

City of Monroe, Michigan

2012 – 2013 Fiscal Year

Financial Statements

BICENTENNIAL
WAR OF 1812
2012-2015



MONROE, MICHIGAN

City of Monroe, Michigan

Comprehensive Annual Financial Report with Supplemental Information June 30, 2013

Mayor
Robert E. Clark

City Manager
George A. Brown

City Council
Jeffery A. Hensley
Jerry McKart
Willie R. Hall
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James R. Kansier
Brian P. Benetau

Prepared by:
Finance Director
Edward J. Sell Jr.

City of Monroe, Michigan

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Introductory Section



CITY OF MONROE

November 20, 2013

Honorable Mayor, Members of the City
Council and Citizens of the City of Monroe:

We are pleased to submit the City of Monroe Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2013. This report was prepared by the City Finance Department. The financial statements are the representations of the management of the City. Responsibility for both the accuracy of the prepared data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds, and component units of the City. All necessary disclosures are included in the document to enable the reader to gain an understanding of the City's financial activities.

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The cost of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. The City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

State of Michigan statutes and the Monroe City Charter require an independent audit of the City's financial transactions and records. The City is required to undergo an annual single audit of its federal financial assistance in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments". Information related to this single audit, including schedules, the independent auditors' reports on internal control structure, compliance with applicable laws and regulations and official information are included in the single audit section. Plante & Moran, PLLC, whose opinion and reports are included, has performed this audit for Fiscal Year 2013.

Included in the financial section of the CAFR is a Management Discussion and Analysis (MD&A) letter. The letter provides additional information and analysis from City management regarding the financial results. It is supplementary information to the financial statements that is intended to provide the financial statement reader

with additional insight into the City's financial operations. It also provides the reader with additional information as to the layout and contents of the CAFR.

City Government Profile

The last page of the introductory section of the CAFR provides basic information regarding the City of Monroe, the governmental structure, and demographic information. An organizational chart is also included in the introductory section.

This report includes all the funds of the City as legally defined, as well as its component units. Component units are legally separate entities for which the City is financially accountable. These agencies are the Monroe Downtown Development Authority, the Monroe Brownfield Redevelopment Authority, the Monroe Building Authority and the Port of Monroe.

Michigan law requires that the City adopt budgets for the General Fund and all Special Revenue Funds. The City goes beyond this requirement and adopts budgets for all city funds, except for agency type funds. The process for adopting the budget includes adoption of a Capital Improvement Program budget by the end of February each year, submittal of a budget recommendation by the City Manager to the City Council by April 1 of each year, and final adoption of the budget by the City Council by April 30 of each year. Each of these dates is required to be met as set forth in the City Charter. Expenditures are controlled at the department level (General Fund) or fund level (all other funds). Although encumbrances are reservations of the expenditure budget and not expenditures, they are used as an extension of formal budgetary control. The City Charter also states that "Every appropriation, except an appropriation for capital expenditure, shall lapse at the close of the fiscal year to the extent it has not been expended or encumbered. An appropriation for a capital expenditure shall continue in force until the purpose for which it was made has been accomplished or abandoned."

Economic Condition and Outlook

Monroe is a major employment center with companies such as Detroit Edison and Gerdau MAC Steel maintaining facilities here. Monroe is also home to La-Z-Boy, Inc., World Headquarters. The largest employer in Monroe County and the City of Monroe is Mercy Memorial Health System. Mercy Memorial employs over 1,700. The average annual unemployment rate for the area has averaged 9.11% over the last ten years. The unemployment rate for Monroe County as of June 30, 2013 was 8.8%. The current state of the economy in the State of Michigan in general, the potential reduction of state shared revenues and legislation being considered to eliminate personal property taxes on most commercial/industrial properties, are significant factors relating to the City's future financial position.

Building permits for new construction and alterations were valued at approximately \$22.6 million. This represents a decrease of 36.5 percent as compared to the previous five-year average of \$30.8 million. With the high and low years removed from the last ten years, the average value is \$19.02 million. The total number of

permits increased substantially to 1,451. A history of building permits over the last ten years follows:

| Fiscal Year | Number of Permits | Value |
|-------------|-------------------|---------------|
| 2013 | 1,451 | \$ 22,608,713 |
| 2012 | 899 | 53,334,251 |
| 2011 | 883 | 36,615,861 |
| 2010 | 883 | 16,737,251 |
| 2009 | 988 | 23,699,406 |
| 2008 | 827 | 23,987,130 |
| 2007 | 996 | 20,060,217 |
| 2006 | 850 | 9,301,616 |
| 2005 | 1,104 | 23,508,318 |
| 2004 | 1,332 | 23,011,761 |

The primary long term financial plan adopted annually by the City is the five-year Capital Improvements Plan (CIP) and the related, annual Capital Improvements Budget. Financial projections developed in 2005-2006 indicated that, among other things, levels of capital improvement funding would need to be curtailed significantly in future years if the City's fixed operating overhead were not reduced substantially. Since that time the City has implemented effective actions to significantly reduce fixed operating overhead, including the reduction of the full-time workforce from about 250 to 166.6 full-time equivalent employees. These actions, along with the implementation of productivity improvements, have enabled the City to meet Mayor and Council objectives to sustain capital improvement funding levels, maintain service levels, put aside adequate fund reserves and right-size operational overhead.

In recent years, a budget projection process has begun for the General Fund. When a budget is adopted for the upcoming fiscal year, a projection is done for the following fiscal year. A budget projection is also required in order to qualify for Economic Vitality Incentive Program (EVIP) funding through the State of Michigan. A budget projection was completed in September 2013 that projected revenues and expenditures through June 30, 2015. The primary factor in completing these forecasts is the accuracy of the projected change in property tax revenues, including reductions in personal property tax revenue as a result of legislation approved that will begin the process of eliminating personal property taxes. If property tax revenues were to remain flat or increase, the City should be able to achieve a balanced budget for the years covered in the forecast. Among other things, the forecast includes full funding for the City's retiree healthcare liability. Additional information regarding this liability can be found in the Management Discussion and Analysis letter and the Notes to the Financial Statements.

Property taxes represent 75% of the General Fund revenues. Proposal "A", passed by voters in 1994, shifted school financing to the state sales tax, providing relief from property taxes. Relief is afforded through a homestead exemption from 18 mills of local school millage and a cap in assessment growth. Taxable values are capped at the lesser of 5% or general inflation by individual parcel, until a property is

“transferred”. Taxable valuation is distinguished from state equalized values formerly used as the base for property taxation. Tax base growth is mainly the result of new construction. For the 2012 tax year, covering fiscal 2012-13, the overall taxable value was approximately \$144 million below state equalized value reducing potential tax revenue by approximately \$2.39 million due to the cap, with \$2.06 million of that amount being attributed to general operating purposes. The gap between taxable value and state equalized valuation decreased for the 2012 tax year. The gap was approximately \$160 million for the 2011 tax year covering fiscal year 2011-12.

State shared revenue accounted for approximately 11 percent of the City’s General Fund revenue. The constitutional and EVIP portion of the revenue increased 2.8 percent from the previous year due to an increase in the amount of sales tax distributed to local governments in the State of Michigan’s budget. We continue to be conservative with budget estimates on the revenue side, and at the same time, be focused on controlling expenditure levels.

The City has adopted financial policies that guide the City in its financial management practices. The City takes these policies into account in preparation of the annual budget and in reviewing the budget status of each fund during the fiscal year.

A primary focus of management is constant improvement of customer service. Satisfaction of Monroe’s residents and other customers continues to be the organization’s driving force. All services provided are evaluated on the basis of benefits provided both to individual users and the Monroe community as a whole. This effort is reflected in both operations and in planning and budgeting, where performance measure data has been captured for operational review.

Various capital projects were funded with the adoption of the 2012-2013 budget. The following projects were active in 2012-2013:

Local Streets:

- Lavender Reconstruction – Calkins to Hendricks
- O’Brien Reconstruction – Front to End
- Noble Reconstruction – Theadore to Telegraph
- Avenue De Lafayette Reconstruction
- Franklin Street Railroad Crossing Closure

Major Streets:

- Elm/Dixie/Winchester Intersection
- Detroit Avenue Reconstruction – Mill to Dixie
- W. Front Resurfacing – Harrison to Monroe
- Cass Street Resurfacing – City line to Third

General Capital Projects

- Riverfront Park and Parking Lot Development
- Macomb Street Bridge Reconstruction
- Macomb Street Parking Lot Reconstruction

- River Raisin Dam Removal & Fish Passage Development
- Sterling Island Shoreline Erosion Protection
- Airport Runway and Apron Improvements

Water System:

- Cass Street Water Main – City line to Front
- Maybee Elevated Storage Tank Improvements
- Macomb Street Water Main – River Crossing
- Franklin Street Water Main – Kentucky to Winchester
- Detroit Avenue Water Main – Mill to Dixie

Wastewater System

- Treatment Plant Improvements (Bonded Project)
- Wet Weather Improvements (Bonded Project)
- Sanitary Sewer Rehabilitations

Major planned projects for fiscal 2013-2014:

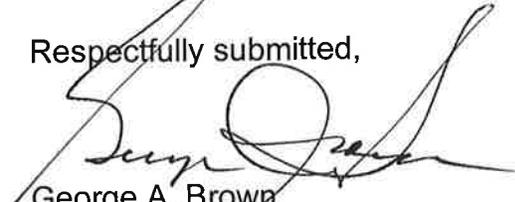
- Arthur Lesow Community Center Building Renovations
- Water line and elevator control upgrades at City Hall
- St. Mary's Park Tennis Court Resurfacing
- Munson Park Ball Diamond Drainage and Restroom Improvements
- N. Dixie Resurfacing – Elm to Spaulding
- Monroe Street (including parking lane) Resurfacing
- Lavender Reconstruction – Calkins to Hendricks
- Western Resurfacing – Huron to Erie
- Cass Resurfacing – Third to Front
- Huron Resurfacing – Western to Woodville
- Sidewalk Replacement Program
- DPS Parking Lot Paving
- Wastewater Plant Wet Weather Improvements
- Wastewater Pump Station Rehabilitation – Sunset and Detroit Beach
- Sanitary Sewer System Rehabilitation
- Borgess Avenue Water Main – Ives Drain to Stedman
- W. Dunbar Road Water Main – Strasburg to W. of Raisinville (Bonded)
- Ozone System Upgrade & MCC 'C' Replacement
- Other smaller cost projects

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Monroe for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2012. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only.

In conclusion, we wish to recognize the professional contributions and extra efforts of the entire Finance Staff throughout the year, particularly during the preparation of this report. The City's financial system and internal control structure has involvement from many departments. We also wish to recognize those departments for their contributions to maintaining the system with a high level of accuracy throughout the fiscal year. We also wish to thank the Mayor and City Council Members for their continued interest and support of the City's goal of excellence in all respects of financial management.

Respectfully submitted,



George A. Brown
City Manager



Edward J. Sell Jr.
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

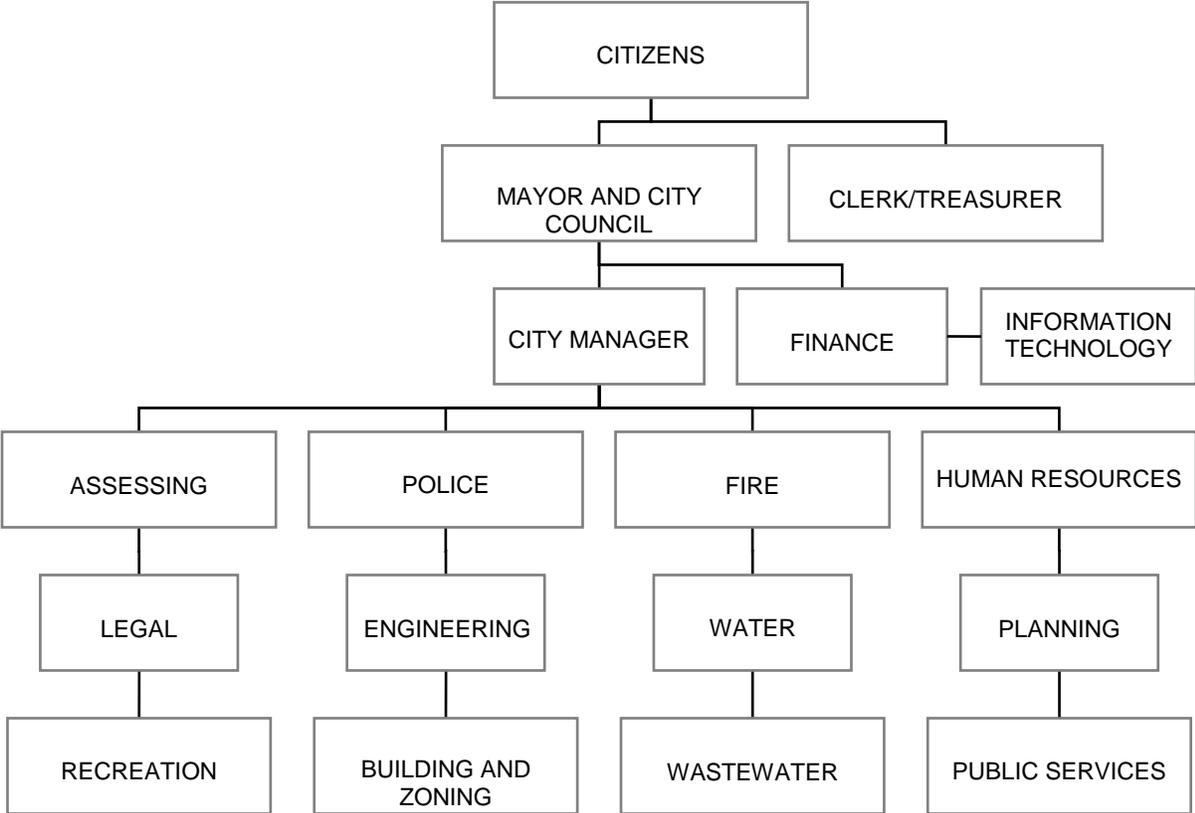
**City of Monroe
Michigan**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

CITY OF MONROE, MICHIGAN ORGANIZATIONAL CHART



CITY OF MONROE, MICHIGAN
List of Principal Officials

| Title | Name |
|--|------------------------|
| Mayor | Robert E. Clark |
| Council Members: | |
| First Precinct | Jeffery A. Hensley |
| Second Precinct | Jerry McKart |
| Third Precinct | Willie R. Hall |
| Fourth Precinct | Jeremy J. Molenda |
| Fifth Precinct | James R. Kansier |
| Sixth Precinct | Brian P. Beneteau |
| City Clerk/Treasurer | Charles D. Evans |
| City Manager | George A. Brown |
| Public Safety Director/Police Chief | Thomas C. Moore |
| Fire Chief | Manuel Hoskins |
| Finance Director | Edward J. Sell Jr. |
| Director of Engineering and Public Services | Patrick Lewis |
| Director of Water and Wastewater Utilities | Barry LaRoy |
| Assessor | Samuel J. Guich |
| Human Resources Director | Peggy Howard |
| Economic and Community Development Director | Dan Swallow |
| City Attorney | Ready, Sullivan, Ready |

Facts About Monroe

The City of Monroe (the “City”) is located in Monroe County in the far southeast portion of Michigan’s lower peninsula. Located approximately 35 miles south of Detroit, Michigan, 15 miles north of Toledo, Ohio, and 40 miles southeast of Ann Arbor, Michigan, Monroe is the county seat with a population of 20,733 according to the 2010 Census.

Monroe is Michigan’s third oldest continuous settlement, founded in 1784. The City operates under a manager-council form of government. Its most recent charter was adopted December 8, 1913. The City is incorporated under Michigan law as a home rule city.

Elected officials are composed of the mayor, city clerk/treasurer, and six councilpersons, representing six precincts, elected at large. All terms of office are two years. Department heads are appointed by and serve at the pleasure of the city manager with the exception of the finance director who serves at the pleasure of the mayor and council. The city manager is responsible for administration of all departments and functions of City government not under the jurisdiction of any other elected official or the Civil Service Commission. The city clerk/treasurer is responsible for keeping the public records and for receipt, disbursement, and custody of public monies and other evidences of value held by or belonging to the City. The City Council is responsible for all legislative matters, including adoption of the City budget.

Financial Section

Independent Auditor's Report

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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.

Opinions

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

To the City Council
City of Monroe, Michigan

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, retirement system schedules of funding progress and employer contributions, and the budgetary comparison schedule for the General Fund, 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 Monroe, Michigan's basic financial statements. The other supplemental information, as identified in the table of contents, and introductory section and statistical section are presented for the purpose of additional analysis and are 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.

The introductory section and statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2013 on our consideration of the City of Monroe, 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 City of Monroe, Michigan's internal control over financial reporting and compliance.

Plante & Moran, PLLC

November 20, 2013

City of Monroe, Michigan

Management's Discussion and Analysis

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2013:

- Property tax revenue, our largest revenue source, increased slightly from \$13.99 million to \$14.44 million. Residential property values have continued to decline, but there have been offsetting industrial and commercial property value increases that caused overall taxable value to increase slightly from the prior year. The increase in revenue is primarily a result of levying an additional .5634 general operating mills to fund the City's Post-Retirement Healthcare liability. This additional levy set the millage rate levied at the full millage amount available to levy for general operating purposes.
- The shared sales tax portion of state-shared revenue, our second largest revenue source, was increased by 2.8 percent, or \$48,980 to \$1,791,988. The increase was due to increases in the constitutional and Economic Vitality Incentive Program (EVIP) portions of state revenue sharing as a result of increased sales tax collections at the State level. The State of Michigan pays revenue sharing to local governments based on its fiscal year, which ends on September 30. The following table displays the revenue sharing paid by the State of Michigan to the City of Monroe, Michigan for the last three State of Michigan fiscal years:

| <u>Fiscal Year End</u> | <u>Amount</u> |
|------------------------|---------------|
| September 30, 2013 | \$1,780,410 |
| September 30, 2012 | \$1,737,412 |
| September 30, 2011 | \$1,770,374 |

For the State of Michigan fiscal year ended September 30, 2000, the City of Monroe, Michigan was paid \$2,852,494 in revenue sharing. In response to this reduction over the years, the City has reduced expenditures by increasing efficiencies, managing costs, reducing service levels, eliminating select full-time positions, monitoring overtime, and delaying capital expenditures.

