of June 30, 2015.

The balances of the reserve accounts at June 30, 2015 are as follows:

	Required Reserve	Amount Funded
Employee reserve	\$ 9,214,302	\$ 9,214,302
Retiree reserve	120,228,142	110,117,916

General Employees Pension Plan

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

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

The employee reserve is credited as employee contributions are received throughout the year; the plan maintains a record of the amount contributed by each employee, and credits interest annually at a rate of 5.0 percent. For any employee who terminates before vesting in the pension plan, their balance is returned to them; for those who stay until retirement, the balance is transferred into the retiree reserve.

There are no employer reserves as of December 31, 2014.

The balances of the reserve accounts at December 31, 2014 are as follows:

	Required Reserve	Amount Funded
Retiree reserve	\$ 63,853,305	\$ 37,778,233
Employee reserve	2,581,687	2,581,687
Terminated vested reserve	2,576,056	2,576,056

City of Taylor, Michigan

Notes to Financial Statements June 30, 2015

Note 15 - Net Pension Liability - General Employees Retirement System

The components of the net pension liability of the City at June 30, 2015 were as follows:

Total pension liability	\$ 77,702,621
Plan fiduciary net position	<u>(41,373,985)</u>
City's net pension liability	<u>\$ 36,328,636</u>
Plan fiduciary net position as a percentage of the total pension liability	53.2 %

The City has chosen to use December 31, 2014 as its measurement date for the net pension liability. The December 31, 2014 reported net pension liability was determined using a measure of the total pension liability and the pension net position as of December 31, 2014. The December 31, 2014 total pension liability was determined by an actuarial valuation performed as of that date.

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2013	\$ 77,520,201	\$ 42,935,976	\$ 34,584,225
Service cost	295,423	-	295,423
Interest	5,970,109	-	5,970,109
Contributions - Employer	-	2,725,322	(2,725,322)
Contributions - Employee	-	192,334	(192,334)
Net investment income	-	1,909,582	(1,909,582)
Benefit payments, including refunds	(6,083,112)	(6,083,112)	-
Administrative expenses	-	(127,101)	127,101
Miscellaneous other charges	-	(179,016)	179,016
Net changes	<u>182,420</u>	<u>(1,561,991)</u>	<u>1,744,411</u>
Balance at December 31, 2014	<u>\$ 77,702,621</u>	<u>\$ 41,373,985</u>	<u>\$ 36,328,636</u>

Note 15 - Net Pension Liability - General Employees Retirement System (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2014, the City recognized pension expense of \$3,360,585. At December 31, 2014, the City reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	<u>\$ 1,109,146</u>

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

<u>Years Ending June 30</u>	<u>Amount</u>
2016	\$ 277,287
2017	277,287
2018	277,286
2019	277,286

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

Inflation	2.5 %
Salary increases	2.5 % Average, including inflation
Investment rate of return	8.0 % Net of pension plan investment expense, including inflation

Mortality rates based on the mortality rates were updated to be based on the RP-2014 Healthy Annuitant Mortality Table for males and females.

Discount Rate - The discount rate used to measure the total pension liability was 8.0 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that city contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Note 15 - Net Pension Liability - General Employees Retirement System (Continued)

Projected Cash Flows

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of December 31, 2014 for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table.

Asset Class	Long-term Expected Real Rate of Return
U.S. large cap equity	4.8 %
U.S. small cap equity	5.0 %
International equity	8.5 %
Domestic bonds	2.5 %
International bonds	3.5 %
Real estate	4.5 %

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the City, calculated using the discount rate of 8.0 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.0 percent) or 1 percentage point higher (9.0 percent) than the current rate:

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
Net pension liability of the City	\$ 43,702,200	\$ 36,328,636	\$ 30,029,093

City of Taylor, Michigan

Notes to Financial Statements June 30, 2015

Note 16 - Net Pension Liability - Police and Fire Retirement System

The components of the net pension liability of the City at June 30, 2015 were as follows:

Total pension liability	\$ 208,842,575
Plan fiduciary net position	<u>(119,332,220)</u>
City's net pension liability	<u>\$ 89,510,355</u>
Plan fiduciary net position as a percentage of the total pension liability	57.1 %

The City has chosen to use June 30, 2015 as its measurement date for the net pension liability. The June 30, 2015 reported net pension liability was determined using a measure of the total pension liability and the pension net position as of June 30, 2015. The June 30, 2015 total pension liability was determined by an actuarial valuation performed as of that date.