- Fund balance for the General Fund (which now includes the City's Budget Stabilization Fund under GASB No. 54) decreased \$98,986 to \$5,540,730. This was primarily due to a \$507,488 reduction in the value of real estate inventory to \$1,184,138. Unassigned fund balance increased \$590,702 to \$3,101,726. This increase was due to two factors:
 - Funds previously committed for future police officer personnel costs was uncommitted by the City Council. It was transferred to unassigned fund balance and will be allocated to various planning and capital projects in the 2014 fiscal year.

City of Monroe, Michigan

Management's Discussion and Analysis (Continued)

- Expenditures were less than what was budgeted in the amount of \$387,819. Budgeted, but unfilled, police officer positions accounted for a portion of the unspent funds. Various other departments were also significantly under budget.

In addition, \$48,565 of fund balance is assigned and will be used in the fiscal year ending June 30, 2014 for items encumbered at fiscal year end.

- The Building Authority issued refunding bonds in August 2012 in the amount of \$4,275,000 to refund the bonds issued to finance the construction of the Multi-Sports Complex. The bonds were issued at a true interest cost of 2.23 percent. The refunding will save \$454,441 over the remaining life of the bond, which matures on November 1, 2023.
- The City fully funded its annual required contribution (ARC) to the Post-Retirement Healthcare System for the first time. The ARC was \$3,871,234 and the City contributed \$4,196,248. This was achieved by the levying of additional operating mills as mentioned earlier.
- The City has reduced the number of approved full-time positions to 168 from its peak of 258 in fiscal year 2002.
- Expenditures related to capital projects totaled \$23.8 million.
- Investment income continued to be weak at \$111,537, declining \$27,210 from the prior fiscal year.
- Total net position related to the City's governmental activities increased by \$1,657,642.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting 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.

The fund financial statements present a short-term view; they tell us how the citizens' 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.

City of Monroe, Michigan

Management's Discussion and Analysis (Continued)

The City as a Whole

The following table shows, in a condensed format, the net position as of the current date and compared to the prior year:

| | Governmental Activities | | Business-type Activities | | Total | |
|----------------------------------|-------------------------|----------------------|--------------------------|----------------------|-----------------------|-----------------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Assets | | | | | | |
| Current assets | \$ 31,026,535 | \$ 30,518,987 | \$ 10,960,898 | \$ 10,439,441 | \$ 41,987,433 | \$ 40,958,428 |
| Equity in joint ventures | - | - | 3,859,267 | 3,858,955 | 3,859,267 | 3,858,955 |
| Restricted assets | 535,161 | 3,119,287 | - | 438,751 | 535,161 | 3,558,038 |
| Capital assets | 71,465,228 | 68,319,640 | 100,503,961 | 88,285,088 | 171,969,189 | 156,604,728 |
| Total assets | 103,026,924 | 101,957,914 | 115,324,126 | 103,022,235 | 218,351,050 | 204,980,149 |
| Liabilities | | | | | | |
| Current liabilities | 19,607,967 | 19,395,122 | 3,390,113 | 4,532,822 | 22,998,080 | 23,927,944 |
| Long-term liabilities | 16,410,497 | 17,211,974 | 41,982,423 | 31,604,609 | 58,392,920 | 48,816,583 |
| Total liabilities | 36,018,464 | 36,607,096 | 45,372,536 | 36,137,431 | 81,391,000 | 72,744,527 |
| Net Position | | | | | | |
| Net investment in capital assets | 61,962,831 | 60,908,779 | 58,090,703 | 57,363,383 | 120,053,534 | 118,272,162 |
| Restricted | 2,108,898 | 2,074,059 | - | - | 2,108,898 | 2,074,059 |
| Unrestricted | 2,936,731 | 2,367,980 | 11,860,887 | 9,521,421 | 14,797,618 | 11,889,401 |
| Total net position | <u>\$ 67,008,460</u> | <u>\$ 65,350,818</u> | <u>\$ 69,951,590</u> | <u>\$ 66,884,804</u> | <u>\$ 136,960,050</u> | <u>\$ 132,235,622</u> |

The City's combined net position increased by 3.6 percent from a year ago - increasing from \$132.2 million to \$136.9 million. The increase is primarily due to an increase in the amount invested in capital assets as a result of new capital projects that used debt funding. These projects included the Laurel-Finzel Parking Lot Improvement, the Macomb Street Bridge Rehabilitation, and Wastewater Treatment Plant Wet Weather Improvements. There was also an increase in combined unrestricted net position of approximately \$2.9 million. This was primarily due to an increase in net position in the business type funds due to an operating income that exceeded \$3.0 million.

As we look at the governmental activities separately from the business-type activities, we can see that unrestricted net position, the part of net position that can be used to finance day-to-day operations, increased by \$568,751 for governmental activities. This represents an increase of approximately 24 percent. The current level of unrestricted net position for governmental activities stands at \$2.937 million, or about 13 percent of expenditures. The increase is primarily due to actual expenditures being less than what was budgeted in various governmental operations, including public safety and street preservation and maintenance. The unrestricted portion of the business-type activities net position also increased \$2,339,466, or 24.6 percent, due to an operating income of approximately \$3.0 million in the Water and Wastewater Funds.

City of Monroe, Michigan

Management's Discussion and Analysis (Continued)

The following table shows the changes in the net position during the current year and as compared to the prior year:

| | Governmental Activities | | Business-type Activities | | Total | |
|---|-------------------------|----------------------|--------------------------|----------------------|-----------------------|-----------------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Net Position - Beginning of year | \$ 65,350,818 | \$ 67,624,853 | \$ 66,884,804 | \$ 66,267,159 | \$ 132,235,622 | \$ 133,892,012 |
| Revenue | | | | | | |
| Program revenue: | | | | | | |
| Charges for services | 2,141,936 | 2,165,507 | 15,272,429 | 14,466,580 | 17,414,365 | 16,632,087 |
| Operating grants and contributions | 1,635,959 | 1,496,086 | 152,259 | 153,575 | 1,788,218 | 1,649,661 |
| Capital grants and contributions | 3,023,728 | 1,615,645 | 468,477 | 610,905 | 3,492,205 | 2,226,550 |
| General revenue: | | | | | | |
| Property taxes | 14,444,017 | 13,997,518 | - | - | 14,444,017 | 13,997,518 |
| State-shared revenue | 1,861,100 | 1,752,988 | - | - | 1,861,100 | 1,752,988 |
| Investment income | 65,260 | 87,494 | 46,277 | 51,253 | 111,537 | 138,747 |
| Cable franchise fees | 319,517 | 307,837 | - | - | 319,517 | 307,837 |
| Other miscellaneous income | 663,247 | 487,789 | 362,419 | 63,896 | 1,025,666 | 551,685 |
| Transfers | 99,201 | - | (99,201) | - | - | - |
| Total revenue | 24,253,965 | 21,910,864 | 16,202,660 | 15,346,209 | 40,456,625 | 37,257,073 |
| Program Expenses | | | | | | |
| General government | 2,646,677 | 2,398,403 | - | - | 2,646,677 | 2,398,403 |
| Public safety | 8,663,622 | 9,654,009 | - | - | 8,663,622 | 9,654,009 |
| Public works | 8,701,005 | 9,825,018 | - | - | 8,701,005 | 9,825,018 |
| Community development | 628,791 | 601,433 | - | - | 628,791 | 601,433 |
| Culture and recreation | 1,631,045 | 1,406,611 | - | - | 1,631,045 | 1,406,611 |
| Interest on long-term debt | 325,183 | 299,425 | - | - | 325,183 | 299,425 |
| Water and wastewater | - | - | 13,135,874 | 14,728,564 | 13,135,874 | 14,728,564 |
| Total program expenses | 22,596,323 | 24,184,899 | 13,135,874 | 14,728,564 | 35,732,197 | 38,913,463 |
| Change in Net Position | 1,657,642 | (2,274,035) | 3,066,786 | 617,645 | 4,724,428 | (1,656,390) |
| Net Position - End of year | \$ 67,008,460 | \$ 65,350,818 | \$ 69,951,590 | \$ 66,884,804 | \$ 136,960,050 | \$ 132,235,622 |

City of Monroe, Michigan

Management's Discussion and Analysis (Continued)

Revenue for the City as a whole increased \$3,199,552 (8.6 percent). Revenue increased in both governmental and business-type activities. Percentage changes from the prior year in the individual revenue categories were as follows:

| Revenue Category | Total | | Change +/- | % Change |
|------------------------------------|----------------------|----------------------|---------------------|----------|
| | 2013 | 2012 | | |
| Charges for services | \$ 17,414,365 | \$ 16,632,087 | \$ 782,278 | 4.70% |
| Operating grants and contributions | 1,788,218 | 1,649,661 | 138,557 | 8.40% |
| Capital grants and contributions | 3,492,205 | 2,226,550 | 1,265,655 | 56.84% |
| Property taxes | 14,444,017 | 13,997,518 | 446,499 | 3.19% |
| State-shared revenue | 1,861,100 | 1,752,988 | 108,112 | 6.17% |
| Investment income | 111,537 | 138,747 | (27,210) | -19.61% |
| Cable franchise fees | 319,517 | 307,837 | 11,680 | 3.79% |
| Other miscellaneous income | 1,025,666 | 551,685 | 473,981 | 85.92% |
| Total | <u>\$ 40,456,625</u> | <u>\$ 37,257,073</u> | <u>\$ 3,199,552</u> | 8.59% |

Charges for services revenue increased in total primarily due to an increase in revenue from the sale of water and sewage disposal charges. Operating grants and contributions increased due to revenue received for an Economic Vitality Incentive Program (EVIP) grant that funded public safety division creation expenditures and incentive funds received for the closure of a rail crossing. Capital grants and contributions increased due to the use of approximately \$1.48 million in Great Lakes Restoration Initiative federal grant funding for the restoration and improvement of the River Raisin. State-shared revenue increased due to increased allocations from the State of Michigan. Investment income decreased due to the continued depression of interest rates available for investing.

Due to a variety of reasons, program expenses for the City as a whole decreased by \$3.181 million (8.20 percent). Program expenses in the governmental activities decreased due to OPEB costs being reduced for public safety. Public works expenses also declined due to less costs being incurred for street maintenance. Other miscellaneous operating expenses also declined. Business-type activity program expenses also declined due to a reduction in OPEB costs, a lawsuit settlement that was recorded as a liability in the prior year in the amount of \$760,000, and a general reduction in operating expenses.

The City's total governmental revenue increased by \$2.343 million (10.7 percent) primarily due to increases in operating and capital grant revenue that were discussed in the government-wide discussion. Property tax revenue also increased due to the levy of additional operating millage to fund the annual required contribution for the post-retirement healthcare system. Governmental program expenses decreased \$1,588,576 (6.6 percent) related to OPEB, public safety, and public works costs as has previously been discussed.

City of Monroe, Michigan

Management's Discussion and Analysis (Continued)

Business-type Activities

The City's business-type activities consist of the Water and Wastewater Funds. The City operates the LePage raw water pump station in partnership with Frenchtown Charter Township and sells water to surrounding communities. The City also provides wastewater treatment through a City-owned and operated sewage treatment plant. The City experienced an increase in net position of \$3,066,786 in the business-type funds. The income was primarily due to increased revenue from water and wastewater services and a focus on reducing costs where possible. OPEB costs were also reduced significantly. The revenue increased due to fee increases implemented July 1, 2012.

The analysis of the City's major funds begins on page 18, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as street maintenance. The City's major funds for the year ended June 30, 2013 were the General Fund, Capital Projects Fund, Wastewater Fund, and the Water Fund.

The General Fund pays for most of the City's governmental services. The most significant are police and fire services, which incurred expenses of approximately \$8.55 million, or 50 percent of General Fund expenditures and transfers out. The costs of these departments are generally funded by property tax revenue, state-shared revenue, and charges for services sources of the General Fund. The activities of the Wastewater and Water Funds are disclosed under "business-type activities" above.

City of Monroe, Michigan

Management's Discussion and Analysis (Continued)

General Fund Budgetary Highlights

Over the course of the year, the City amended the budget to take into account events during the year. City departments overall stayed below budget, resulting in total expenditures of \$17,216,568, or 2.2 percent, below budget. In addition to this amount, certain items that were budgeted will be expended in future years. A total of \$48,565 was encumbered at the fiscal year end and the budget amount will be transferred to the 2014 fiscal year. A report of the General Fund expenditures follows:

| Department | Original Budget | Amended Budget | Actual | Variance with Amended Budget Favorable (Unfavorable) |
|--|----------------------|----------------------|----------------------|--|
| City Council | \$ 129,530 | \$ 121,301 | \$ 104,336 | \$ 16,965 |
| City manager | 269,355 | 283,135 | 280,096 | 3,039 |
| Finance | 705,063 | 712,185 | 702,870 | 9,315 |
| Personnel | 486,351 | - | - | - |
| Clerk-Treasurer | 485,684 | 537,381 | 493,824 | 43,557 |
| Assessor | 350,141 | 365,628 | 364,764 | 864 |
| City hall grounds | 261,516 | 268,332 | 263,429 | 4,903 |
| Attorney | 136,225 | 135,325 | 132,896 | 2,429 |
| Human resources | 264,102 | 305,257 | 284,966 | 20,291 |
| Engineering | 307,758 | 326,532 | 326,255 | 277 |
| Police | 5,628,016 | 5,663,568 | 5,557,657 | 105,911 |
| Fire | 2,940,076 | 3,043,555 | 2,992,048 | 51,507 |
| Zoning/Ordinance enforcement | 139,059 | 152,915 | 98,392 | 54,523 |
| Public works - Department of Public Services | 1,947,999 | 2,122,384 | 2,121,058 | 1,326 |
| Community and economic development | 237,988 | 271,540 | 247,567 | 23,973 |
| Library | 57,500 | 57,500 | 57,500 | - |
| Recreation | 1,531,622 | 1,502,458 | 1,461,734 | 40,724 |
| Public access T.V. | 154,250 | 166,274 | 159,758 | 6,516 |
| Historic District Commission | 1,950 | 1,950 | 763 | 1,187 |
| Social services | 140,000 | 140,000 | 140,000 | - |
| Debt service - Principal | 22,183 | 22,183 | 22,183 | - |
| Debt service - Interest on long-term debt | 18,379 | 18,379 | 18,379 | - |
| Contingencies | 150,000 | - | - | - |
| Other uses - Transfers out | 859,093 | 878,605 | 878,605 | - |
| Other uses - Loss in fair value of inventory | - | 508,000 | 507,488 | 512 |
| Total | \$ 17,223,840 | \$ 17,604,387 | \$ 17,216,568 | \$ 387,819 |

The original budget of \$17,223,840 was increased to \$17,604,387 by fiscal year end. The increase was due to the decrease in value of land held as inventory where the decrease in value was greater than anticipated.

City of Monroe, Michigan

Management's Discussion and Analysis (Continued)

Revenue was originally budgeted at \$17,223,840. It was amended to \$17,096,386. Various items were amended to amount for the decrease, but the decrease was primarily due to recreation charge for services revenue budget amounts being reduced for recreation program and multi-sports complex revenues.

Revenue came in over budget by \$21,196, or 0.12 percent. This surplus was primarily due to property tax revenues exceeding the budgeted amount due to tax captures by the Brownfield Redevelopment Authority (BRA) and the Downtown Development Authority (DDA) being less than what was estimated.

The amended budget estimated that fund balance would decrease by \$508,001 to \$5,131,715. The actual fund balance decreased by \$98,986 to \$5,540,730. Of the fund balance amount, \$48,565 is assigned for encumbered items and \$2,000,000 is committed for budget stabilization purposes. The fund balance figure also includes a substantial non-liquid land asset in the amount of \$368,780 and prepaid assets which are non-spendable in the amount of \$21,659. When these items are subtracted from the ending fund balance, the amount of the fund balance available for appropriation is \$3,101,726. That amount represents about 17.7 percent of the General Fund budget for fiscal year 2014, which is above the level of what is recommended for a financially sound community. The City's policy is to keep fund balance at a level of 15 percent of budgeted expenditures.

Capital Asset and Debt Administration

At the end of 2013, the City had net capital assets of \$171,969,189 invested in a broad range of capital assets, including buildings, roads, police and fire equipment, and water and sewer lines. Debt amounted to \$53,815,607. Capital projects completed or in progress during fiscal year 2013 include continuation of the repaving portions of West Front Street, Detroit Avenue, Cass Street, Lavender Street, O'Brien Street, Noble Street, Avenue De Lafayette, and others, paving and raising of the Dixie/Elm intersection, closure of the Franklin Street Railroad Crossing, Laurel Finzel parking light improvements and renovations, Macomb Street Parking Lot Resurfacing, Airport Runway and Apron Improvements, Macomb Street Bridge Rehabilitation, River Raisin Dam Remediation, Sterling Island Restoration, water distribution system improvements, continued sanitary sewer rehabilitation, a facility rehabilitation for the wastewater treatment plant, and many others.

City of Monroe, Michigan

Management's Discussion and Analysis (Continued)

The City of Monroe had one new debt issue during the 2013 fiscal year and one debt refunding. An MDEQ Sewage Disposal System Bond (through the County of Monroe) was issued in September 2012 to fund facility and wet weather improvements at the Wastewater Treatment Facility. The total issue will provide up to \$17.95 million at a 2.5 percent interest rate. The funds for the borrowing are received from the State of Michigan as the project incurs costs. The final borrowing amount will not be known until the final project costs are known. As of fiscal year end, \$8,792,998 of the total available had been received.

The City refunded a 2005 building authority bond issue that was for construction of the Multi-Sports Complex. A total of \$4.275 million in bonds was issued to refinance \$4.14 million in prior bonds. The refunded bond had a net interest cost of 2.23 percent and a net present value savings of \$402,588.

The City received a financial rating from Standard & Poor's of A+ in 2012 when it issued bonds. This is the same rating as was received in 2010 and the rating has remained at that level since at least 2005.

The City is currently using 56.03 percent of its available debt margin of \$95,558,020. Debt service made up .23 percent of total General Fund expenditures for fiscal year 2013. Bonded debt and other long-term obligations were increased by \$10,333,590 during the year due to continued use of funds under the two active MDEQ Sewage Disposal System Bonds.

More detailed information concerning capital assets and long-term debt can be found in Notes 5 and 7, respectively, in the notes to the financial statements.

City of Monroe, Michigan

Management's Discussion and Analysis (Continued)

Other Significant Matters

The unemployment rate in the Monroe County region has improved over the last fiscal year. It was below the State of Michigan average, as can be seen in the following table:

| Year Ended | County | Michigan |
|---------------|--------|----------|
| June 30 | | |
| 2013 | 8.80% | 9.40% |
| 2012 | 8.40% | 9.20% |
| 2011 | 10.40% | 11.00% |
| 2010 | 12.90% | 13.10% |
| 2009 | 17.00% | 15.40% |
| 2008 | 8.30% | 8.70% |
| 2007 | 6.50% | 7.40% |
| 2006 | 5.90% | 6.50% |
| 2005 | 5.90% | 6.90% |
| 2004 | 6.90% | 7.30% |

The county unemployment rate had decreased to 7.9 percent at the end of August 2013.

Efforts continue to bring new employers into the City and to retain current employers. Ventower, a wind tower manufacturer, has constructed a new manufacturing plant that is in its second year of operation. River Raisin Battlefield property has recently been transferred to the United States of America and is now an official national park. Additional land transfers are planned for the future to make the park larger. Gerdau MacSteel is implementing a significant expansion. Ground had been broken for the new La-Z-Boy world headquarters which is being relocated from a different site within the City. Other commercial and industrial developments are also occurring.

The City's fiscal year 2013-2014 General Fund budget increased slightly when compared to the 2012-2013 budget. The adopted revenue and expenditures for each fiscal year's budget are as follows:

| | Originally Adopted General Fund Budget Totals | | | |
|--------------|---|---------------|------------|----------|
| | June 30, 2013 | June 30, 2014 | Increase | % Change |
| Revenue | \$ 17,223,840 | \$17,352,234 | \$ 128,394 | 0.75% |
| Expenditures | 17,223,840 | 17,533,234 | 309,394 | 1.80% |

City of Monroe, Michigan

Management's Discussion and Analysis (Continued)

The 2014 budget does not use any fund balance to balance the budget. It does however use \$181,000 of fund balance that previously had been committed for public safety personnel costs. The commitment has been removed and the funds will be reallocated to capital project costs. The budget also does not use any appropriations from other city funds, including the Committed Budget Stabilization Fund balance. The expenditure budget increased by 1.8 percent primarily due to the reallocation of fund balance mentioned above and increased employer pension contribution costs. The City Council approved continuing to levy the remaining City operating millage of .5634 mills and dedicated it to funding the post-retirement healthcare liability.

The first quarterly review indicates that the budget is in good condition, and while some transfers within the budget may be needed to adjust estimated budget amounts, the total budget appears to be adequate. The budget primarily funded operations at the same level as 2013. The budget includes funding to continue the process of training police officers to work as public safety officers and the total funding for retiree healthcare costs has been set at \$3.953 million. The annual required contribution (ARC) for the 2014 fiscal year as calculated by the retiree healthcare systems actuary is \$3.691 million. Employer pension contributions have increased from \$1.351 million to \$1.488 million. The pension contributions will increase again in fiscal year 2015 to \$1.622 million.

The budget currently funds 166.6 full-time equivalent positions. This is reduced 1.4 positions from the previous year due to the elimination of one position in favor of a contract arrangement and the reduction of one full-time position to part-time. Previous full-time employment numbers had exceeded 250. The initial General Fund budget included over \$1.072 million budgeted for capital projects. This included the \$181,000 of fund balance reallocated to capital projects previously mentioned. This is an increase from the \$840,000 funded in the prior year. The 2008 General Fund budget was originally adopted at \$20.5 million. Funding reductions over the years have resulted in budget reductions of almost \$4.0 million.

Due to the general economic downturn, residential property values have continued to decline. For fiscal year 2013, residential taxable values declined another 6.3 percent. Fortunately, commercial and industrial taxable values increased in excess of that amount causing total taxable value to increase by .61 percent. Historical taxable value data can be found in the statistical section of this report.

Taxable value in the residential sector is expected to continue to decline by a very small amount for fiscal year 2014. It is expected that values will begin to increase very slightly for fiscal year 2015. Due to the impact of Proposal A, the City will need to continue to monitor its budget very closely even when a recovery occurs. The state-wide Tax Reform Act limits growth in taxable value on any individual property to the lesser of inflation or 5 percent. This means that the recovery in the taxable value of City properties will take a significant amount of time and the financial recovery will be very slow. An emphasis will have to remain on controlling operating costs.

City of Monroe, Michigan

Management's Discussion and Analysis (Continued)

The combination of healthcare costs, increases in pension funding, and funding of future retiree healthcare liabilities have all significantly contributed to the financial burden that exists on the City's General Fund budget. Legislation that begins to eliminate the City's personal property tax revenue is also being monitored for future budget affects. It is estimated that the City will lose approximately \$76,000 in revenue in the General Fund for the 2015 fiscal year due to the legislation.

The City received an actuarial valuation report for the retiree healthcare system which calculated the annual required contribution (ARC) for fiscal year 2014 at \$3,691,439. The City has made changes to retiree healthcare benefits that have reduced the overall estimated liability. The present value of future benefit payments was estimated at \$56.1 million in the December 31, 2010 actuarial study. This was reduced from \$78.5 million as calculated in the December 31, 2006 study. The system was 24.1 percent funded as of December 31, 2010, an increase from 15.7 percent in the December 31, 2008 actuarial study. A new actuarial study for the retiree healthcare system will be completed in early 2014 as of December 31, 2012.

As previously mentioned, the National Park Service has accepted the River Raisin Battlefield as a national park. The future development of the park is still in question. The City finished rehabilitating the second of three major bridges in the City in 2013 due to a successful millage election. The first bridge was completed in 2011. The other bridge will be rehabilitated over the next two to three years. The bridges are estimated to cost in excess of \$5.0 million to rehabilitate. The first bridge came in under budget by approximately \$500,000 and the millage rate levied for fiscal year 2013 was reduced to .42 mills from the approved amount of .52 mills.

Interest rates have remained historically low and until the economy gets nearer to a full recovery they will continue to be low. This will affect the amount of investment income the City can count on to fund its annual budget. The State of Michigan has changed the statutory revenue-sharing program to an incentive-based program called the "Economic Vitality Incentive Program" (EVIP). Under the EVIP, the City must meet certain goals to receive its full revenue-sharing allocation. Even with this allocation, the total amount of funding available to the City was initially reduced by a third. Allocations have been increased slightly since that time. The program was in place for 2012 and will continue into 2014. The City met all of the qualifications for 2012 and 2013 and has met the first of three qualifications for 2014. The primary factor affecting the City's 2015 budget projection is taxable value levels. If those levels remain flat or increase, the City's budget for 2015 will be balanced without significant expenditure reductions. A significant reduction in taxable values would cause the need for additional expenditure reductions. Increases in costs for retirement benefits must also be monitored for their affect on the budget.

Contacting the City's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors 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, you are welcome to contact the finance department.

City of Monroe, Michigan

Statement of Net Position June 30, 2013

| | Primary Government | | | Component Units |
|--|----------------------------|-----------------------------|-----------------------|---------------------|
| | Governmental Activities | Business-type Activities | Total | |
| Assets | | | | |
| Cash and investments (Note 3) | \$ 25,187,758 | \$ 5,644,954 | \$ 30,832,712 | \$ 2,660,348 |
| Receivables - Net: | | | | |
| Property taxes receivable | 1,714,979 | 24,499 | 1,739,478 | - |
| Customer receivables | 42,493 | 2,858,281 | 2,900,774 | 1,444 |
| Accrued interest receivable | 9,180 | 2,651 | 11,831 | 2,864 |
| Other receivables | 823,999 | 155,027 | 979,026 | - |
| Due from other governmental units | 822,993 | 995 | 823,988 | 283,073 |
| Economic development loans | 25,000 | - | 25,000 | - |
| Special assessments receivable | 151,333 | 71,964 | 223,297 | - |
| Internal balances (Note 6) | (814,289) | 814,289 | - | - |
| Inventory | 1,252,463 | 740,382 | 1,992,845 | - |
| Prepaid expenses and other assets | 293,516 | 182,160 | 475,676 | 11,091 |
| Restricted assets (Note 1) | 535,161 | - | 535,161 | 2,208,235 |
| Investment in joint ventures (Note 11) | - | 3,859,267 | 3,859,267 | - |
| Advances to component unit (Note 6) | 1,517,110 | 465,696 | 1,982,806 | - |
| Capital assets (Note 5): | | | | |
| Assets not subject to depreciation | 4,811,581 | 9,686,024 | 14,497,605 | 2,698,121 |
| Assets subject to depreciation | 66,653,647 | 90,817,937 | 157,471,584 | 667,126 |
| Total assets | 103,026,924 | 115,324,126 | 218,351,050 | 8,532,302 |
| Liabilities | | | | |
| Accounts payable | 1,405,608 | 586,636 | 1,992,244 | 439,546 |
| Due to other governmental units | 1,223 | 63,530 | 64,753 | - |
| Refundable deposits, bonds, etc. | - | 18,845 | 18,845 | - |
| Accrued liabilities and other | 801,518 | 446,819 | 1,248,337 | 558 |
| Deferred revenue | 16,440,421 | 463,960 | 16,904,381 | 348,596 |
| Advances from primary government (Note 6) | - | - | - | 1,982,806 |
| Noncurrent liabilities: | | | | |
| Due within one year: | | | | |
| Compensated absences | 156,320 | 318,556 | 474,876 | - |
| Current portion of long-term debt (Note 7) | 802,877 | 1,491,767 | 2,294,644 | 7,691 |
| Due in more than one year: | | | | |
| Compensated absences | 567,136 | - | 567,136 | - |
| Environmental liabilities | - | - | - | 983,425 |
| Net OPEB obligation | 5,243,889 | 1,060,932 | 6,304,821 | - |
| Long-term debt (Note 7) | 10,599,472 | 40,921,491 | 51,520,963 | 2,153,813 |
| Total liabilities | 36,018,464 | 45,372,536 | 81,391,000 | 5,916,435 |
| Net Position | | | | |
| Net investment in capital assets | 61,962,831 | 58,090,703 | 120,053,534 | 3,216,501 |
| Restricted for: | | | | |
| Streets and highways | 1,273,938 | - | 1,273,938 | - |
| Debt service | 93,684 | - | 93,684 | - |
| Rubbish | 126,516 | - | 126,516 | - |
| Grants | 207,059 | - | 207,059 | - |
| Drug forfeiture | 37,826 | - | 37,826 | - |
| Code enforcement | 369,875 | - | 369,875 | - |
| Restricted land | - | - | - | 1,516,041 |
| Unrestricted | 2,936,731 | 11,860,887 | 14,797,618 | (2,116,675) |
| Total net position | \$ 67,008,460 | \$ 69,951,590 | \$ 136,960,050 | \$ 2,615,867 |

City of Monroe, Michigan

| Functions/Programs | Expenses | Program Revenue | | |
|---|----------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary government: | | | | |
| Governmental activities: | | | | |
| General government | \$ 2,646,677 | \$ 102,968 | \$ - | \$ 415 |
| Public safety | 8,663,622 | 364,546 | 68,062 | 26,118 |
| Public works | 8,601,804 | 1,093,392 | 1,567,897 | 2,557,767 |
| Community and economic development | 628,791 | - | - | 439,428 |
| Recreation and culture | 1,631,045 | 581,030 | - | - |
| Interest on long-term debt | 325,183 | - | - | - |
| Total governmental activities | 22,497,122 | 2,141,936 | 1,635,959 | 3,023,728 |
| Business-type activities: | | | | |
| Water | 6,776,495 | 7,559,714 | 152,259 | 443,696 |
| Wastewater | 6,458,580 | 7,712,715 | - | - |
| Building Authority | - | - | - | 24,781 |
| Total business-type activities | 13,235,075 | 15,272,429 | 152,259 | 468,477 |
| Total primary government | <u>\$ 35,732,197</u> | <u>\$ 17,414,365</u> | <u>\$ 1,788,218</u> | <u>\$ 3,492,205</u> |
| Component units: | | | | |
| Downtown Development Authority | \$ 268,710 | \$ - | \$ - | \$ - |
| Brownfield Redevelopment Authority | 526,311 | - | - | - |
| Port of Monroe | 413,536 | 130,169 | - | 185,994 |
| Total component units | <u>\$ 1,208,557</u> | <u>\$ 130,169</u> | <u>\$ -</u> | <u>\$ 185,994</u> |
| General revenue: | | | | |
| Property taxes | | | | |
| State-shared revenue | | | | |
| Investment income | | | | |
| Cable franchise fees | | | | |
| Other miscellaneous income | | | | |
| Gain on sale of fixed assets | | | | |
| Total general revenue | | | | |
| Change in Net Position | | | | |
| Net Position - Beginning of year | | | | |
| Net Position - End of year | | | | |

Statement of Activities
Year Ended June 30, 2013

| Net (Expense) Revenue and Changes in Net Position | | | |
|---|-----------------------------|-----------------------|---------------------|
| Primary Government | | | |
| Governmental Activities | Business-type Activities | Total | Component Units |
| \$ (2,543,294) | \$ - | \$ (2,543,294) | \$ - |
| (8,204,896) | - | (8,204,896) | - |
| (3,382,748) | - | (3,382,748) | - |
| (189,363) | - | (189,363) | - |
| (1,050,015) | - | (1,050,015) | - |
| (325,183) | - | (325,183) | - |
| (15,695,499) | - | (15,695,499) | - |
| - | 1,379,174 | 1,379,174 | - |
| - | 1,254,135 | 1,254,135 | - |
| - | 24,781 | 24,781 | - |
| - | 2,658,090 | 2,658,090 | - |
| (15,695,499) | 2,658,090 | (13,037,409) | - |
| - | - | - | (268,710) |
| - | - | - | (526,311) |
| - | - | - | (97,373) |
| - | - | - | (892,394) |
| 14,444,017 | - | 14,444,017 | 1,180,511 |
| 1,861,100 | - | 1,861,100 | - |
| 65,260 | 46,277 | 111,537 | 10,078 |
| 319,517 | - | 319,517 | - |
| 663,247 | 347,906 | 1,011,153 | 6,035 |
| - | 14,513 | 14,513 | - |
| 17,353,141 | 408,696 | 17,761,837 | 1,196,624 |
| 1,657,642 | 3,066,786 | 4,724,428 | 304,230 |
| 65,350,818 | 66,884,804 | 132,235,622 | 2,311,637 |
| \$ 67,008,460 | \$ 69,951,590 | \$ 136,960,050 | \$ 2,615,867 |

City of Monroe, Michigan

Governmental Funds Balance Sheet June 30, 2013

| | General Fund | Capital Projects Fund | Nonmajor Funds | Total |
|--|----------------------|--------------------------|---------------------|----------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 14,798,718 | \$ 874,528 | \$ 4,556,335 | \$ 20,229,581 |
| Investments | 2,107,939 | - | - | 2,107,939 |
| Receivables | 2,073,539 | 343,724 | 784,978 | 3,202,241 |
| Due from other funds (Note 6) | 4,311 | 15,283 | 19,788 | 39,382 |
| Real estate inventory | 1,184,138 | - | - | 1,184,138 |
| Prepaid expenses and other assets | 21,659 | 7,763 | 40,782 | 70,204 |
| Advance to component unit (Note 6) | - | - | 1,517,110 | 1,517,110 |
| Restricted assets (Note 1) | - | 535,161 | - | 535,161 |
| Total assets | \$ 20,190,304 | \$ 1,776,459 | \$ 6,918,993 | \$ 28,885,756 |
| Liabilities | | | | |
| Accounts payable | \$ 324,557 | \$ 434,587 | \$ 524,759 | \$ 1,283,903 |
| Due to other governmental units | - | - | 1,223 | 1,223 |
| Due to other funds (Note 6) | 2,494 | - | 39,498 | 41,992 |
| Advances from other funds (Note 6) | 815,358 | - | - | 815,358 |
| Accrued liabilities and other | 307,522 | - | 20,654 | 328,176 |
| Deferred revenue (Note 4) | 13,199,643 | 181,484 | 3,583,794 | 16,964,921 |
| Total liabilities | 14,649,574 | 616,071 | 4,169,928 | 19,435,573 |
| Fund Balances | | | | |
| Nonspendable (Note 15) | 390,439 | 7,763 | 40,782 | 438,984 |
| Restricted (Note 15) | - | 535,161 | 2,105,527 | 2,640,688 |
| Committed (Note 15) | 2,000,000 | 617,464 | 523,908 | 3,141,372 |
| Assigned (Note 15) | 48,565 | - | 78,848 | 127,413 |
| Unassigned (Note 15) | 3,101,726 | - | - | 3,101,726 |
| Total fund balances | 5,540,730 | 1,160,388 | 2,749,065 | 9,450,183 |
| Total liabilities and fund balances | \$ 20,190,304 | \$ 1,776,459 | \$ 6,918,993 | \$ 28,885,756 |

City of Monroe, Michigan

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

| | |
|---|-----------------------------|
| Fund Balance Reported in Governmental Funds | \$ 9,450,183 |
| 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 | 70,161,010 |
| Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures | 447,795 |
| Grants and other receivables that are collected after year end, such that they are not available to pay bills outstanding as of year end, are not recognized in the funds | 77,256 |
| Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds | (11,313,302) |
| Accrued interest is not due and payable in the current period and is not reported in the funds | (66,646) |
| 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 | (708,920) |
| Net retiree healthcare obligations do not present a claim on current financial resources and are not reported as fund liabilities | (5,115,104) |
| Internal service funds are included as part of governmental activities | 4,076,188 |
| Net Position of Governmental Activities | <u>\$ 67,008,460</u> |