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at June 30, 2014	\$ 193,135,724	\$ 117,715,085	\$ 75,420,639
Service cost	3,241,963	-	3,241,963
Interest	11,718,402	-	11,718,402
Differences between expected and actual experience	(2,254,916)	-	(2,254,916)
Changes in assumptions	14,501,830	-	14,501,830
Contributions - Employer	-	5,409,465	(5,409,465)
Contributions - Employee	-	802,920	(802,920)
Net investment income	-	7,010,053	(7,010,053)
Benefit payments, including refunds	(11,500,428)	(11,500,428)	-
Administrative expenses	-	(104,875)	104,875
Net changes	<u>15,706,851</u>	<u>1,617,135</u>	<u>14,089,716</u>
Balance at June 30, 2015	<u>\$ 208,842,575</u>	<u>\$ 119,332,220</u>	<u>\$ 89,510,355</u>

Assumption Changes - Mortality rates were updated to be based on the RP-2014 Health Mortality Table.

Note 16 - Net Pension Liability - Police and Fire Retirement System (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the City recognized pension expense of \$10,241,075. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 1,449,589
Changes in assumptions	9,322,605	-
Net difference between projected and actual earnings on pension plan investments	<u>1,385,090</u>	<u>-</u>
Total	<u>\$ 10,707,695</u>	<u>\$ 1,449,589</u>

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

<u>Years Ending June 30</u>	<u>Amount</u>
2016	\$ 4,720,170
2017	3,845,392
2018	346,272
2019	346,272

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	4.0 %
Salary increases	0-6.5 % Average, including inflation
Investment rate of return	7.6 % Net of pension plan investment expense, including inflation

Mortality rates were based on the mortality rates were updated to be based on the RP-2014 Health Mortality Table.

Note 16 - Net Pension Liability - Police and Fire Retirement System (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 5.87 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that city contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. As of June 30, 2014, the beginning of year total pension liability was restated from \$163,421,282 to \$193,135,724 using a discount rate of 6.2 percent.

Projected Cash Flows

Based on those assumptions, the pension plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate incorporates a municipal bond rate of 3.73 percent. The source of that bond rate is the Standard & Poor's Municipal Bond 20-year high grade index as of June 30, 2015. The resulting single discount rate is 5.87 percent. The long-term expected rate of return was applied to projected benefit payments from July 1, 2016 through July 1, 2043 and the municipal bond rate was applied to the remaining periods.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of June 30, 2015 for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table.

Asset Class	Long-term Expected Real Rate of Return
Domestic equity	7.5 %
International equity	8.5 %
Domestic bonds	2.5 %
International bonds	3.5 %
Real estate	4.5 %

Note 16 - Net Pension Liability - Police and Fire Retirement System (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the City, calculated using the discount rate of 5.87 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.87 percent) or 1 percentage point higher (6.87 percent) than the current rate:

	1% Decrease (4.87%)	Current Discount Rate (5.87%)	1% Increase (6.87%)
Net pension liability of the City	\$ 115,657,932	\$ 89,510,355	\$ 67,973,049

Note 17 - Defined Benefit Pension Plan - District Court Employees

Plan Description - The Court participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees' Retirement System of Michigan (MERS of Michigan), that covers all district court employees of the Court hired before June 30, 2002. MERS was established as a statewide public employee pension plan by the Michigan legislature under PA 135 of 1945 and is administered by a nine-member retirement board. MERS issues a publicly available financial report which includes the financial statements and required supplemental information of this defined benefit plan. This report can be obtained at www.mersofmich.com or in writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

Benefits Provided - The plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS.

The MERS plan covers all district court employees hired before June 30, 2002.

Retirement benefits for employees are calculated as 2.25 percent of the employee's final five-year average salary times the employee's years of service. Normal retirement age is 60 with early retirement at 55 with 25 years of service or a reduced benefit at age 50 with 25 years of service or age 55 with 15 years of service. Deferred retirement benefits vest after 10 years of credited service but are not paid until the date retirement would have occurred had the member remained an employee. Employees are eligible for non-duty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

Note 17 - Defined Benefit Pension Plan - District Court Employees (Continued)

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the City Council, generally after negotiations of these terms with the affected unions.

Employees Covered by Benefit Terms - At the June 30, 2015 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	7
Inactive plan members entitled to but not yet receiving benefits	3
Active plan members	<u>10</u>
Total employees covered by MERS	<u><u>20</u></u>

Contributions - Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS retirement board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

For the year ended December 31, 2014, the average active employee contribution rate was 5.0 percent of annual pay and the Court's average contribution rate was 10.48 percent of annual payroll for the District Court.

Note 17 - Defined Benefit Pension Plan - District Court Employees (Continued)

Net Pension Liability

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

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

	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2013	\$ 3,097,028	\$ 2,671,642	\$ 425,386
Service cost	44,150	-	44,150
Interest	251,106	-	251,106
Contributions - Employer	-	40,320	(40,320)
Contributions - Employee	-	23,779	(23,779)
Net investment income	-	167,698	(167,698)
Benefit payments, including refunds	(150,800)	(150,800)	-
Administrative expenses	-	(6,143)	6,143
Net changes	<u>144,456</u>	<u>74,854</u>	<u>69,602</u>
Balance at December 31, 2014	<u>\$ 3,241,484</u>	<u>\$ 2,746,496</u>	<u>\$ 494,988</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2014, the Court recognized pension expense of \$76,067. At June 30, 2015, the Court reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 33,855
Employer contributions to the plan subsequent to the measurement date	<u>20,746</u>
Total	<u>\$ 54,601</u>

Note 17 - Defined Benefit Pension Plan - District Court Employees (Continued)

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

Years Ending June 30	Amount
2016	\$ 8,464
2017	8,464
2018	8,464
2019	8,463

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

Inflation	3.0 %	
Salary increases	4.5 %	In the long term, 1 percent, 2 percent, and 3 percent for calendar years 2014, 2015, and 2016, respectively, including inflation
Investment rate of return	8.25 %	Net of pension plan investment expense, including inflation

Mortality rates were based on the 1994 Group Annuity Mortality Table of a 50 percent male and 50 percent female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study in 2008. The MERS retirement board is currently conducting an actuarial experience study covering the period from January 1, 2009 through December 31, 2013.

Discount Rate - The discount rate used to measure the total pension liability was 8.25 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Note 17 - Defined Benefit Pension Plan - District Court Employees (Continued)

Projected Cash Flows

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2014, the measurement date, for each major asset class are summarized in the following table:

Asset Class	Target Allocation (%)	Long-term Expected Real Rate of Return
Global equity	58 %	5.0 %
Global fixed income	20 %	2.2 %
Real assets	12 %	4.2 %
Diversifying strategies	10 %	6.6 %

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the Court, calculated using the discount rate of 8.25 percent, as well as what the Court's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.25 percent) or 1 percentage point higher (9.25 percent) than the current rate:

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
Net pension liability of the Court	\$ 860,734	\$ 494,988	\$ 182,109

Note 17 - Defined Benefit Pension Plan - District Court Employees (Continued)

Pension Plan Fiduciary Net Position - Detailed information about the plan's fiduciary net position is available in the separately issued financial report found at www.mersofmich.com. The plan's fiduciary net position has been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

Note 18 - Pension and Other Employee Benefit Trust Funds

As of June 30, 2015, the statement of net position and the statement of changes in net position for the pension plan are as follows:

	Police and Fire System	General Employees' Pension Plan*
	<u> </u>	<u> </u>
<u>Statement of Net Position</u>		
Cash and investments	\$ 119,123,516	\$ 41,270,029
Other assets	208,702	103,956
	<u> </u>	<u> </u>
Net position	<u>\$ 119,332,218</u>	<u>\$ 41,373,985</u>
<u>Statement of Changes in Net Position</u>		
Investment income - Net of investment expenses	\$ 7,010,052	\$ 1,802,033
Contributions	6,212,385	2,917,656
Benefit payments	11,500,428	6,083,112
Other deductions	104,875	198,568
	<u> </u>	<u> </u>
Net change in net position	<u>\$ 1,617,134</u>	<u>\$ (1,561,991)</u>

* Balances are as of December 31, 2014

The City recognized total pension expense of \$13,677,727 for the year ended June 30, 2015.

Note 18 - Pension and Other Employee Benefit Trust Funds (Continued)

The total net pension liability is broken out as follows:

Allocation of the Net Pension Obligation

General Government Employees Retirement System*	\$ 36,328,636
Police and Fire Retirement System	89,510,355
Municipal Employees Retirement System	<u>494,988</u>
Total net pension obligation	<u>\$ 126,333,979</u>

Allocation of the Net Pension Obligation

Governmental activities portion of the net pension obligation	\$ 118,976,772
Business-type activities portion of the net pension obligation	<u>7,357,207</u>
Total	<u>\$ 126,333,979</u>

Note 19 - Reporting Change (Prior Period Adjustments)

During the current year, the City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. As a result, the government-wide statements and the proprietary fund now include a liability for our unfunded legacy costs. Some of the changes in this net pension liability will be recognized immediately as part of the pension expense measurement, and part will be deferred and recognized over future years. Refer to the pension note for further details. This change does not impact the General Fund or any other governmental fund.

The financial statements for the year ended June 30, 2014 have been restated in order to adopt GASB Statement No. 68. The effect of this new accounting standard was a decrease in net position to record the net pension liability at June 30, 2014.