City of Monroe, Michigan

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2013

| | General Fund | Capital Projects Fund | Nonmajor Funds | Total |
|--|---------------------|--------------------------|---------------------|---------------------|
| Revenue | | | | |
| Property taxes | \$ 12,864,816 | \$ - | \$ 1,610,828 | \$ 14,475,644 |
| Licenses and permits | 353,226 | - | 506,033 | 859,259 |
| Federal grants | 63,427 | 1,483,191 | 578,473 | 2,125,091 |
| State-shared revenue and grants | 1,865,735 | - | 2,380,563 | 4,246,298 |
| Charges for services | 804,713 | - | 346,849 | 1,151,562 |
| Fines and forfeitures | 85,188 | - | 12,633 | 97,821 |
| Investment income | 38,490 | 6,147 | 12,378 | 57,015 |
| Rental income | 63,111 | - | 536,898 | 600,009 |
| Other revenue | 80,597 | 211,813 | 163,095 | 455,505 |
| Total revenue | <u>16,219,303</u> | <u>1,701,151</u> | <u>6,147,750</u> | <u>24,068,204</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government | 2,661,896 | - | - | 2,661,896 |
| Public safety | 8,558,727 | - | 250,041 | 8,808,768 |
| Public works | 2,121,058 | 5,420,711 | 4,888,515 | 12,430,284 |
| Community and economic development | 247,567 | - | 400,189 | 647,756 |
| Recreation and culture | 1,819,755 | - | - | 1,819,755 |
| Capital outlay | - | 45,700 | 45,708 | 91,408 |
| Debt service | 40,562 | - | 995,102 | 1,035,664 |
| Total expenditures | <u>15,449,565</u> | <u>5,466,411</u> | <u>6,579,555</u> | <u>27,495,531</u> |
| Excess of Revenue Over (Under) | | | | |
| Expenditures | 769,738 | (3,765,260) | (431,805) | (3,427,327) |
| Other Financing Sources (Uses) | | | | |
| Face value of debt issue | - | - | 4,275,000 | 4,275,000 |
| Transfers in (Note 6) | 9,881 | 613,322 | 446,343 | 1,069,546 |
| Transfers out (Note 6) | (878,605) | (28,606) | (190,941) | (1,098,152) |
| Payment to bond refunding escrow agent | - | - | (4,140,000) | (4,140,000) |
| Total other financing (uses) sources | <u>(868,724)</u> | <u>584,716</u> | <u>390,402</u> | <u>106,394</u> |
| Net Change in Fund Balances | (98,986) | (3,180,544) | (41,403) | (3,320,933) |
| Fund Balances - Beginning of year | <u>5,639,716</u> | <u>4,340,932</u> | <u>2,790,468</u> | <u>12,771,116</u> |
| Fund Balances - End of year | <u>\$ 5,540,730</u> | <u>\$ 1,160,388</u> | <u>\$ 2,749,065</u> | <u>\$ 9,450,183</u> |

City of Monroe, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities June 30, 2013

Net Change in Fund Balances - Total Governmental Funds \$ (3,320,933)

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 allocated over their estimated useful lives as depreciation:

| | |
|----------------------|-------------|
| Capital outlay | 8,141,498 |
| Depreciation expense | (5,028,419) |

| | |
|---|---------|
| Revenue is recorded in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end | 123,069 |
|---|---------|

| | |
|--|-------------|
| Bond proceeds provide financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position | (4,275,000) |
|--|-------------|

| | |
|---|---------|
| Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) | 872,319 |
|---|---------|

| | |
|--|--------|
| Decrease in net OPEB obligation reported in the statement of activities does not require the use of current resources, and therefore is not reported in the fund statements until it comes due for payment | 84,601 |
|--|--------|

| | |
|--|-----------|
| Payment to bond refunding escrow agent | 4,140,000 |
|--|-----------|

| | |
|------------------------|----------|
| Loss on sale of assets | (10,227) |
|------------------------|----------|

| | |
|--|--------|
| Change in accrued interest payable and other | 11,487 |
|--|--------|

| | |
|--|---------|
| Increase in accumulated employee sick and vacation pay, as well as estimated general liability claims, are recorded when incurred in the statement of activities | (7,975) |
|--|---------|

| | |
|--|----------------|
| Internal service funds are included as part of governmental activities | <u>927,222</u> |
|--|----------------|

Change in Net Position of Governmental Activities \$ 1,657,642

City of Monroe, Michigan

Proprietary Funds Statement of Net Position June 30, 2013

| | Enterprise Funds | | | | |
|---|----------------------|----------------------|---|----------------------|---------------------------|
| | Major Funds | | Building Authority - Nonmajor Enterprise | Total | Internal Service Funds |
| | Wastewater | Water | | | |
| Assets | | | | | |
| Current assets: | | | | | |
| Cash and investments | \$ 2,085,900 | \$ 3,099,532 | \$ 459,522 | \$ 5,644,954 | \$ 2,850,238 |
| Receivables: | | | | | |
| Property taxes receivable | 15,839 | 8,660 | - | 24,499 | - |
| Special assessments receivable | - | 71,964 | - | 71,964 | - |
| Customer receivables | 1,550,554 | 1,307,727 | - | 2,858,281 | - |
| Accrued interest receivable | 501 | 1,298 | 852 | 2,651 | 775 |
| Other receivables | 150,647 | 4,380 | - | 155,027 | 386,961 |
| Due from other governmental units | - | 995 | - | 995 | - |
| Due from other funds (Note 6) | - | - | - | - | 3,739 |
| Inventory | - | 590,549 | 149,833 | 740,382 | 68,325 |
| Prepaid expenses and other assets | 485 | 181,675 | - | 182,160 | 223,312 |
| Total current assets | 3,803,926 | 5,266,780 | 610,207 | 9,680,913 | 3,533,350 |
| Noncurrent assets: | | | | | |
| Advances to other funds (Note 6) | - | 815,358 | - | 815,358 | - |
| Advances to component units (Note 6) | - | 465,696 | - | 465,696 | - |
| Investment in joint ventures (Note 11) | - | 3,859,267 | - | 3,859,267 | - |
| Capital assets (Note 5) | 48,338,441 | 51,811,229 | 354,291 | 100,503,961 | 1,304,218 |
| Total noncurrent assets | 48,338,441 | 56,951,550 | 354,291 | 105,644,282 | 1,304,218 |
| Total assets | 52,142,367 | 62,218,330 | 964,498 | 115,325,195 | 4,837,568 |
| Liabilities | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | 242,366 | 344,270 | - | 586,636 | 121,705 |
| Due to other governmental units | - | 63,530 | - | 63,530 | - |
| Due to other funds (Note 6) | 522 | 547 | - | 1,069 | 60 |
| Refundable deposits, bonds, etc. | - | 18,845 | - | 18,845 | - |
| Accrued liabilities and other | 222,653 | 224,166 | - | 446,819 | 406,696 |
| Deferred revenue (Note 4) | - | 3,585 | 460,375 | 463,960 | 551 |
| Compensated absences | 166,365 | 152,191 | - | 318,556 | 14,536 |
| Current portion of long-term debt (Note 7) | 846,767 | 645,000 | - | 1,491,767 | 16,157 |
| Total current liabilities | 1,478,673 | 1,452,134 | 460,375 | 3,391,182 | 559,705 |
| Noncurrent liabilities: | | | | | |
| Net OPEB obligation | 499,524 | 561,408 | - | 1,060,932 | 128,785 |
| Long-term debt - Net of current portion (Note 7) | 26,888,708 | 14,032,783 | - | 40,921,491 | 72,890 |
| Total noncurrent liabilities | 27,388,232 | 14,594,191 | - | 41,982,423 | 201,675 |
| Total liabilities | 28,866,905 | 16,046,325 | 460,375 | 45,373,605 | 761,380 |
| Net Position | | | | | |
| Net investment in capital assets | 20,602,966 | 37,133,446 | 354,291 | 58,090,703 | 1,215,171 |
| Unrestricted | 2,672,496 | 9,038,559 | 149,832 | 11,860,887 | 2,861,017 |
| Total net position | \$ 23,275,462 | \$ 46,172,005 | \$ 504,123 | \$ 69,951,590 | \$ 4,076,188 |

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

City of Monroe, Michigan

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

| | Enterprise Funds | | | | |
|--|----------------------|----------------------|---|----------------------|---------------------------|
| | Major Funds | | Building Authority - Nonmajor Enterprise | Total | Internal Service Funds |
| | Wastewater | Water | | | |
| Operating Revenue | | | | | |
| Sale of water | \$ - | \$ 6,750,476 | \$ - | \$ 6,750,476 | \$ - |
| Sewage disposal charges | 7,295,068 | - | - | 7,295,068 | - |
| Other charges for services | 417,647 | 809,238 | - | 1,226,885 | 190,306 |
| Charges to other funds | - | - | - | - | 3,609,917 |
| Total operating revenue | 7,712,715 | 7,559,714 | - | 15,272,429 | 3,800,223 |
| Operating Expenses | | | | | |
| Operations and maintenance | 1,680,072 | 1,080,527 | - | 2,760,599 | 2,775,295 |
| Direct cost of providing service | 3,491,669 | 3,708,609 | - | 7,200,278 | - |
| Depreciation | 1,005,251 | 1,336,965 | - | 2,342,216 | 219,116 |
| Total operating expenses | 6,176,992 | 6,126,101 | - | 12,303,093 | 2,994,411 |
| Operating Income | 1,535,723 | 1,433,613 | - | 2,969,336 | 805,812 |
| Nonoperating Revenue (Expenses) | | | | | |
| Investment income | 2,692 | 40,847 | 2,738 | 46,277 | 5,058 |
| Income from joint venture | - | 312 | - | 312 | - |
| Interest expense | (281,588) | (650,706) | - | (932,294) | (4,649) |
| Gain on sale of assets | 6,660 | 7,853 | - | 14,513 | 92,395 |
| Federal revenue | - | 152,259 | - | 152,259 | - |
| Income from principal forgiveness | 347,906 | - | - | 347,906 | - |
| Total nonoperating revenue (expense) | 75,670 | (449,435) | 2,738 | (371,027) | 92,804 |
| Income - Before contributions and transfers | 1,611,393 | 984,178 | 2,738 | 2,598,309 | 898,616 |
| Capital Contributions | - | 443,696 | 24,781 | 468,477 | - |
| Transfers In | - | - | - | - | 28,606 |
| Change in Net Position | 1,611,393 | 1,427,874 | 27,519 | 3,066,786 | 927,222 |
| Net Position - Beginning of year | 21,664,069 | 44,744,131 | 476,604 | 66,884,804 | 3,148,966 |
| Net Position - End of year | <u>\$ 23,275,462</u> | <u>\$ 46,172,005</u> | <u>\$ 504,123</u> | <u>\$ 69,951,590</u> | <u>\$ 4,076,188</u> |

City of Monroe, Michigan

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

| | Enterprise Funds | | | | |
|--|---------------------|-------------------|-----------------------|---------------------|---|
| | Major Funds | | | | Proprietary Internal Service Fund |
| | Wastewater | Water | Building Authority | Total | |
| Cash Flows from Operating Activities | | | | | |
| Receipts from customers | \$ 7,352,225 | \$ 6,854,156 | \$ - | \$ 14,206,381 | \$ 3,460,975 |
| Payments to suppliers | (4,076,842) | (2,201,218) | - | (6,278,060) | (2,601,139) |
| Payments to employees | (2,511,162) | (2,784,499) | - | (5,295,661) | (366,605) |
| Other receipts | 417,647 | 809,238 | - | 1,226,885 | 190,408 |
| Net cash provided by operating activities | 1,181,868 | 2,677,677 | - | 3,859,545 | 683,639 |
| Cash Flows from Noncapital Financing Activities | | | | | |
| Federal revenue | - | 152,259 | - | 152,259 | - |
| Transfers from other funds | - | - | - | - | 28,606 |
| Net cash provided by noncapital financing activities | - | 152,259 | - | 152,259 | 28,606 |
| Cash Flows from Capital and Related Financing Activities | | | | | |
| Special assessment collections | - | 26,391 | - | 26,391 | - |
| Proceeds from sales of capital assets | 6,660 | 7,853 | - | 14,513 | 92,395 |
| Purchase of capital assets | (431,317) | (1,160,368) | - | (1,591,685) | (228,338) |
| Principal and interest paid on capital debt | (707,482) | (1,281,997) | - | (1,989,479) | (20,056) |
| Purchase of real estate inventory | - | - | (149,833) | (149,833) | - |
| Net cash used in capital and related financing activities | (1,132,139) | (2,408,121) | (149,833) | (3,690,093) | (155,999) |
| Cash Flows from Investing Activities | | | | | |
| Interest received on investments | 3,204 | 40,181 | 2,507 | 45,892 | 5,123 |
| Purchase of investment securities | - | (2,186,273) | - | (2,186,273) | (402,000) |
| Proceeds from sale and maturities of investment securities | 1,412,881 | - | - | 1,412,881 | - |
| Net cash provided by (used in) investing activities | 1,416,085 | (2,146,092) | 2,507 | (727,500) | (396,877) |
| Net Increase (Decrease) in Cash and Cash Equivalents | 1,465,814 | (1,724,277) | (147,326) | (405,789) | 159,369 |
| Cash and Cash Equivalents - Beginning of year | 384,086 | 2,000,757 | 606,848 | 2,991,691 | 1,262,869 |
| Cash and Cash Equivalents - End of year | <u>\$ 1,849,900</u> | <u>\$ 276,480</u> | <u>\$ 459,522</u> | <u>\$ 2,585,902</u> | <u>\$ 1,422,238</u> |
| Balance Sheet Classification of Cash and Cash Equivalents | | | | | |
| Cash and investments | \$ 2,085,900 | \$ 3,099,532 | \$ 459,522 | \$ 5,644,954 | \$ 2,850,238 |
| Less amounts classified as investments | (236,000) | (2,823,052) | - | (3,059,052) | (1,428,000) |
| Total cash and cash equivalents | <u>\$ 1,849,900</u> | <u>\$ 276,480</u> | <u>\$ 459,522</u> | <u>\$ 2,585,902</u> | <u>\$ 1,422,238</u> |

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

City of Monroe, Michigan

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

| | Enterprise Funds | | | | | Proprietary Internal Service Fund |
|--|---------------------|---------------------|-----------------------|---------------------|-------------------|---|
| | Major Funds | | | | Total | |
| | Wastewater | Water | Building Authority | | | |
| Reconciliation of Operating Income to Net Cash from Operating Activities | | | | | | |
| Operating income | \$ 1,535,723 | \$ 1,433,613 | \$ - | \$ 2,969,336 | \$ 805,812 | |
| Adjustments to reconcile operating income to net cash from operating activities: | | | | | | |
| Depreciation and amortization | 1,005,251 | 1,336,965 | - | 2,342,216 | 219,116 | |
| Changes in assets and liabilities: | | | | | | |
| Receivables | 57,157 | 103,680 | - | 160,837 | (148,942) | |
| Inventories | - | 238,218 | - | 238,218 | (4,030) | |
| Prepaid and other assets | (279) | 12,971 | - | 12,692 | (2,798) | |
| Accounts payable | (1,227,204) | (288,612) | - | (1,515,816) | (110,845) | |
| Due to others | 11 | (22) | - | (11) | (64) | |
| Accrued and other liabilities | (2,850) | (11,856) | - | (14,706) | (84,231) | |
| Net OPEB obligation | (185,941) | (147,280) | - | (333,221) | 9,621 | |
| Net cash provided by operating activities | <u>\$ 1,181,868</u> | <u>\$ 2,677,677</u> | <u>\$ -</u> | <u>\$ 3,859,545</u> | <u>\$ 683,639</u> | |

Noncash Activity - During the current year, Monroe County issued bonds for wastewater system improvements on behalf of the City. The City recorded \$12,525,708 as debt and as wastewater capital assets at June 30, 2013. There was an adjustment to the City's MDEQ Sewage Disposal System Bonds debt by \$347,906. There was also \$443,696 in customer water main installations that were recorded as water capital assets and a capital contribution at June 30, 2013.