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

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

City of Taylor, Michigan

Notes to Financial Statements June 30, 2015

Note 19 - Reporting Change (Prior Period Adjustments) (Continued)

The effect of this change is as follows:

	Governmental Activities	Business-type Activities	Housing Commission
Net position - June 30, 2014 - As previously reported	\$ 126,390,954	\$ 118,654,103	\$ 4,455,899
Adjustment for implementation of GASB Statement No. 68 - MERS plan	(406,376)	-	-
Adjustment for implementation of GASB Statement No. 68 - Police and Fire plan	(75,420,639)	-	-
Adjustment for implementation of GASB Statement No. 68 - General Employees plan	(27,580,294)	(7,003,932)	-
Adjustment resulting from correction of an error	-	-	8,180
Net position - June 30, 2014 - As restated	<u>\$ 22,983,645</u>	<u>\$ 111,650,171</u>	<u>\$ 4,464,079</u>

Note 20 - Contingent Liabilities

The City has been named as a defendant in numerous claims and lawsuits requesting damages of various amounts, the majority of which do not state a specific maximum. The various proceedings have not yet progressed to the point where a legal opinion can be reached as to the ultimate liability, if any, after consideration of available insurance, where applicable, that may result from the resolution of these matters. In addition, the City is involved in certain labor negotiation discussions. The City has not recorded an estimate of any liabilities that may result from these matters at June 30, 2015.

Note 21 - Upcoming Accounting Pronouncements

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

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

Note 21 - Upcoming Accounting Pronouncements (Continued)

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the City to recognize on the face of the financial statements its net OPEB liability. The Statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2018.

Required Supplemental Information

City of Taylor, Michigan

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

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 11,065,021	\$ 11,165,021	\$ 11,408,759	\$ 243,738
Fees and permits	1,266,300	1,266,300	1,507,974	241,674
Federal grants	664,700	3,053,000	2,770,238	(282,762)
State-shared revenue and grants	7,214,200	7,301,200	7,143,592	(157,608)
Charges for services	2,372,200	2,223,864	2,529,639	305,775
Fines and forfeitures	4,410,900	4,670,600	5,138,463	467,863
Rental income	627,744	746,044	765,852	19,808
Other revenue	5,500,133	5,925,100	5,989,437	64,337
Total revenue	<u>33,121,198</u>	<u>36,351,129</u>	<u>37,253,954</u>	<u>902,825</u>
Expenditures - Current				
General government	7,555,055	7,438,353	6,783,407	654,946
Public safety	11,751,350	14,236,681	13,930,678	306,003
Public works	4,120,000	4,416,300	4,251,015	165,285
Employee benefits	5,671,000	5,537,860	5,302,698	235,162
Economic and community development	805,000	1,367,500	1,254,643	112,857
Recreation and culture	2,602,100	2,844,295	2,895,766	(51,471)
Capital outlay	-	15,000	15,000	-
Debt service	-	127,350	104,035	23,315
Total expenditures	<u>32,504,505</u>	<u>35,983,339</u>	<u>34,537,242</u>	<u>1,446,097</u>
Excess of Revenue Over Expenditures	616,693	367,790	2,716,712	2,348,922
Other Financing Sources (Uses)				
Transfers in	-	444,100	286,674	(157,426)
Transfers out	(99,000)	-	-	-
Total other financing (uses) sources	<u>(99,000)</u>	<u>444,100</u>	<u>286,674</u>	<u>(157,426)</u>
Net Change in Fund Balance	517,693	811,890	3,003,386	2,191,496
Fund Balance - Beginning of year	<u>3,766,278</u>	<u>3,766,278</u>	<u>3,766,278</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 4,283,971</u>	<u>\$ 4,578,168</u>	<u>\$ 6,769,664</u>	<u>\$ 2,191,496</u>

City of Taylor, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Fund Act 179 Rubbish Fund Year Ended June 30, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 4,140,000	\$ 4,140,000	\$ 4,230,113	\$ 90,113
Federal grants	-	10,000	19,204	9,204
Charges for services	507,500	437,500	324,329	(113,171)
Investment income	3,000	6,000	7,246	1,246
Total revenue	4,650,500	4,593,500	4,580,892	(12,608)
Expenditures				
Current - Public works	4,275,500	4,362,968	4,181,638	181,330
Debt service	437,800	437,800	437,773	27
Total expenditures	4,713,300	4,800,768	4,619,411	181,357
Net Change in Fund Balance	(62,800)	(207,268)	(38,519)	168,749
Fund Balance - Beginning of year	2,076,129	2,076,129	2,076,129	-
Fund Balance - End of year	<u>\$ 2,013,329</u>	<u>\$ 1,868,861</u>	<u>\$ 2,037,610</u>	<u>\$ 168,749</u>