City of Monroe, Michigan

Fiduciary Funds Statement of Fiduciary Net Position June 30, 2013

| | Pension and Other Employee Benefit Trust Funds | Private Purpose Trust Fund - Cemetery | Agency Funds |
|--|--|--|---------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 671,259 | \$ 372,491 | \$ 7,748,318 |
| Investments: | | | |
| U.S. government securities | 14,691,327 | - | - |
| Foreign bonds | 3,445,725 | - | - |
| Stocks | 41,083,121 | - | - |
| Foreign stocks | 12,553,150 | - | - |
| Corporate bonds | 29,984,803 | - | - |
| Mutual funds | 35,907,148 | - | - |
| Other investments | 3,127,195 | - | - |
| Securities lending - Money market | 1,796,319 | - | - |
| Receivables: | | | |
| Interest | 280,672 | 91 | - |
| Other receivables | - | 6,996 | - |
| Other assets | - | - | 1,444,711 |
| Total assets | 143,540,719 | 379,578 | \$ 9,193,029 |
| Liabilities | | | |
| Accounts payable | 1,540,158 | 3,345 | \$ 119,061 |
| Due to other governmental units | - | - | 9,050,106 |
| Accrued liabilities and other | - | - | 23,862 |
| Obligations under securities lending agreements | 1,952,154 | - | - |
| Total liabilities | 3,492,312 | 3,345 | \$ 9,193,029 |
| Net Position - Held in trust for pension, other employee benefits, and cemetery operations | \$ 140,048,407 | \$ 376,233 | |

City of Monroe, Michigan

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

| | Pension and Other Employee Benefit Trust Funds | Private Purpose Trust Fund - Cemetery |
|--|---|---|
| Additions | | |
| Investment income (loss): | | |
| Interest and dividends | \$ 2,555,517 | \$ 1,931 |
| Net increase (decrease) in fair value of investments | 13,712,065 | (8,738) |
| Investment-related expenses | (842,000) | - |
| Net investment income (loss) | 15,425,582 | (6,807) |
| Securities lending income | 8,312 | - |
| Contributions: | | |
| Employer | 5,514,990 | - |
| Employee | 465,827 | - |
| Total contributions | 5,980,817 | - |
| General Fund contribution | - | 26,000 |
| Charges for services | - | 19,685 |
| Total additions | 21,414,711 | 38,878 |
| Deductions | | |
| Benefit payments | 11,712,007 | - |
| Refunds of contributions | 38,645 | - |
| Administrative expenses | 126,270 | 39,149 |
| Total deductions | 11,876,922 | 39,149 |
| Net Increase (Decrease) in Net Position Held in Trust | 9,537,789 | (271) |
| Net Position - Beginning of year | 130,510,618 | 376,504 |
| Net Position - End of year | \$ 140,048,407 | \$ 376,233 |

City of Monroe, Michigan

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

| | Port of Monroe | Downtown Development Authority | Brownfield Redevelopment Authority | Total |
|--|---------------------|--------------------------------------|--|---------------------|
| Assets | | | | |
| Cash and investments | \$ 273,797 | \$ 460,321 | \$ 1,926,230 | \$ 2,660,348 |
| Receivables: | | | | |
| Customer receivables | 1,444 | - | - | 1,444 |
| Accrued interest receivable | - | 150 | 2,714 | 2,864 |
| Due from other governmental units | 283,073 | - | - | 283,073 |
| Prepaid expenses and other assets | 10,258 | 833 | - | 11,091 |
| Restricted assets | 1,516,041 | - | 692,194 | 2,208,235 |
| Capital assets | 3,365,247 | - | - | 3,365,247 |
| Total assets | 5,449,860 | 461,304 | 2,621,138 | 8,532,302 |
| Liabilities | | | | |
| Accounts payable | 13,375 | 2,813 | 423,358 | 439,546 |
| Accrued liabilities and other | - | 558 | - | 558 |
| Deferred revenue | 348,596 | - | - | 348,596 |
| Advances from primary government | - | - | 1,982,806 | 1,982,806 |
| Noncurrent liabilities: | | | | |
| Due within one year - Current portion of long-term debt | 7,691 | - | - | 7,691 |
| Due in more than one year: | | | | |
| Environmental liabilities | 983,425 | - | - | 983,425 |
| Long-term debt | 141,055 | - | 2,012,758 | 2,153,813 |
| Total liabilities | 1,494,142 | 3,371 | 4,418,922 | 5,916,435 |
| Net Position (Deficit) | | | | |
| Invested in capital assets - Net of related debt | 3,216,501 | - | - | 3,216,501 |
| Restricted land | 1,516,041 | - | - | 1,516,041 |
| Unrestricted | (776,824) | 457,933 | (1,797,784) | (2,116,675) |
| Total net position (deficit) | <u>\$ 3,955,718</u> | <u>\$ 457,933</u> | <u>\$ (1,797,784)</u> | <u>\$ 2,615,867</u> |

City of Monroe, Michigan

| Functions/Programs | Expenses | Program Revenue | |
|--|---------------------|----------------------|----------------------------------|
| | | Charges for Services | Capital Grants and Contributions |
| Governmental activities: | | | |
| Downtown Development Authority - Public Works | \$ 268,710 | \$ - | \$ - |
| Brownfield Redevelopment Authority: | | | |
| Public works | 280,062 | - | - |
| Debt service | 246,249 | - | - |
| Total Brownfield Redevelopment Authority | 526,311 | - | - |
| Business-type activities - Port of Monroe - Public Works | 413,536 | 130,169 | 185,994 |
| Total component units | \$ 1,208,557 | \$ 130,169 | \$ 185,994 |
| General revenue: | | | |
| Property taxes | | | |
| Investment income | | | |
| Other miscellaneous income | | | |
| Total general revenue | | | |
| Change in Net Position | | | |
| Net Position - Beginning of year | | | |
| Net Position - End of year | | | |

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

| Net (Expense) Revenue and Changes in Net Position | | | |
|---|--|---------------------|---------------------|
| Downtown Development Authority | Brownfield Redevelopment Authority | Port of Monroe | Total |
| \$ (268,710) | \$ - | \$ - | \$ (268,710) |
| - | (280,062) | - | (280,062) |
| - | (246,249) | - | (246,249) |
| - | (526,311) | - | (526,311) |
| - | - | (97,373) | (97,373) |
| (268,710) | (526,311) | (97,373) | (892,394) |
| 201,910 | 660,130 | 318,471 | 1,180,511 |
| 2,119 | 7,959 | - | 10,078 |
| 3,390 | - | 2,645 | 6,035 |
| 207,419 | 668,089 | 321,116 | 1,196,624 |
| (61,291) | 141,778 | 223,743 | 304,230 |
| 519,224 | (1,939,562) | 3,731,975 | 2,311,637 |
| \$ 457,933 | \$ (1,797,784) | \$ 3,955,718 | \$ 2,615,867 |

Note I - Nature of Business and Significant Accounting Policies

The accounting policies of the City of Monroe, 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 Monroe, Michigan:

Reporting Entity

The City of Monroe, 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 combined financial statements to emphasize that it is legally separate from the City (see discussion below for description).

Blended Component Units

The City Building Authority (not associated with the Building Authority enterprise fund) is governed by a board that is appointed by the mayor and City Council. 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.

Discretely Presented Component Units

The following component units are reported within the component units column in the combined financial statements. They are reported in a separate column to emphasize that they are legally separate from the City.

- a. The Downtown Development Authority (the "DDA") was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The DDA's governing body is selected by the mayor and subject to approval by the City Council. In addition, the DDA's budget is subject to approval by the City Council. The Downtown Development Authority issues a separate financial statement that can be obtained at the administrative offices at 120 E. First Street, Monroe, MI 48161.
- b. The Brownfield Redevelopment Authority (the "Authority") is a separate legal entity that was created to finance environmental cleanup within the City. The Authority's governing body is selected by the City Council, which has the authority to approve its budget. The Brownfield Redevelopment Authority issues a separate financial statement that can be obtained at the administrative offices at 120 E. First Street, Monroe, MI 48161.

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

- c. The Port of Monroe (the "Port") was established as a separate legal entity to operate port facilities within the boundaries of the City. The Port is governed by a Port Commission, which is appointed by the City Council. The Port Commission's annual budget is also approved by the City Council. The Port issues a separate financial statement that can be obtained at the administrative offices at 2929 E. Front Street, Monroe, MI 48161.

Jointly Governed Organization - Jointly governed organizations are discussed in Note II.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City (the primary government) and its discretely presented component units. The effect of interfund activity has been removed from these statements. Governmental activities are reported separately from business-type activities. Likewise, the primary government is reported separately from the discretely presented component units for which the City is financially accountable. Governmental activities are normally supported by taxes and intergovernmental revenue. Business-type activities rely on user fees and charges.

The statement of activities demonstrates the degree to which the direct expenses of a given function (governmental activities) or identifiable activity (business-type activities) is offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items are reported instead as general revenue.

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements, excluding Agency Fund financial statements, which have no measurement focus. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes susceptible to accrual - that is, when it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Revenue susceptible to accrual includes property taxes, intergovernmental revenue, special assessments, licenses, charges for services, and interest. All other revenue items are considered to be available only when cash is received by the City.

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

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

Fund Descriptions

The City reports the following major governmental funds:

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

Capital Projects Fund - The Capital Projects Fund is used to account for the development of capital facilities other than those financed by the operations of an enterprise fund.

The City reports the following major proprietary funds:

Water Fund - The Water Fund accounts for the operation and maintenance of the water supply system, capital additions, and improvements and retirement of revenue bonds. Financing is provided by user charges, state grants, and contributions from other municipalities and customers. This fund is classified as an enterprise fund because it does business with individuals and firms outside the local unit departments. The system includes customers in the surrounding townships. The transportation lines to service those customers were installed by the individual townships and typically become the property of the City once all debts are paid.

Wastewater Fund - The Wastewater Fund accounts for the operation and maintenance of the sewage disposal system, capital additions, improvements, and retirement of revenue bonds. Financing is provided by user charges, EPA grants for wastewater treatment plant expansion, state grants, and contributions from other municipalities and customers. This fund is classified as an enterprise fund because business is done with individuals outside the local unit departments. The system includes customers in the surrounding townships. In order to fund the system, the surrounding townships contributed approximately 60 percent of the plant assets; accordingly, approximately 60 percent of the capacity rights are reserved for the township customers. In addition, the Monroe Metropolitan Water Pollution Control System Board of Control was established to approve the annual rates for wastewater customers.

Additionally, the City reports the following fund types:

Internal Service Funds - Internal service funds account for stores and equipment purchases, as well as technology purchases. In addition, the internal service funds account for risk management related to health care, workers' compensation, and general liabilities.

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

Pension and Other Employee Benefit Trust Funds - The Pension and Other Employee Benefit Trust Funds account for the activities of the retirement system and the trust established to account for costs related to retiree health care.

Private Purpose Trust Fund (Cemetery Fund) - The Private Purpose Trust Fund (Cemetery Fund) accounts for the activities of the Woodland Cemetery. The cemetery is funded through contributions and fees.

Agency Fund - The Agency Fund accounts for tax collections that are held by the City in the capacity of trustee. The collections are then transferred to the other governmental units on a timely distribution basis.

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

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

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

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. The Water and Wastewater Funds also recognize the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary 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.

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

Assets, Liabilities, and Net Position or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each fund based on the percentage of principal invested by each fund.

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

Property Taxes - Property tax receivables are shown as net of allowance for uncollectible amounts. Properties are assessed as of December 31. The related property taxes are billed and become a lien on the first Tuesday in May of the following year. These taxes are due without penalty during the period from the first Tuesday in May through June 30 with the final collection date of September 15 before they are added to the county tax rolls.

Property taxes billed each May will be used to finance the following year's operations. As such, these taxes are recorded as deferred revenue in each respective fund at June 30, 2013. The 2012 taxable valuation of the City totaled \$875,978,890, on which ad valorem taxes levied consisted of 13.726 mills for the City's operating purposes, .5634 mills for post-retirement health care, 1.448 mills for refuse, and .420 mills for bridge repairs and rehabilitation. The ad valorem taxes raised \$11,601,000 for operations, \$476,000 for post-retirement health care, \$1,224,000 for refuse, and \$355,000 for bridge repairs and rehabilitation. These amounts are recognized in the General Fund, Rubbish, Garbage, and Recycling Fund, and Debt Service Fund, respectively, as tax revenue.

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.

Real Estate Inventory - Real estate inventory shown in the General Fund and governmental activities is held for resale and is valued at the lower of cost or market.

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

Restricted Assets - Restricted assets in the capital projects fund represent cash from unspent bond proceeds from the 2012 Capital Improvement Bonds. The cash is restricted for specific capital improvements.

Restricted assets in the Brownfield Redevelopment Authority represent cash from unspent bond proceeds from the Clean Michigan Initiative Brownfield Redevelopment Loan. The cash is restricted for specific capital improvements.

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.

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

| | |
|--------------------------------------|----------------|
| Roads and sidewalks | 15 to 20 years |
| Water and sewer distribution systems | 40 to 75 years |
| Buildings and improvements | 40 to 50 years |
| Vehicles | 3 to 5 years |
| Machinery and equipment | 3 to 7 years |
| Road and site improvements | 0 to 25 years |
| Railroad siding | 10 to 50 years |
| Wharf | 7 to 50 years |
| Dredging | 20 years |
| Leachate collection system | 7 to 20 years |
| Rental building | 10 to 33 years |
| Office building | 3 to 39 years |
| Furniture and equipment | 5 to 10 years |

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

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

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

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

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

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

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

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

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information - The City is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the "Uniform Budgeting Act"). The following statements represent a brief synopsis of the major provisions of this act:

1. Budgets must be adopted for the General Fund and special revenue funds.
2. The budgets must be balanced. The balanced budget may include a contribution to or appropriation from fund balance.
3. The budgets must be amended when necessary.
4. Debt cannot be entered into unless permitted by law.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures cannot be made unless authorized in the budget.
7. All annual appropriations, except for items encumbered at fiscal year end and capital project budgets, lapse at fiscal year end.

The City adopts formal budgets for the General Fund, all special revenue funds, the debt service funds, and the Capital Projects Fund. Every appropriation, except an appropriation for capital expenditure, shall lapse at the close of the fiscal year to the extent it has not been expended or encumbered. An appropriation for a capital expenditure shall continue in force until the purpose for which it was made has been accomplished or abandoned.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

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

1. By February of each year, all department heads submit spending requests to the finance director so that a budget may be prepared.
2. Before April, the proposed budget is submitted to the City Council for review.
3. Public hearings are held and a final budget is adopted no later than May 1.
4. The City Council must approve any budget amendments.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the City Council is the department level. Expenditures at this level in excess of budget appropriations are a violation of Michigan law.

Encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2013 was \$48,565 in the General Fund and \$417,462 in the nonmajor governmental funds. During the current year, the budget was amended in a legally permissible manner. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America except for the following exceptions:

- Transfers and debt proceeds have been reflected as revenue and expenditures rather than as "other financing sources and uses."
- Reimbursements from other funds' "administrative fees" have been included in revenue, rather than as a reduction of expenditures.

A comparison of actual results of operations to the budgets as adopted by the City Council is included in the required supplemental information for the General Fund (major fund) and in the other supplemental information for nonmajor funds that adopt budgets.

Fund Deficits - For the year ended June 30, 2013, the Brownfield Redevelopment Authority Fund has a deficit in unrestricted net position of \$1,799,228 on a full accrual basis but has a fund balance of \$2,195,398 on the modified accrual basis of accounting. Management believes this deficit will be eliminated over time as the property tax revenue captures increase when property cleanup is completed and property values increase. For the year ended June 30, 2013, the Port of Monroe has an unrestricted net position deficit of \$776,824. The Port of Monroe believes that the deficit will be eliminated over time as the property is developed and improved through private funds or government grants and low interest loans.

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

Net Position of Internal Service Funds - Certain net position of internal service funds have been assigned by management for the following purposes:

| | |
|-------------------|-------------|
| Insurance | \$723,822 |
| Employee benefits | \$1,338,727 |

It is management's intention to use the net position to pay future claims and insurance premiums.

Note 3 - Deposits and Investments

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

The City has designated 19 banks for the deposit of its funds. The City's investment policy, adopted in accordance with state law, has authorized investment in bank accounts and CDs, as well as investment pools organized under the Surplus Funds Investment Act of 1982 and under the Investment Company Act of 1940. For mutual funds, the City may invest in funds registered under the Investment Company Act of 1940. This authorization is limited to investment pools and mutual funds whose intent is to maintain a net asset value of \$1.00 per share and allows for indirect investment in repurchase agreements and bankers' acceptances of United States banks, as allowable for direct investment by public corporations.

The City's Pension Trust Fund (the "Retirement System") 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. In addition, the City has adopted Public Act 149 of 1999, which created a trust that allows the Retiree Health Care Fund to also invest in assets in accordance with P.A. 314 of 1965.

Note 3 - Deposits and Investments (Continued)

As permitted by state statutes and under the provisions of a Securities Lending Authorization Agreement, the Retirement System lends securities to broker-dealers and banks for collateral that will be returned for the same securities in the future. The Retirement System's custodial bank manages the securities lending program and receives cash, government securities, or irrevocable bank letters of credit as collateral. Borrowers are required to deliver collateral for each loan equal to not less than 100 percent of the market value of the loaned securities. During the year ended June 30, 2012, only United States currency was received as collateral.

The Retirement System did not impose any restrictions during the fiscal year on the amount of loans made on its behalf by the custodial bank. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or custodial bank.

The Retirement System and the borrower maintain the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other lenders, in an investment pool. The average duration of such investment pool as of June 30, 2013 was one day. Because the loans are terminable on demand, their duration did not generally match the duration of the investments made with cash collateral. On June 30, 2013, the Retirement System had no credit risk exposure to borrowers. The collateral held and the fair market value of the underlying securities on loan for the Retirement System as of June 30, 2013 were \$1,796,317 and \$1,891,823, respectively.

Note 3 - Deposits and Investments (Continued)

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

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$18,305,000 of bank deposits (certificates of deposit, checking, and savings accounts) 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. The City has deposits of \$18,228,216 that are uninsured but collateralized with securities held by the pledging financial institution's agent but not in the depositor-government's name.

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.

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

| Investment | Fair Value | 0-5 Years | 6-10 Years | More than 10 Years |
|--|---------------|--------------|---------------|-----------------------|
| U.S. government or agency bond or note | \$ 16,501,202 | \$ 8,140,469 | \$ 2,859,121 | \$ 5,501,612 |
| Foreign bonds | 3,445,725 | 2,204,151 | 1,241,574 | - |
| Corporate bonds | 29,984,803 | 15,070,388 | 10,523,488 | 4,390,927 |

City of Monroe, Michigan

Notes to Financial Statements June 30, 2013

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. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

| Investment | Fair Value | Rating Organization | Rating |
|----------------------|--------------|------------------------|--------|
| Bank investment pool | \$ 1,606,421 | S&P | AAA |
| Bank investment pool | 2,708,945 | N/A | N/R |
| Corporate bonds | 2,523,429 | S&P | AAA |
| Corporate bonds | 287,420 | S&P | AA+ |
| Corporate bonds | 5,574,267 | S&P | AA |
| Corporate bonds | 97,761 | S&P | AA- |
| Corporate bonds | 341,157 | S&P | A+ |
| Corporate bonds | 8,673,087 | S&P | A |
| Corporate bonds | 818,551 | S&P | A- |
| Corporate bonds | 8,384,414 | S&P | BBB |
| Corporate bonds | 236,524 | S&P | BB |
| Corporate bonds | 3,048,193 | S&P | NR |
| Foreign bonds | 887,845 | S&P | AA |
| Foreign bonds | 197,294 | S&P | AA- |
| Foreign bonds | 97,775 | S&P | A+ |
| Foreign bonds | 1,289,710 | S&P | A |
| Foreign bonds | 146,171 | S&P | A- |
| Foreign bonds | 720,505 | S&P | BBB |
| Foreign bonds | 106,425 | S&P | BB |

Foreign Currency Risk - Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. The Pension System and Retiree Healthcare Fund restrict the amount of investments in foreign currency-denominated investments to 5 percent of total investments. At June 30, 2013, the Pension System and Retiree Healthcare Fund had \$3,445,725 invested in foreign bonds and \$12,553,150 invested in foreign stock. Of these amounts, \$4,324,452 of foreign stock was not denominated in U.S. currency as indicated below. The remaining amounts are considered American Depositary Receipts (ADRs) and are denominated in U.S. currency.