City of Taylor, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Fund Police and Fire Retirement Fund Year Ended June 30, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 8,394,465	\$ 8,394,465	\$ 8,825,231	\$ 430,766
Federal grants	140,000	531,075	516,723	(14,352)
Investment income	-	-	10,858	10,858
Total revenue	8,534,465	8,925,540	9,352,812	427,272
Expenditures - Current -				
Retirement benefits	8,534,465	8,534,465	8,719,754	(185,289)
Net Change in Fund Balance	-	391,075	633,058	241,983
Fund Balance - Beginning of year	1,815,909	1,815,909	1,815,909	-
Fund Balance - End of year	<u>\$ 1,815,909</u>	<u>\$ 2,206,984</u>	<u>\$ 2,448,967</u>	<u>\$ 241,983</u>

City of Taylor, Michigan

Note to Required Supplemental Information Year Ended June 30, 2015

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Recreation and culture	\$ 2,844,295	\$ 2,895,766	\$ (51,471)

Recreation and culture was overbudget as the result of Wayne County charging the City for Library employees' compensated absences which was not anticipated and therefore not budgeted for.

City of Taylor, Michigan

Required Supplemental Information Schedule of Changes in the City Net Pension Liability and Related Ratios General Employees Retirement System Last Ten Fiscal Years

	2015
Total Pension Liability	
Service cost	\$ 295,423
Interest	5,970,109
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit payments, including refunds	(6,083,112)
Net Change in Total Pension Liability	182,420
Total Pension Liability - Beginning of year	77,520,201
Total Pension Liability - End of year	\$ 77,702,621
Plan Fiduciary Net Position	
Contributions - Employer	\$ 2,725,322
Contributions - Member	192,334
Net investment income	1,909,582
Administrative expenses	(127,101)
Benefit payments, including refunds	(6,083,112)
Other	(179,016)
Net Change in Plan Fiduciary Net Position	(1,561,991)
Plan Fiduciary Net Position - Beginning of year	42,935,976
Plan Fiduciary Net Position - End of year	\$ 41,373,985
City's Net Pension Liability - Ending	\$ 36,328,636
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	53.25 %
Covered Employee Payroll	\$ 3,171,020
City's Net Pension Liability as a Percentage of Covered Employee Payroll	1,145.6 %

City of Taylor, Michigan

Required Supplemental Information Schedule of Investment Returns General Employees Retirement System Last Ten Fiscal Years

	<u>2015</u>
Annual money-weighted rate of return, net of investment expense	3.9 %

City of Taylor, Michigan

Required Supplemental Information Police and Fire Retirement System Changes in the City Net Pension Liability and Related Ratios Municipal Employees Retirement System Last Ten Fiscal Years

	2015	2014
Total Pension Liability		
Service cost	\$ 3,241,963	\$ 1,396,417
Interest	11,718,402	11,854,409
Changes in benefit terms	-	-
Differences between expected and actual experience	(2,254,916)	651,910
Changes in assumptions	14,501,830	-
Benefit payments, including refunds	(11,500,428)	(11,524,629)
Net Change in Total Pension Liability	15,706,851	2,378,107
Total Pension Liability - Beginning of year	193,135,724	161,043,175
Total Pension Liability - End of year*	\$ 208,842,575	\$ 163,421,282
Plan Fiduciary Net Position		
Contributions - Employer	\$ 5,409,465	\$ 5,145,379
Contributions - Members	802,920	788,448
Net investment income	7,010,053	18,971,058
Administrative expenses	(104,875)	(96,516)
Benefit payments, including refunds	(11,500,428)	(11,524,629)
Other	-	18,460
Net Change in Plan Fiduciary Net Position	1,617,135	13,302,200
Plan Fiduciary Net Position - Beginning of year	117,715,085	104,412,884
Plan Fiduciary Net Position - End of year	\$ 119,332,220	\$ 117,715,084
City's Net Pension Liability - End	\$ 89,510,355	\$ 45,706,198
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	57.14 %	72.03 %
Covered Employee Payroll	\$ 9,148,649	\$ 9,328,103
City's Net Pension Liability as a Percentage of Covered Employee Payroll	978.4 %	490.0 %

* June 30, 2014 total pension liability was restated at a 6.20 percent discount rate.