City of Monroe, Michigan

Notes to Financial Statements June 30, 2013

Note 3 - Deposits and Investments (Continued)

| Investment Type | Fair Value | Currency |
|-----------------|--------------|----------------------|
| Foreign stocks | \$ 1,213,144 | Swiss Franc |
| Foreign stocks | 1,099,198 | Euro |
| Foreign stocks | 735,945 | Great British Pounds |
| Foreign stocks | 383,261 | Hong Kong Dollar |
| Foreign stocks | 892,904 | Japanese Yen |

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

Note 4 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Revenue recognition is deferred in connection with resources that have been received but not yet earned in the governmental funds, the proprietary funds, and on the government-wide statements. At the end of the current fiscal year, the various components of deferred revenue are as follows:

| | Governmental Funds | | Business-type Unearned |
|---|--------------------|---------------|---------------------------|
| | Unavailable | Unearned | |
| Unspent grant proceeds | \$ - | \$ - | \$ 463,960 |
| Property taxes for subsequent year's operations | - | 14,816,761 | - |
| Revolving loan | - | 1,623,109 | - |
| Grants receivable | 77,256 | - | - |
| Special assessments and delinquent property taxes | 447,795 | - | - |
| Total deferred revenue | \$ 525,051 | \$ 16,439,870 | \$ 463,960 |

In addition, the Port of Monroe, a component unit of the City, has \$348,596 of deferred revenue related to unearned property taxes and rental income.

City of Monroe, Michigan

Notes to Financial Statements June 30, 2013

Note 5 - Capital Assets

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

| | Balance July 1, 2012 | Reclassifications | Additions | Disposals | Balance June 30, 2013 |
|---------------------------------------|-------------------------|---------------------|---------------------|--------------------|--------------------------|
| Governmental Activities | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | \$ 3,147,293 | \$ - | \$ - | \$ - | \$ 3,147,293 |
| Construction in progress | 1,791,273 | (1,598,731) | 1,471,746 | - | 1,664,288 |
| Subtotal | 4,938,566 | (1,598,731) | 1,471,746 | - | 4,811,581 |
| Capital assets being depreciated: | | | | | |
| Roads and sidewalks | 125,633,953 | 166,780 | 5,362,205 | - | 131,162,938 |
| Buildings and improvements | 16,164,883 | - | 132,715 | - | 16,297,598 |
| Equipment | 8,770,055 | - | 279,691 | (759,183) | 8,290,563 |
| Land improvements | 3,062,518 | 1,178,573 | 1,431,951 | - | 5,673,042 |
| Subtotal | 153,631,409 | 1,345,353 | 7,206,562 | (759,183) | 161,424,141 |
| Accumulated depreciation: | | | | | |
| Infrastructure | 75,038,187 | - | 4,277,505 | - | 79,315,692 |
| Buildings and improvements | 6,332,641 | - | 349,591 | - | 6,682,232 |
| Equipment | 7,539,306 | - | 375,879 | (727,375) | 7,187,810 |
| Land improvements | 1,340,201 | - | 244,559 | - | 1,584,760 |
| Subtotal | 90,250,335 | - | 5,247,534 | (727,375) | 94,770,494 |
| Net capital assets being depreciated | 63,381,074 | 1,345,353 | 1,959,028 | (31,808) | 66,653,647 |
| Net capital assets | <u>\$ 68,319,640</u> | <u>\$ (253,378)</u> | <u>\$ 3,430,774</u> | <u>\$ (31,808)</u> | <u>\$ 71,465,228</u> |

City of Monroe, Michigan

Notes to Financial Statements June 30, 2013

Note 5 - Capital Assets (Continued)

| | Balance July 1, 2012 | Reclassifications | Additions | Disposals | Balance June 30, 2013 |
|---------------------------------------|-------------------------|-------------------|---------------|-----------|--------------------------|
| Business-type Activities | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | \$ 367,931 | \$ - | \$ - | \$ - | \$ 367,931 |
| Construction in progress | 5,238,070 | (4,402,837) | 8,482,860 | - | 9,318,093 |
| Subtotal | 5,606,001 | (4,402,837) | 8,482,860 | - | 9,686,024 |
| Capital assets being depreciated: | | | | | |
| Water and sewer distribution systems | 73,649,394 | - | 2,030,697 | - | 75,680,091 |
| Buildings and improvements | 37,222,691 | 4,402,837 | 3,921,221 | - | 45,546,749 |
| Machinery and equipment | 18,676,313 | - | 126,311 | - | 18,802,624 |
| Vehicles | 1,384,488 | - | - | (96,898) | 1,287,590 |
| Land improvements | 467,626 | - | - | - | 467,626 |
| Subtotal | 131,400,512 | 4,402,837 | 6,078,229 | (96,898) | 141,784,680 |
| Accumulated depreciation: | | | | | |
| Water and sewer distribution systems | 15,925,654 | - | 1,178,722 | - | 17,104,376 |
| Buildings and improvements | 15,189,687 | - | 739,326 | - | 15,929,013 |
| Machinery and equipment | 16,272,587 | - | 297,323 | - | 16,569,910 |
| Vehicles | 967,236 | - | 119,058 | (96,898) | 989,396 |
| Land improvements | 366,261 | - | 7,787 | - | 374,048 |
| Subtotal | 48,721,425 | - | 2,342,216 | (96,898) | 50,966,743 |
| Net capital assets being depreciated | 82,679,087 | 4,402,837 | 3,736,013 | - | 90,817,937 |
| Net capital assets | \$ 88,285,088 | \$ - | \$ 12,218,873 | \$ - | \$100,503,961 |

City of Monroe, Michigan

Notes to Financial Statements June 30, 2013

Note 5 - Capital Assets (Continued)

| | Balance July 1, 2012 | Additions | Disposals | Balance June 30, 2013 |
|---------------------------------------|-------------------------|------------|--------------|--------------------------|
| Component Units | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 1,639,813 | \$ 2,920 | \$ (111,380) | \$ 1,531,353 |
| Site improvements | 363,697 | - | - | 363,697 |
| Earthen dikes | 321,061 | - | - | 321,061 |
| Rental buildings | 235,739 | - | - | 235,739 |
| Construction in progress | 52,270 | 194,001 | - | 246,271 |
| Subtotal | 2,612,580 | 196,921 | (111,380) | 2,698,121 |
| Capital assets being depreciated: | | | | |
| Road and site improvement | 877,916 | - | - | 877,916 |
| Railroad siding | 268,785 | - | - | 268,785 |
| Wharf | 248,821 | - | - | 248,821 |
| Dredging | 374,445 | - | - | 374,445 |
| Leachate collection system | 38,237 | - | - | 38,237 |
| Rental buildings | 291,580 | - | - | 291,580 |
| Office building | 572,043 | - | - | 572,043 |
| Furniture and equipment | 95,873 | 2,780 | - | 98,653 |
| Subtotal | 2,767,700 | 2,780 | - | 2,770,480 |
| Accumulated depreciation: | | | | |
| Road and site improvement | 494,916 | 28,714 | - | 523,630 |
| Railroad siding | 177,392 | 5,706 | - | 183,098 |
| Wharf | 222,269 | 2,271 | - | 224,540 |
| Dredging | 374,445 | - | - | 374,445 |
| Leachate collection system | 29,775 | 2,308 | - | 32,083 |
| Rental buildings | 288,003 | 1,665 | - | 289,668 |
| Office building | 377,971 | 7,249 | - | 385,220 |
| Furniture and equipment | 88,103 | 2,567 | - | 90,670 |
| Subtotal | 2,052,874 | 50,480 | - | 2,103,354 |
| Net capital assets being depreciated | 714,826 | (47,700) | - | 667,126 |
| Net capital assets | \$ 3,327,406 | \$ 149,221 | \$ (111,380) | \$ 3,365,247 |

City of Monroe, Michigan

Notes to Financial Statements June 30, 2013

Note 5 - Capital Assets (Continued)

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

Governmental activities:

| | |
|--|----------------|
| General government | \$ 219,427 |
| Public safety | 154,101 |
| Public works | 4,325,623 |
| Recreation and culture | 329,268 |
| Internal service fund depreciation is charged to the various functions based on their usage of the asset | <u>219,115</u> |

| | |
|-------------------------------|---------------------|
| Total governmental activities | <u>\$ 5,247,534</u> |
|-------------------------------|---------------------|

Business-type activities:

| | |
|------------|------------------|
| Water | \$ 1,336,965 |
| Wastewater | <u>1,005,251</u> |

| | |
|--------------------------------|---------------------|
| Total business-type activities | <u>\$ 2,342,216</u> |
|--------------------------------|---------------------|

| | |
|--|------------------|
| Component unit activities - Port of Monroe | <u>\$ 50,480</u> |
|--|------------------|

Construction Commitments - The City has active construction projects at year end. The City's significant active construction projects include the Macomb Street Bridge Rehabilitation, River Raisin Dam Remediation - Phase I, MCC A&B Replacement, and the 2013 Water Main Replacement Program, as well as various other City projects specifically allocated toward various capital improvements within the City. At year end, the City's significant commitments with contractors are as follows:

| | <u>Total Commitment</u> | <u>Spent to Date</u> | <u>Remaining Commitment</u> |
|--|-----------------------------|----------------------|---------------------------------|
| Macomb Street Bridge Rehabilitation | \$ 2,356,000 | \$ 2,221,511 | \$ 134,489 |
| River Raisin Dam Remediation - Phase I | 1,037,036 | 814,658 | 222,378 |
| MCC A&B Replacement | 207,799 | 38,165 | 169,634 |
| 2013 Water Main Replacement Program | 195,943 | - | 195,943 |

City of Monroe, Michigan

Notes to Financial Statements June 30, 2013

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

| Receivable Fund | Payable Fund | Amount |
|---|---|-------------------|
| Due to/from Other Funds | | |
| General Fund | Nonmajor governmental fund - Grants Fund | \$ 4,311 |
| Capital Projects | Nonmajor governmental fund - Grants Fund | 15,283 |
| Nonmajor governmental fund - Building Safety Fund | Nonmajor governmental fund - Grants Fund | 19,788 |
| Internal service fund - Employee Benefit Fund | General Fund | 2,494 |
| | Nonmajor governmental funds: | |
| | Parking Meter Fund | 18 |
| | Building Safety Fund | 87 |
| | Airport Fund | 11 |
| | Business-type funds: | |
| | Wastewater Fund | 522 |
| | Water Fund | 547 |
| | Internal service funds: | |
| | Information System Fund | 4 |
| | Stores and Equipment Fund | 56 |
| | Total internal service fund - Employee Benefit Fund | <u>3,739</u> |
| | Total interfund activity | <u>\$ 43,121</u> |
| Receivable Fund | Payable Fund | Amount |
| Advances from/to Other Funds | | |
| Water Fund | General Fund | <u>\$ 815,358</u> |

City of Monroe, Michigan

Notes to Financial Statements June 30, 2013

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

| Receivable Fund | Payable Fund | Amount |
|--|---|---------------------|
| Advances Due to/from Primary Government and Component Units | | |
| Nonmajor governmental fund - Economic Development Fund | Component unit - Brownfield Redevelopment Authority | \$ 1,517,110 |
| Business-type fund - Water Fund | Component unit - Brownfield Redevelopment Authority | <u>465,696</u> |
| | Total | <u>\$ 1,982,806</u> |

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

The advance from the Water Fund to the General Fund was for the purchase of property. The advances from the Economic Development Fund and Water Fund to the Brownfield Redevelopment Authority were for the rehabilitation of a contaminated site. Advances are being repaid with interest over a number of years.

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

| Fund Transferred From | Fund Transferred To | Amount |
|-----------------------------|---------------------------------|---------------------|
| General Fund | Capital Projects Fund (1) | \$ 432,262 |
| | Nonmajor governmental funds (1) | 427,290 |
| | Nonmajor governmental funds (2) | <u>19,053</u> |
| | Total General Fund | 878,605 |
| Capital Projects Fund | Internal service funds (1) | 28,606 |
| Nonmajor governmental funds | General Fund (1) | 9,881 |
| | Capital Projects Fund (1) | <u>181,060</u> |
| | Total | <u>190,941</u> |
| | Total transfers | <u>\$ 1,098,152</u> |

(1) Transfer for capital improvements

(2) Transfer for debt service

City of Monroe, Michigan

Notes to Financial Statements June 30, 2013

Note 7 - Long-term Debt

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

Long-term debt activity can be summarized as follows:

| | Interest Rate Ranges | Principal Maturity Ranges | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--|-------------------------|---------------------------------|----------------------|--------------|--------------|----------------|------------------------|
| Governmental Activities | | | | | | | |
| General obligation bonds: | | | | | | | |
| MDEQ Site Revitalization Loan - \$1,000,000 - Maturing through 2015 | 2.25% | \$96,944- \$101,356 | \$ 290,882 | \$ - | \$ 94,811 | \$ 196,071 | \$ 96,944 |
| MDEQ Site Revitalization Loan - Mason Run - \$800,000 - Maturing through 2021 | 2% | \$68,398- \$78,568 | 654,118 | - | 67,057 | 587,061 | 68,398 |
| MDEQ Brownfield Development Loan - Battlefield - \$763,510 - Maturing through 2023 | 2% | \$53,120- \$64,754 | 646,413 | - | 64,754 | 581,659 | 53,120 |
| 2005 Monroe Building Authority Refunding Bonds - \$5,400,000 - Maturing through 2024 | 3.25%- 4.375% | - | 4,425,000 | - | 4,425,000 | - | - |
| 2010 Capital Improvement Bonds - \$2,500,000 - Maturing through 2030 | 1.60% - 5.40% | \$85,000- \$100,000 | 1,740,000 | - | 150,000 | 1,590,000 | 85,000 |
| 2012 Capital Improvement Bonds - \$4,050,000 - Maturing through 2032 | 2.25% - 3.5% | \$120,000 - \$330,000 | 4,050,000 | - | 90,000 | 3,960,000 | 120,000 |
| 2012 Monroe Building Authority Refunding Bonds - \$4,425,000 - Maturing through 2024 | 2.230% | \$340,000- 425,000 | - | 4,275,000 | 65,000 | 4,210,000 | 340,000 |
| Total bond obligations | | | 11,806,413 | 4,275,000 | 4,956,622 | 11,124,791 | 763,462 |
| Installment purchase obligations: | | | | | | | |
| Equipment installment purchase - \$159,230 - Maturing through 2018 | 4.90% | \$16,157- \$19,542 | 104,454 | - | 15,407 | 89,047 | 16,157 |
| Various City facility improvements - \$253,005 - Maturing through 2020 | 4.85% | \$23,258- \$30,903 | 210,694 | - | 22,183 | 188,511 | 23,258 |
| Total installment purchase obligations | | | 315,148 | - | 37,590 | 277,558 | 39,415 |
| Compensated absences | | | 715,736 | 162,700 | 154,980 | 723,456 | 156,320 |
| Total governmental activities | | | \$ 12,837,297 | \$ 4,437,700 | \$ 5,149,192 | \$ 12,125,805 | \$ 959,197 |

City of Monroe, Michigan

Notes to Financial Statements June 30, 2013

Note 7 - Long-term Debt (Continued)

| | Interest Rate Ranges | Principal Maturity Ranges | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--|-------------------------|---------------------------------|----------------------|----------------------|---------------------|----------------------|------------------------|
| Business-type Activities | | | | | | | |
| 2008 General Obligation Water Meter Shop Bonds - \$6,360,000 - Maturing through 2028 | 3.25%- 4.5% | \$260,000- \$505,000 | \$ 5,785,000 | \$ - | \$ 255,000 | \$ 5,530,000 | \$ 260,000 |
| MDEQ Clean Water State Revolving Funds (through County of Monroe) - \$12,000,000 - Maturing through 2030 | 2.50% | \$505,000- \$550,000 | 11,055,000 | - | 495,000 | 10,560,000 | 505,000 |
| Michigan Municipal Bond Authority Drinking Water Revolving Funds - \$3,051,000 - Maturing through 2030 | 2.50% | \$100,000- \$190,000 | 2,237,783 | - | 100,000 | 2,137,783 | 100,000 |
| 2010 Capital Improvement Bonds - \$5,735,000 - Maturing through 2030 | 1.60%- 5.40% | \$155,000- \$705,000 | 5,435,000 | - | 155,000 | 5,280,000 | 155,000 |
| MDEQ Sewage Disposal System Bonds (through County of Monroe) - \$9,115,000 - Maturing through 2033 | 2.50% | \$341,767 - \$545,000 | 4,997,673 | 3,732,710 | 347,906 | 8,382,477 | 341,767 |
| 2012 General Obligation Limited Tax Refunding Bonds - \$1,850,000 - Maturing through 2025 | .55% - 3.50% | \$130,000 - \$165,000 | 1,850,000 | - | 120,000 | 1,730,000 | 130,000 |
| MDEQ Sewage Disposal System Bonds (through County of Monroe) - \$17,950,000 - Maturing through 2034 | 2.50% | \$705,000 - \$1,125,000 | - | 8,792,998 | - | 8,792,998 | - |
| Total | | | <u>\$ 31,360,456</u> | <u>\$ 12,525,708</u> | <u>\$ 1,472,906</u> | <u>\$ 42,413,258</u> | <u>\$ 1,491,767</u> |

All governmental bond obligations are financed through the debt service funds. Other long-term governmental obligations are typically financed through the General Fund. Annual debt service requirements to maturity for the above obligations, excluding compensated absences, are as follows:

| Years Ending June 30 | Governmental Activities | | | Business-type Activities | | |
|-------------------------|-------------------------|------------------------------|----------------------|--------------------------|------------------------------|----------------------|
| | Principal | Interest - Net of Subsidy | Total | Principal | Interest - Net of Subsidy | Total |
| 2014 | \$ 802,877 | \$ 302,295 | \$ 1,105,172 | \$ 1,491,767 | \$ 1,176,870 | \$ 2,668,637 |
| 2015 | 809,406 | 283,602 | 1,093,008 | 2,240,000 | 1,158,003 | 3,398,003 |
| 2016 | 729,767 | 264,745 | 994,512 | 2,295,000 | 1,099,246 | 3,394,246 |
| 2017 | 749,402 | 247,194 | 996,596 | 2,360,000 | 1,037,969 | 3,397,969 |
| 2018 | 784,189 | 228,882 | 1,013,071 | 2,425,000 | 973,978 | 3,398,978 |
| 2019-2023 | 4,011,708 | 839,285 | 4,850,993 | 13,140,000 | 4,336,955 | 17,476,955 |
| 2024-2028 | 2,310,000 | 398,018 | 2,708,018 | 12,322,998 | 1,906,649 | 14,229,647 |
| 2029-2033 | 1,205,000 | 87,690 | 1,292,690 | 6,138,493 | 333,574 | 6,472,067 |
| Total | <u>\$ 11,402,349</u> | <u>\$ 2,651,711</u> | <u>\$ 14,054,060</u> | <u>\$ 42,413,258</u> | <u>\$ 12,023,244</u> | <u>\$ 54,436,502</u> |

During fiscal year 2010, the City issued 2010 Capital Improvement Bonds, which are Recovery Zone Economic Development Bonds. In accordance with this program, the City will be reimbursed a portion of interest expense incurred. The interest expense associated with these bonds in fiscal year 2013 was \$436,000 and the subsidy received was \$196,200, bringing the interest, net of subsidy, to \$239,800.