City of Taylor, Michigan

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

	2015	2014
Annual money-weighted rate of return, net of investment expense	6.4 %	19.4 %

City of Taylor, Michigan

Required Supplemental Information Changes in the City Net Pension Liability and Related Ratios Municipal Employees Retirement System Last Ten Fiscal Years

	2015
Total Pension Liability	
Service cost	\$ 44,150
Interest	251,106
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit payments, including refunds	(150,800)
Net Change in Total Pension Liability	144,456
Total Pension Liability - Beginning of year	3,097,028
Total Pension Liability - End of year	\$ 3,241,484
Plan Fiduciary Net Position	
Contributions - Employer	\$ 40,320
Contributions - Member	23,779
Net investment income	167,698
Administrative expenses	(6,143)
Benefit payments, including refunds	(150,800)
Other	-
Net Change in Plan Fiduciary Net Position	74,854
Plan Fiduciary Net Position - Beginning of year	2,671,642
Plan Fiduciary Net Position - End of year	\$ 2,746,496
City's Net Pension Liability - Ending	\$ 494,988
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	84.73 %
Covered Employee Payroll	\$ 463,273
City's Net Pension Liability as a Percentage of Covered Employee Payroll	106.8 %

City of Taylor, Michigan

Required Supplemental Information Other Postemployment Benefits Schedule of Funding Progress Year Ended June 30, 2015

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/08	\$ -	\$ 173,173,410	\$ 173,173,410	-	\$ -	- %
6/30/10	-	208,546,075	208,546,075	-	12,239,209	1,703.9
6/30/12	-	232,697,568	232,697,568	-	12,057,769	1,929.9
6/30/14	-	333,124,138	333,124,138	-	11,720,401	2,842.3

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution *	Percentage Contributed
6/30/10	6/30/08	\$ 13,221,333	46.0
6/30/11	6/30/10	13,465,246	44.7
6/30/12	6/30/10	13,692,137	48.6
6/30/13	6/30/12	13,674,671	51.7
6/30/14	6/30/12	13,900,300	55.5
6/30/15	6/30/14	14,397,330	57.4

* The required contribution is expressed to the City as a percentage of payroll.

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of June 30, 2014, the latest actuarial valuation, follows:

Amortization method	Individual entry-age cost method
Amortization period (perpetual)	30
Asset valuation method	N/A
Actuarial assumptions:	
Investment rate of return	4.0%
Projected salary increases	
General Employees	2.5%
23rd District Court	4.0 - 17.0%
Police and Fire	5.0 - 8.0%
Cost of living adjustments	None

Other Supplemental Information

City of Taylor, Michigan

	Special Revenue Funds					
	Major Streets	Local Streets	Police Forfeiture	Treasury Forfeiture	Justice Forfeiture	Community Development Block Grant
Assets						
Cash and investments	\$ 2,947,262	\$ 753,061	\$ 703,274	\$ 544,165	\$ 377,910	\$ 302,202
Accounts receivable:						
Property taxes	-	-	-	-	-	-
Other	-	-	750	-	-	2,257
Due from other governmental units	469,099	255,563	-	-	-	140,364
Due from component units	-	-	-	-	-	-
Due from other funds	-	1,100,000	-	-	-	-
Prepaid expenses and other assets	-	-	10,072	-	-	-
Properties held for resale	-	-	-	-	-	-
Total assets	\$3,416,361	\$2,108,624	\$ 714,096	\$ 544,165	\$ 377,910	\$ 444,823
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 736,456	\$ 496,793	\$ 40,755	\$ -	\$ -	\$ 74,992
Due to other governmental units	-	-	-	-	-	-
Due to other funds	1,181,142	215,578	29,823	-	186,422	334,433
Accrued liabilities and other	-	-	-	-	-	-
Total liabilities	1,917,598	712,371	70,578	-	186,422	409,425
Deferred Inflows of Resources -						
Unavailable revenue	-	-	-	-	-	40,357
Fund Balances						
Nonspendable:						
Prepaid expense	-	-	10,072	-	-	-
Inventory	-	-	-	-	-	-
Restricted:						
Roads	1,498,763	1,396,253	-	-	-	-
Drug enforcement	-	-	633,446	544,165	191,488	-
Debt service	-	-	-	-	-	-
Special millages	-	-	-	-	-	-
Building	-	-	-	-	-	-
Unassigned	-	-	-	-	-	(4,959)
Total fund balances	1,498,763	1,396,253	643,518	544,165	191,488	(4,959)
Total liabilities, deferred inflows of resources, and fund balances	\$3,416,361	\$2,108,624	\$ 714,096	\$ 544,165	\$ 377,910	\$ 444,823