Note 7 - Long-term Debt (Continued)

The Brownfield Redevelopment Authority has committed to repaying the Downriver Community Conference the principal of \$1,250,000 without interest related to a Brownfield Cleanup Revolving Loan advance that the Authority received for rehabilitation of a contaminated site. The advance will be repaid over a period of 15 years. No payments are due in the first five years. The advance will be repaid with tax captures. The balance on the advance at June 30, 2013 is \$1,012,758, with the advance projected to be completely repaid by February 28, 2023. The remaining \$237,242 of the total \$1,250,000 is not expected to be drawn down as the project is completed.

The Brownfield Redevelopment Authority has committed to repaying the State of Michigan Department of Environmental Quality the principal of \$1,000,000 with 1.5 percent interest related to a Clean Michigan Initiative Brownfield Redevelopment Loan that the Authority received for redevelopment of a contaminated site. The loan will be repaid over a period of 11 years. No payments are due in the first four years. The loan will be repaid with tax captures. The balance on the loan at June 30, 2013 is \$1,000,000.

In April 2013, the Port of Monroe entered into a promissory note in the amount of \$150,000. The note provides for monthly principal and interest payments of \$1,093 through March 2018 and a balloon payment of \$110,223 in April 2018.

Debt Refunding

During the year, the City issued \$4,275,000 of general obligation limited tax refunding bonds with an interest rate of 2.23 percent. The proceeds of these bonds were used to refund \$4,410,000 of outstanding general obligation building authority bonds with an interest rate ranging from 4.0 percent to 4.375 percent. The net proceeds of \$4,224,791 (after payment of \$50,209 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent and were used to pay off the original bonds during the fiscal year. The current refunding reduced total debt service payments over the next 11 years by \$454,441, which represents an economic gain of \$402,588.

Note 8 - 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 participates in the Michigan Municipal League risk pool for claims related to general liability; the City is self-insured for workers' compensation and medical benefits and limits its risk with excess insurance for workers' compensation and stop-loss insurance for medical benefits.

Note 8 - Risk Management (Continued)

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts. Settled claims have not exceeded the amount of insurance coverage in the past three years.

The City estimates the liability for workers' compensation and medical benefits 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, which includes estimates of both future payments of losses and related claim adjustment expense, both allocated and unallocated. The liability is based on individual claims and management's evaluation of experience with respect to the probable number and nature of claims. Any adjustments resulting from the settlement of losses will be reflected in earnings at the time the adjustments are determined. These liabilities are all considered to be current and are recorded in the Employee Benefit Internal Service Funds and within the Retiree Health Care Employee Benefit Trust Fund. Changes in the estimated liability for the past two fiscal years were as follows:

| | <u>2013</u> | <u>2012</u> |
|---|--------------------|--------------------|
| Unpaid claims - Beginning of year | \$ 688,914 | \$ 652,077 |
| Incurred claims, including claims incurred but not reported | 5,135,770 | 4,763,138 |
| Claim payments | <u>(5,155,179)</u> | <u>(4,726,301)</u> |
| Unpaid claims - End of year | <u>\$ 669,505</u> | <u>\$ 688,914</u> |

Note 9 - Defined Benefit Pension Plan

Plan Description - The City of Monroe Employee Retirement System is a single-employer defined benefit pension plan that includes hybrid (combination of defined benefit and defined contribution) expenditures and is administered by the City of Monroe. This plan covers substantially all full-time employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries.

At December 31, 2012, the date of the most recent actuarial valuation, membership consisted of 268 retirees and beneficiaries currently receiving benefits, 15 terminated employees entitled to benefits but not yet receiving them, and 162 current active employees. The plan does not issue a separate financial report.

Note 9 - Defined Benefit Pension Plan (Continued)

Funding Policy and Contributions - Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when they are due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's collective bargaining units and requires a contribution from the employees of 2 to 5.5 percent of gross wages, depending on the bargaining unit. The funding policy provides for periodic employer contributions at actuarially determined rates. The plan has been fully funded for several years. Administrative costs of the plan are financed through investment earnings.

All plan investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price on June 30, 2013. Securities without an established market are reported at estimated fair value.

Annual Pension Cost - The annual contribution for the year ended June 30, 2013 was \$1,351,441. The annual required contribution was determined based on the actuarial valuation at December 31, 2010 using the entry actuarial age cost method. Significant actuarial assumptions used include (a) a 7.5 percent investment rate of return, (b) projected salary increases of 3.5 percent per year, (c) additional salary increases of 0 percent to 3 percent related to merit and/or longevity, (d) 2 percent to 3 percent per year cost-of-living adjustments (depending on bargaining unit), and (e) price inflation of 3.5 to 4.0 percent per year. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a seven-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 29 years.

Three-year trend information as of June 30 follows:

| | Fiscal Year Ended June 30 | | |
|-------------------------------|---------------------------|--------------|--------------|
| | 2013 | 2012 | 2011 |
| Annual pension cost (APC) | \$ 1,351,441 | \$ 1,274,568 | \$ 1,191,553 |
| Percentage of APC contributed | 100.0 % | 100.0 % | 100.0 % |
| Net pension obligation | \$ - | \$ - | \$ - |

Note 9 - Defined Benefit Pension Plan (Continued)

Funded Status and Funding Progress - As of December 31, 2012, the most recent actuarial valuation date, the plan was 99.5 percent funded. The actuarial accrued liability for benefits was \$130,741,000 and the actuarial value of assets was \$130,063,000, resulting in an unfunded actuarial accrued liability of \$678,000. The covered payroll (annual payroll for active employees covered by the plan) was \$9,543,000 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 7.1 percent.

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

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

| | |
|--------------------------------------|--------------|
| Reserve for employees' contributions | \$ 9,413,138 |
| Reserve for retired benefit payments | 92,765,220 |

Note 10 - Other Postemployment Benefits

Defined Benefit Plan Description - The City provides retiree healthcare benefits to eligible employees hired prior to June 30, 2008 and their spouses. Benefits are provided to employees covered under the Employees' Retirement System who were hired before June 30, 2008. Currently, the plan has 427 members (including employees in active service, terminated employees not yet receiving benefits, and retired employees and beneficiaries currently receiving benefits).

This is a single-employer defined benefit plan administered by the City. The benefits are provided under collective bargaining agreements and other contracts. The plan does not issue a separate stand-alone financial statement. Administrative costs are paid by the plan through employer contributions.

Funding Policy - The collective bargaining agreements and contracts do not require contributions from employees. Retiree healthcare costs are recognized when paid by the City on a "pay-as-you-go" basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment. However, as shown below, the City has made contributions to advance-fund a portion of these benefits, as determined by the City Council through annual budget resolutions. The costs of administering the plan are borne by the Retiree Health Care Plan.

City of Monroe, Michigan

Notes to Financial Statements June 30, 2013

Note 10 - Other Postemployment Benefits (Continued)

Funding Progress - For the year ended June 30, 2013, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2010, which is the most recent valuation. The City is currently in the process of obtaining a new valuation. There have been no significant changes to healthcare costs, payroll, or other factors that would cause the City to expect a significant increase in the funding progress. 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) | \$ 3,871,234 |
| Interest on the prior year's net OPEB obligation | 469,911 |
| Less adjustment to the annual required contribution | <u>(553,098)</u> |
| Annual OPEB cost | 3,788,047 |
| Amounts contributed: | |
| Payments of current premiums | (3,609,769) |
| Advance funding | <u>(586,479)</u> |
| Decrease in net OPEB obligation | (408,201) |
| OPEB obligation - Beginning of year | <u>6,713,022</u> |
| OPEB obligation - End of year | <u><u>\$ 6,304,821</u></u> |

Employer contributions and annual OPEB cost data for the current and four preceding years were as follows:

| Fiscal Year Ended | Actuarial Valuation Date | Annual Required Contribution | Annual OPEB Costs | Employer Contributions | | Net OPEB Obligation |
|----------------------|--------------------------------|------------------------------------|----------------------|-------------------------------------|--|------------------------|
| | | | | Percentage of ARC Contributed | Percentage of OPEB Costs Contributed | |
| 6/30/09 | 12/31/06 | \$ 4,663,334 | \$ 4,663,334 | 59.1 % | 59.1 % | \$ 1,906,983 |
| 6/30/10 | 12/31/06 | 4,873,182 | 5,006,672 | 58.9 | 57.3 | 4,042,799 |
| 6/30/11 | 12/31/08 | 4,694,544 | 4,651,746 | 68.9 | 69.5 | 5,459,701 |
| 6/30/12 | 12/31/08 | 4,698,863 | 4,755,247 | 74.5 | 73.6 | 6,713,022 |
| 6/30/13 | 12/31/10 | 3,871,234 | 3,788,047 | 108.4 | 110.7 | 6,304,821 |

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 |
|--------------------------|-------------------------------|---------------------------------------|---------------------------|------------------------------|---------------------|---|
| 12/31/06 | \$ 8,668,479 | \$ 62,970,849 | \$ 54,302,370 | 13.8 % | \$ 13,007,162 | 417.5 % |
| 12/31/08 | 8,148,464 | 51,985,601 | 43,837,137 | 15.7 | 11,289,204 | 388.3 |
| 12/31/10 | 12,465,300 | 51,703,768 | 39,238,468 | 24.1 | 10,758,097 | 364.7 |

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 December 31, 2010 actuarial valuation, the individual entry age actuarial cost method was used. The actuarial assumptions included a 7 percent investment rate of return (net of administrative expenses), 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, an annual healthcare cost trend rate of 9 percent initially, reduced by decrements to an ultimate rate of 3.5 percent after 10 years, and projected salary increases of 3.5 percent per year with additional salary increases of 0 percent to 3 percent related to merit and/or longevity. Both rates included a 4.5 percent inflation assumption. Actuarial gains and losses reduce (increase) the UAAL as they occur. The UAAL is being amortized as a level dollar value on a closed basis. The remaining amortization period at December 31, 2010 was 28 years.

Note 10 - Other Postemployment Benefits (Continued)

Defined Contribution Plan Description - The City also provides retiree healthcare benefits to eligible employees hired after June 30, 2009 through a defined contribution plan administered by the Municipal Employees' Retirement System of Michigan (MERS). The benefits are provided under collective bargaining agreements and require the City and the employee each to contribute 3 percent of base earnings, as defined by collective bargaining agreements, to the plan. Any plan members who terminate employment from the City are then eligible to use the balance in their accounts to fund current medical costs. During the year ended June 30, 2013, there were 19 members in the plan (16 active participants and 3 terminated employees with balances), and the City made contributions of \$29,891 and the plan members contributed \$29,891 to the plan.

Note 11 - Joint Venture

In October 1991, for the purpose of owning and operating a raw water intake facility, the City and Frenchtown Township (the "Township") formed the Monroe-Frenchtown Raw Water Supply Partnership (the "Partnership"). The Partnership began operations in December 1994 upon completion of Frenchtown Township's own water processing plant.

The City has an 18/26 interest and the Township has an 8/26 interest in the Partnership. Each partner's governing body has an equal vote in managing the affairs of the Partnership. The operation and maintenance costs are split based on actual water consumption. In addition, the Township pays the City an administrative fee of 12.5 percent of its share of operating and maintenance costs. The following financial information of the Partnership was obtained from its audited financial statements for the year ended June 30, 2013:

| | | |
|--------------------------|----|-----------|
| Total assets | \$ | 5,599,818 |
| Total liabilities | | 25,259 |
| Total equity | | 5,574,559 |
| Total revenue | | 387,362 |
| Total operating expenses | | 393,758 |
| Decrease in equity | | 6,396 |

Complete financial statements for the joint venture can be obtained from the administrative offices at 120 E. First Street, Monroe, Michigan.

The City's equity interest in the Partnership of \$3,859,267 is recorded in the Water Fund.

Note 12 - Economic Dependency

Three taxpayers account for approximately 49 percent of the City's tax revenue and 9 percent of the water and sewage disposal revenue.

City of Monroe, Michigan

Notes to Financial Statements June 30, 2013

Note 13 - Pension and Other Employee Benefit Trust Funds

The following are condensed financial statements for the pension trust fund and retiree healthcare systems:

| | Pension Trust Fund | Retiree Health Care Fund | Total |
|---|-----------------------|-----------------------------|-----------------------|
| Statement of Net Position | | | |
| Cash and investments | \$ 127,702,984 | \$ 15,557,063 | \$ 143,260,047 |
| Other assets | 280,672 | - | 280,672 |
| Liabilities | 2,865,683 | 626,629 | 3,492,312 |
| Net position | <u>\$ 125,117,973</u> | <u>\$ 14,930,434</u> | <u>\$ 140,048,407</u> |
| Statement of Changes in Net Position | | | |
| Investment income | \$ 13,877,592 | \$ 1,556,302 | \$ 15,433,894 |
| Contributions | 1,784,570 | 4,196,247 | 5,980,817 |
| Benefit payments | 8,102,238 | 3,609,769 | 11,712,007 |
| Other decreases | 43,258 | 121,657 | 164,915 |
| Net change in net position | <u>\$ 7,516,666</u> | <u>\$ 2,021,123</u> | <u>\$ 9,537,789</u> |

Note 14 - Contingent Liabilities

Environmental Liability

As of June 30, 2013, the Port of Monroe owned approximately 279 acres (Property) of a 480 acre tract of land formerly used as an industrial landfill that has been identified by the Michigan Department of Environment Quality (MDEQ) as a site of environmental contamination as defined by the Natural Resources and Environmental Protection Act (NREPA), Michigan PA 451, of 1994, as amended. The MDEQ has identified the Port of Monroe along with more than 70 other individual and corporate entities as potentially responsible parties (PRPs). The land is divided roughly in half by I-75 with the West Site being west of I-75 and the East Site being east of I-75. An Interim Remedial Action Plan (IRAP) was prepared for the East Site in 2002.

A remedial investigation was conducted for the West Site in 1996. The data collected has not identified any serious risk to human health or to the environment and the land is now available for industrial development.

Note 14 - Contingent Liabilities (Continued)

Based upon available information, in June of 2013 the Port identified its pollution remediation obligations and estimated the expected pollution remediation outlays that are reasonably estimable to meet those obligations related to the Property. The estimated outlays for the landfill were based primarily upon the above-referenced reports and subsequent comments from MDEQ and may include, without limitation, the following components: (1) professional and legal services, (2) installation of additional perimeter monitoring wells and additional investigations, (3) additional investigation necessary to prepare a Response Activity Plan for the West Site, (4) annual monitoring of perimeter wells, (5) filling the ponds, (6) revisions to the municipal ordinance that prohibits the use of groundwater, (7) installation of permanent markers, and (8) operation and maintenance of the existing leachate collection system. The completion of the IRDC will be the benchmark that will be used to evaluate the estimate of the outlays and to determine if any changes to the estimate should be made for the West Site.

As a part of the process of estimating the expected pollution remediation outlays, the Port's environmental consultant considered three possible scenarios based on the fact that a final remediation plan for both sites has not been approved by MDEQ. Each scenario makes certain assumptions and the last two scenarios assume an expanded scope of work and increasing costs. The costs for the components of each scenario were estimated by the Port's engineer or environmental consultant. The current value of the expected outlays for the three scenarios was measured using the expected cash flow technique according to the governmental accounting standard with regard to accounting and financial reporting for pollution remediation obligations. This technique measures a pollution remediation liability as the sum of probability-weighted amounts in a range of possible estimated amounts - the estimated mean or average. According to the consultant, the estimated outlays were measured as of June 30, 2013. The measurement of the pollution remediation liability includes all remediation work that is expected to be performed including work to be performed by other PRPs. Expected recoveries from other PRPs have been included by reducing the measurement of the Port's pollution remediation liability.

Based upon prior contributions from 14 of the PRPs to MDEQ for various completed environmental activities on the Property, and after considering current economic conditions related to some of those PRPs, a measurement for expected recoveries has been made in the amount of \$4,384,617. The Port's expected outlays for its share of the pollution remediation obligations related to the Property have been estimated to be \$983,425 and are reflected on the Port's June 30, 2013 balance sheet as liabilities - environmental. Further note, the actual costs could differ from the estimated liability for both sites if any of the assumptions change due to such factors as price increases or reductions, environmental technology, applicable laws and regulations, or enforceability or collectibility from other PRPs.

City of Monroe, Michigan

Notes to Financial Statements June 30, 2013

Note 15 - Fund Balance Constraints

The detail of the various components of fund balance is as follows:

| | General Fund | Capital Projects Fund | Nonmajor Funds | Total |
|--|---------------------|--------------------------|---------------------|---------------------|
| Fund Balances | | | | |
| Nonspendable: | | | | |
| Real estate inventories - Net of related advances | \$ 368,780 | \$ - | \$ - | \$ 368,780 |
| Prepays | 21,659 | 7,763 | 40,782 | 70,204 |
| Total nonspendable | 390,439 | 7,763 | 40,782 | 438,984 |
| Restricted: | | | | |
| Roads | - | - | 1,273,938 | 1,273,938 |
| Police | - | - | 36,627 | 36,627 |
| Debt service | - | - | 93,684 | 93,684 |
| Grants | - | - | 204,887 | 204,887 |
| Capital projects (unspent bond proceeds) | - | 535,161 | - | 535,161 |
| Rubbish, garbage, and recycling | - | - | 126,516 | 126,516 |
| Code enforcement | - | - | 369,875 | 369,875 |
| Total restricted | - | 535,161 | 2,105,527 | 2,640,688 |
| Committed: | | | | |
| Budget stabilization | 2,000,000 | - | - | 2,000,000 |
| Airport operations | - | - | 39,924 | 39,924 |
| Parking enforcement and parking lot maintenance | - | - | 48,397 | 48,397 |
| Donation purpose | - | - | 93,624 | 93,624 |
| Capital outlay projects | - | 617,464 | - | 617,464 |
| Economic development activities | - | - | 341,963 | 341,963 |
| Total committed | 2,000,000 | 617,464 | 523,908 | 3,141,372 |
| Assigned: | | | | |
| Subsequent year's budget | 48,565 | - | - | 48,565 |
| Debt service | - | - | 78,848 | 78,848 |
| Total assigned | 48,565 | - | 78,848 | 127,413 |
| Unassigned | 3,101,726 | - | - | 3,101,726 |
| Total fund balance | <u>\$ 5,540,730</u> | <u>\$ 1,160,388</u> | <u>\$ 2,749,065</u> | <u>\$ 9,450,183</u> |

Note 16 - Upcoming Accounting Pronouncements

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

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

Note 17 - Subsequent Event

At year end, the total principal outstanding on the MDEQ Brownfield Development Loan - Battlefield was \$581,659, at an interest rate of 2 percent, maturing in 2023. The Brownfield Redevelopment Authority's principal payments were scheduled to range from \$53,120 to \$64,754, with \$53,120 due in the upcoming fiscal year; however, subsequent to year end, in August 2013, the Brownfield Redevelopment Authority paid off this loan in full.