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015**

Special Revenue Funds				Debt Service Funds			Total Nonmajor Governmental Funds
Building Department	DARE / GREAT	Neighborhood Stabilization Program	Building and Grounds	Taylor Building Authority Debt	2008 MI Transportation Bond Debt	1996 Voted Levy	
\$ 722,228	\$ 12,419	\$ 40,257	\$ 378,498	\$ 4,595	\$ 415	\$ 1,800,201	\$ 8,586,487
-	-	-	57,776	-	-	19,649	77,425
-	150	-	1,711	-	-	-	4,868
-	-	-	-	-	-	-	865,026
-	-	-	106,695	-	-	53,347	160,042
151,025	-	15,086	-	-	-	10,820	1,276,931
-	-	-	-	-	-	-	10,072
-	-	184,381	-	-	-	-	184,381
\$ 873,253	\$ 12,569	\$ 239,724	\$ 544,680	\$ 4,595	\$ 415	\$ 1,884,017	\$ 11,165,232
\$ 30,010	\$ 2,624	\$ 7,467	\$ 75,668	\$ -	\$ -	\$ -	\$ 1,464,765
-	-	-	76,599	-	-	33,600	110,199
-	50	112,952	12,781	-	-	-	2,073,181
12,554	-	-	26,623	-	-	5,684	44,861
42,564	2,674	120,419	191,671	-	-	39,284	3,693,006
-	9,895	-	-	-	-	-	50,252
-	-	-	-	-	-	-	10,072
-	-	184,381	-	-	-	-	184,381
-	-	-	-	-	415	-	2,895,431
-	-	-	-	-	-	-	1,369,099
-	-	-	-	4,595	-	1,844,733	1,849,328
-	-	-	353,009	-	-	-	353,009
830,689	-	-	-	-	-	-	830,689
-	-	(65,076)	-	-	-	-	(70,035)
830,689	-	119,305	353,009	4,595	415	1,844,733	7,421,974
\$ 873,253	\$ 12,569	\$ 239,724	\$ 544,680	\$ 4,595	\$ 415	\$ 1,884,017	\$ 11,165,232

City of Taylor, Michigan

Special Revenue Funds

	Major Streets	Local Streets	Police Forfeiture	Treasury Forfeiture	Justice Forfeiture	Community Development Block Grant	Building Department
Revenue							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	1,845,871
Federal grants	26,622	-	-	26,328	48,033	415,586	-
State-shared revenue and grants	2,934,975	1,399,265	349,963	-	-	-	-
Interest income	3,600	2,099	1,532	1,040	991	-	878
Rental income	-	-	-	-	-	-	-
DMA/911 and other revenue	-	-	-	-	-	-	-
Total revenue	2,965,197	1,401,364	351,495	27,368	49,024	415,586	1,846,749
Expenditures							
Current:							
Public safety	-	-	-	-	186,930	-	-
Public works	1,925,442	2,428,854	-	-	-	-	1,111,868
Community development	-	-	-	-	-	385,575	-
Capital outlay	-	-	531,030	-	2,988	6,222	-
Debt service	-	68,237	-	-	-	-	-
Total expenditures	1,925,442	2,497,091	531,030	-	189,918	391,797	1,111,868
Excess of Revenue Over (Under) Expenditures	1,039,755	(1,095,727)	(179,535)	27,368	(140,894)	23,789	734,881
Other Financing Sources (Uses)							
Face value of debt issue	-	-	-	-	-	-	-
Debt premium or discount	-	-	-	-	-	-	-
Transfers in	-	1,100,000	-	-	-	-	-
Transfers out	(1,456,988)	-	-	-	-	-	-
Payment to bond refunding escrow agent	-	-	-	-	-	-	-
Total other financing (uses) sources	(1,456,988)	1,100,000	-	-	-	-	-
Net Change in Fund Balances	(417,233)	4,273	(179,535)	27,368	(140,894)	23,789	734,881
Fund Balances (Deficit) - Beginning of year	1,915,996	1,391,980	823,053	516,797	332,382	(28,748)	95,808
Fund Balances (Deficit) - End of year	\$ 1,498,763	\$ 1,396,253	\$ 643,518	\$ 544,165	\$ 191,488	\$ (4,959)	\$ 830,689

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in
Fund Balances (Deficit)
Nonmajor Governmental Funds
Year Ended June 30, 2015

Special Revenue Funds			Debt Service Funds			Total Nonmajor Governmental Funds
DARE/ GREAT	Neighborhood Stabilization Program	Building and Grounds	Taylor Building Authority Debt	2008 MI Transportation Bond Debt	1996 Voted Levy	
\$ -	\$ -	\$ 2,814,629	\$ -	\$ -	\$ 1,222,117	\$ 4,036,746
-	-	-	-	-	-	1,845,871
-	79,196	10,855	-	-	-	606,620
-	-	-	-	-	-	4,684,203
34	-	1,684	70	-	2,393	14,321
-	-	-	526,230	-	-	526,230
12,972	-	-	-	-	1,500,000	1,512,972
<u>13,006</u>	<u>79,196</u>	<u>2,827,168</u>	<u>526,300</u>	<u>-</u>	<u>2,724,510</u>	<u>13,226,963</u>
-	-	-	-	-	-	186,930
-	-	839,784	-	-	-	6,305,948
-	140,125	-	-	-	-	525,700
13,006	-	33,352	-	-	-	586,598
-	-	-	2,804,794	356,988	1,693,450	4,923,469
<u>13,006</u>	<u>140,125</u>	<u>873,136</u>	<u>2,804,794</u>	<u>356,988</u>	<u>1,693,450</u>	<u>12,528,645</u>
-	(60,929)	1,954,032	(2,278,494)	(356,988)	1,031,060	698,318
-	-	-	6,965,000	-	-	6,965,000
-	-	-	673,406	-	-	673,406
-	-	-	2,044,668	356,988	-	3,501,656
-	-	(2,044,668)	-	-	-	(3,501,656)
-	-	-	(7,400,000)	-	-	(7,400,000)
-	-	(2,044,668)	2,283,074	356,988	-	238,406
-	(60,929)	(90,636)	4,580	-	1,031,060	936,724
-	180,234	443,645	15	415	813,673	6,485,250
<u>\$ -</u>	<u>\$ 119,305</u>	<u>\$ 353,009</u>	<u>\$ 4,595</u>	<u>\$ 415</u>	<u>\$ 1,844,733</u>	<u>\$ 7,421,974</u>

City of Taylor, Michigan

Other Supplemental Information Combining Statement of Net Position Fiduciary Funds June 30, 2015

	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
	System	Pension Plan*	Total	Tax Receiving	Agency	Court	Total
Assets							
Cash and cash equivalents	\$ 7,143,028	\$ 3,718,919	\$ 10,861,947	\$ 1,525,599	\$ 13,944	\$ 818,362	\$ 2,357,905
Investments:							
U.S. government securities	3,323,224	5,582,378	8,905,602	-	-	-	-
Agency securities	-	650,395	650,395	-	-	-	-
Common and preferred stocks	54,455,732	26,283,229	80,738,961	-	-	-	-
Corporate bonds	3,262,234	5,035,108	8,297,342	-	-	-	-
Mutual funds	30,685,608	-	30,685,608	-	-	-	-
Partnerships	20,253,690	-	20,253,690	-	-	-	-
Receivables	208,702	103,956	312,658	861,247	21,121	-	882,368
Total assets	119,332,218	41,373,985	160,706,203	\$ 2,386,846	\$ 35,065	\$ 818,362	\$ 3,240,273
Liabilities							
Due to other governmental units	-	-	-	\$ 1,075,537	\$ -	\$ 674,505	\$ 1,750,042
Other current liabilities	-	-	-	842,767	35,065	143,857	1,021,689
Tax collections distributable	-	-	-	468,542	-	-	468,542
Total liabilities	-	-	-	\$ 2,386,846	\$ 35,065	\$ 818,362	\$ 3,240,273
Net Position Held in Trust for Pension and Other Employee Benefits	\$ 119,332,218	\$ 41,373,985	\$ 160,706,203				

* Balances are as of December 31, 2014

City of Taylor, Michigan

Other Supplemental Information Combining Statement of Changes in Fiduciary Net Position Fiduciary Funds Year Ended June 30, 2015

	Police and Fire Retirement System	General Employees' Pension Plan*	Total
Additions			
Investment income:			
Interest and dividends	\$ 2,899,586	\$ 963,243	\$ 3,862,829
Net increase in fair value of investments	4,528,891	1,017,805	5,546,696
Less investment expenses	(418,425)	(179,015)	(597,440)
Net investment income	7,010,052	1,802,033	8,812,085
Contributions:			
Employer	5,409,465	2,725,322	8,134,787
Employee	802,920	192,334	995,254
Total contributions	6,212,385	2,917,656	9,130,041
Total additions - Net of investment expenses	13,222,437	4,719,689	17,942,126
Deductions			
Benefit payments	11,500,428	6,083,112	17,583,540
General and administrative	104,875	198,568	303,443
Total deductions	11,605,303	6,281,680	17,886,983
Net Increase (Decrease) in Net Position Held in Trust	1,617,134	(1,561,991)	55,143
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year	117,715,084	42,935,976	160,651,060
Net Position Held in Trust for Pension and Other Employee Benefits - End of year	\$ 119,332,218	\$ 41,373,985	\$ 160,706,203

* Balances are as of December 31, 2014