Required Supplemental Information

City of Monroe, Michigan

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

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget |
|--|-----------------|-------------------|---------------|------------------------------------|
| Revenue | | | | |
| Property taxes | \$ 12,873,235 | \$ 12,811,167 | \$ 12,864,816 | \$ 53,649 |
| Licenses and permits | 335,100 | 341,850 | 353,226 | 11,376 |
| Federal grants | 65,740 | 63,427 | 63,427 | - |
| State-shared revenue and grants | 1,725,204 | 1,851,500 | 1,865,735 | 14,235 |
| Charges for services | 975,524 | 810,688 | 804,713 | (5,975) |
| Fines and forfeitures | 72,000 | 66,500 | 85,188 | 18,688 |
| Investment income | 100,000 | 69,900 | 38,490 | (31,410) |
| Rental income | 59,255 | 62,572 | 63,111 | 539 |
| Other revenue: | | | | |
| Administrative fees | 888,782 | 888,782 | 888,398 | (384) |
| Other miscellaneous income | 129,000 | 130,000 | 90,478 | (39,522) |
| Total revenue | 17,223,840 | 17,096,386 | 17,117,582 | 21,196 |
| Expenditures | | | | |
| General government: | | | | |
| City Council | 129,530 | 121,301 | 104,336 | 16,965 |
| City manager | 269,355 | 283,135 | 280,096 | 3,039 |
| Finance | 705,063 | 712,185 | 702,870 | 9,315 |
| Employee benefit costs | 486,351 | - | - | - |
| Clerk-Treasurer | 485,684 | 537,381 | 493,824 | 43,557 |
| Assessor | 350,141 | 365,628 | 364,764 | 864 |
| City hall grounds | 261,516 | 268,332 | 263,429 | 4,903 |
| Attorney | 136,225 | 135,325 | 132,896 | 2,429 |
| Human resources | 264,102 | 305,257 | 284,966 | 20,291 |
| Engineering | 307,758 | 326,532 | 326,255 | 277 |
| Total general government | 3,395,725 | 3,055,076 | 2,953,436 | 101,640 |
| Public safety: | | | | |
| Police | 5,628,016 | 5,663,568 | 5,557,657 | 105,911 |
| Fire | 2,940,076 | 3,043,555 | 2,992,048 | 51,507 |
| Zoning/Ordinance enforcement | 139,059 | 152,915 | 98,392 | 54,523 |
| Total public safety | 8,707,151 | 8,860,038 | 8,648,097 | 211,941 |
| Public works - Department of Public Services | | | | |
| Community and economic development | 1,947,999 | 2,122,384 | 2,121,058 | 1,326 |
| development | 237,988 | 271,540 | 247,567 | 23,973 |

City of Monroe, Michigan

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

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget |
|--|---------------------|---------------------|---------------------|------------------------------------|
| Expenditures (Continued) | | | | |
| Recreation and culture: | | | | |
| Library | \$ 57,500 | \$ 57,500 | \$ 57,500 | \$ - |
| Recreation | 1,531,622 | 1,502,458 | 1,461,734 | 40,724 |
| Public access TV | 154,250 | 166,274 | 159,758 | 6,516 |
| Historic District Commission | 1,950 | 1,950 | 763 | 1,187 |
| Social services | 140,000 | 140,000 | 140,000 | - |
| | <u>1,885,322</u> | <u>1,868,182</u> | <u>1,819,755</u> | <u>48,427</u> |
| Total recreation and culture | | | | |
| | 1,885,322 | 1,868,182 | 1,819,755 | 48,427 |
| Debt service: | | | | |
| Principal | 22,183 | 22,183 | 22,183 | - |
| Interest on long-term debt | 18,379 | 18,379 | 18,379 | - |
| Contingencies | 150,000 | - | - | - |
| Other uses - Transfers out | 859,093 | 878,605 | 878,605 | - |
| Other uses - Loss in fair value of inventory | - | 508,000 | 507,488 | 512 |
| | <u>-</u> | <u>508,000</u> | <u>507,488</u> | <u>512</u> |
| Total expenditures | | | | |
| | 17,223,840 | 17,604,387 | 17,216,568 | 387,819 |
| | <u>17,223,840</u> | <u>17,604,387</u> | <u>17,216,568</u> | <u>387,819</u> |
| Net Change in Fund Balance | - | (508,001) | (98,986) | 409,015 |
| Fund Balance - Beginning of year | 5,639,716 | 5,639,716 | 5,639,716 | - |
| | <u>5,639,716</u> | <u>5,639,716</u> | <u>5,639,716</u> | <u>-</u> |
| Fund Balance - End of year | <u>\$ 5,639,716</u> | <u>\$ 5,131,715</u> | <u>\$ 5,540,730</u> | <u>\$ 409,015</u> |

City of Monroe, Michigan

Note to Required Supplemental Information Year Ended June 30, 2013

Note - Budgetary Information

The budgets for the General Fund have been prepared in accordance with accounting principles generally accepted in the United States of America, with the exception that operating transfers have been included in the "revenue" and/or "expenditures" categories, rather than as "other financing sources (uses)." In addition, reimbursements from other funds have been recorded as revenue rather than as a reduction of the related expense. See Note 2 of the basic financial statements for further information regarding the budgetary process.

City of Monroe, Michigan

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

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 |
|-----------------------------|--|--|---------------------------------|------------------------------------|---------------------------|--|
| 12/31/07 | \$ 130,366 | \$ 110,753 | \$ (19,613) | 117.7 | \$ 13,372 | (146.7) |
| 12/31/08 | 130,512 | 117,030 | (13,482) | 111.5 | 11,289 | (119.4) |
| 12/31/09 | 131,184 | 120,828 | (10,356) | 108.6 | 11,062 | (93.6) |
| 12/31/10 | 132,119 | 124,415 | (7,704) | 106.2 | 10,758 | (71.6) |
| 12/31/11 | 131,234 | 128,991 | (2,243) | 101.7 | 9,637 | (23.3) |
| 12/31/12 | 130,063 | 130,741 | 678 | 99.5 | 9,543 | 7.1 |

(Dollar amounts in thousands)

The schedule of employer contributions is as follows:

| Fiscal Year Ended | Actuarial Valuation Date | Annual Required Contribution * | Percentage Contributed |
|-------------------|--------------------------|-----------------------------------|---------------------------|
| 6/30/08 | 12/31/05 | \$ 1,444,880 | 100.0 |
| 6/30/09 | 12/31/06 | 1,439,269 | 100.0 |
| 6/30/10 | 12/31/07 | 1,483,539 | 100.0 |
| 6/30/11 | 12/31/09 | 1,191,553** | 100.0 |
| 6/30/12 | 12/31/09 | 1,274,568 | 100.0 |
| 6/30/13 | 12/31/10 | 1,351,441 | 100.0 |

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

** The annual contribution would normally be determined based on the actuarial valuation at June 30, 2008. Due to the results of an experience study, certain actuarial assumptions were changed after June 30, 2008 which resulted in the annual required contribution for June 30, 2011 being computed within the valuation dated June 30, 2009.

City of Monroe, Michigan

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

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

| | |
|-----------------------------|------------------------|
| Amortization method | Level percent |
| Amortization period | 27 years |
| Asset valuation method | 7-year smoothed market |
| Actuarial assumptions: | |
| Investment rate of return** | 7.5% |
| **Includes inflation at | 3.5% |
| Seniority/Merit | 0%-3% |
| Cost-of-living adjustments | 2%-3% |

Other Supplemental Information

City of Monroe, Michigan

Other Supplemental Information Nonmajor Governmental Funds Fund Descriptions

Special Revenue Funds

The **Major Streets Fund** accounts for the construction, maintenance, and repairs of all major streets. Financing is provided by state-shared gas and weight taxes, local contributions, and bonding. This fund is operated under the provisions of Michigan's Act 51 of the Public Acts of 1951, as amended.

The **Local Streets Fund** accounts for the construction, maintenance, and repairs of all local streets. Financing is provided by state-shared gas and weight taxes, local contributions, and bonding. This fund is operated under the provisions of Michigan's Act 51 of the Public Acts of 1951, as amended.

The **Rubbish, Garbage, and Recycling Fund** accounts for the funds provided by a special tax millage for the collection and removal of solid waste. This fund was authorized by a vote of the people authorizing a tax levy.

The **Parking Meter Fund** accounts for collection of parking fees and fines and offsetting costs.

The **Economic Development Fund** accounts for economic development activities within the City.

The **Grants Fund** accounts for entitlements received under the federally funded Community Development Block Grant program and the Home Investment Partnership Grant program. These funds are used to provide approved projects and programs.

The **Drug Forfeiture Fund** accounts for proceeds of forfeited property seized in connection with a violation of the controlled substance statutes, Public Act 135 of 1985 (MCLA 333,7521-7524).

The **Airport Fund** accounts for the operations of Custer Airport. Financing is provided by user charges.

The **Building Safety Fund** accounts for operations of construction code activities.

The **Expendable Trust Fund** accounts for money held in trust resulting from donations to be used for a particular purpose.

Debt Service Funds

The **Debt Service Fund** accounts for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment levies, for which the government is obligated in some manner for payment.

The **Building Authority Fund** is used to account for the accumulation of resources and payment of general obligation bond principal and interest related to the multisports complex.

City of Monroe, Michigan

| | Special Revenue Funds | | | | |
|---|-----------------------|-------------------|---------------------------------|-------------------|----------------------|
| | Major Streets | Local Streets | Rubbish, Garbage, and Recycling | Parking Meter | Economic Development |
| Assets | | | | | |
| Cash and investments | \$ 900,934 | \$ 360,137 | \$ 1,518,358 | \$ 52,570 | \$ 431,725 |
| Receivables: | | | | | |
| Property taxes receivable | - | - | 154,639 | - | - |
| Customer receivables | - | - | - | - | - |
| Accrued interest receivable | 335 | 56 | 163 | 7 | 191 |
| Other receivables | - | - | - | 209,510 | - |
| Due from other governmental units | 179,378 | 54,963 | - | - | - |
| Economic development loans receivable | - | - | - | - | 25,000 |
| Due from other funds | - | - | - | - | - |
| Prepaid expenses and other assets | - | - | - | - | - |
| Advance to component unit | - | - | - | - | 1,517,110 |
| Total assets | \$ 1,080,647 | \$ 415,156 | \$ 1,673,160 | \$ 262,087 | \$ 1,974,026 |
| Liabilities and Fund Balances | | | | | |
| Liabilities | | | | | |
| Accounts payable | \$ 92,311 | \$ 129,554 | \$ 186,877 | \$ 2,174 | \$ 6 |
| Due to other governmental units | - | - | - | - | - |
| Due to other funds | - | - | - | 18 | - |
| Accrued liabilities and other | - | - | - | 1,988 | - |
| Deferred revenue | - | - | 1,359,767 | 209,510 | 1,632,057 |
| Total liabilities | 92,311 | 129,554 | 1,546,644 | 213,690 | 1,632,063 |
| Fund Balances | | | | | |
| Nonspendable | - | - | - | - | - |
| Restricted: | | | | | |
| Roads | 988,336 | 285,602 | - | - | - |
| Police | - | - | - | - | - |
| Debt service | - | - | - | - | - |
| Grants | - | - | - | - | - |
| Rubbish, garbage, and recycling | - | - | 126,516 | - | - |
| Code enforcement | - | - | - | - | - |
| Committed: | | | | | |
| Airport operations | - | - | - | - | - |
| Parking enforcement and parking lot maintenance | - | - | - | 48,397 | - |
| Donation purpose | - | - | - | - | - |
| Economic development activities | - | - | - | - | 341,963 |
| Assigned - Debt service | - | - | - | - | - |
| Total fund balances | 988,336 | 285,602 | 126,516 | 48,397 | 341,963 |
| Total liabilities and fund balances | \$ 1,080,647 | \$ 415,156 | \$ 1,673,160 | \$ 262,087 | \$ 1,974,026 |

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

| Special Revenue Funds | | | | | Debt Service Funds | | Total Nonmajor Governmental Funds |
|-----------------------|--------------------|------------------|--------------------|---------------------|--------------------|-----------------------|--|
| Grants | Drug Forfeiture | Airport | Building Safety | Expendable Trust | Debt Service | Building Authority | |
| \$ 185,434 | \$ 38,508 | \$ 23,053 | \$ 364,378 | \$ 91,932 | \$ 510,456 | \$ 78,850 | \$ 4,556,335 |
| - | - | - | 3,900 | - | 42,250 | - | 200,789 |
| - | - | 26,851 | - | - | - | - | 26,851 |
| 76 | 17 | 4 | 187 | - | 78 | - | 1,114 |
| - | - | - | - | 9,570 | - | - | 219,080 |
| 76,604 | 1,199 | - | - | - | - | - | 312,144 |
| - | - | - | - | - | - | - | 25,000 |
| - | - | - | 19,788 | - | - | - | 19,788 |
| - | - | 40,782 | - | - | - | - | 40,782 |
| - | - | - | - | - | - | - | 1,517,110 |
| \$ 262,114 | \$ 39,724 | \$ 90,690 | \$ 388,253 | \$ 101,502 | \$ 552,784 | \$ 78,850 | \$ 6,918,993 |
| | | | | | | | |
| \$ 15,673 | \$ 1,898 | \$ 6,487 | \$ 1,888 | \$ 7,878 | \$ 80,011 | \$ 2 | \$ 524,759 |
| - | - | 1,223 | - | - | - | - | 1,223 |
| 39,382 | - | 11 | 87 | - | - | - | 39,498 |
| - | - | 2,263 | 16,403 | - | - | - | 20,654 |
| 2,172 | 1,199 | - | - | - | 379,089 | - | 3,583,794 |
| 57,227 | 3,097 | 9,984 | 18,378 | 7,878 | 459,100 | 2 | 4,169,928 |
| - | - | 40,782 | - | - | - | - | 40,782 |
| - | - | - | - | - | - | - | 1,273,938 |
| - | 36,627 | - | - | - | - | - | 36,627 |
| - | - | - | - | - | 93,684 | - | 93,684 |
| 204,887 | - | - | - | - | - | - | 204,887 |
| - | - | - | - | - | - | - | 126,516 |
| - | - | - | 369,875 | - | - | - | 369,875 |
| - | - | 39,924 | - | - | - | - | 39,924 |
| - | - | - | - | - | - | - | 48,397 |
| - | - | - | - | 93,624 | - | - | 93,624 |
| - | - | - | - | - | - | - | 341,963 |
| - | - | - | - | - | - | 78,848 | 78,848 |
| 204,887 | 36,627 | 80,706 | 369,875 | 93,624 | 93,684 | 78,848 | 2,749,065 |
| \$ 262,114 | \$ 39,724 | \$ 90,690 | \$ 388,253 | \$ 101,502 | \$ 552,784 | \$ 78,850 | \$ 6,918,993 |

City of Monroe, Michigan

| | Special Revenue Funds | | | | |
|--|-----------------------|-------------------|---------------------------------|------------------|----------------------|
| | Major Streets | Local Streets | Rubbish, Garbage, and Recycling | Parking Meter | Economic Development |
| Revenue | | | | | |
| Property taxes | \$ - | \$ - | \$ 1,249,624 | \$ - | \$ - |
| Licenses and permits | - | - | - | - | - |
| Federal grants | 29,410 | - | - | - | 62,419 |
| State-shared revenue and grants | 1,908,608 | 471,955 | - | - | - |
| Charges for services | - | - | 3,536 | 141,536 | - |
| Fines and forfeitures | - | - | - | - | - |
| Investment income | 1,477 | 1,287 | 3,868 | 392 | 1,878 |
| Rental income | - | - | - | - | - |
| Other revenue | 769 | - | 500 | - | - |
| Total revenue | 1,940,264 | 473,242 | 1,257,528 | 141,928 | 64,297 |
| Expenditures | | | | | |
| Current: | | | | | |
| Public safety | - | - | - | 150,188 | - |
| Public works | 1,593,612 | 1,141,544 | 1,386,443 | - | - |
| Community and economic development | - | - | - | - | 58,473 |
| Capital outlay | - | - | - | - | - |
| Debt service | - | - | - | - | - |
| Total expenditures | 1,593,612 | 1,141,544 | 1,386,443 | 150,188 | 58,473 |
| Excess of Revenue Over (Under) Expenditures | 346,652 | (668,302) | (128,915) | (8,260) | 5,824 |
| Other Financing Sources (Uses) | | | | | |
| Face value of debt issue | - | - | - | - | - |
| Transfers in | 130,000 | 297,290 | - | - | - |
| Transfers out | - | - | - | (80,500) | (9,881) |
| Payment to bond refunding escrow agent | - | - | - | - | - |
| Total other financing sources (uses) | 130,000 | 297,290 | - | (80,500) | (9,881) |
| Net Change in Fund Balances | 476,652 | (371,012) | (128,915) | (88,760) | (4,057) |
| Fund Balances - Beginning of year | 511,684 | 656,614 | 255,431 | 137,157 | 346,020 |
| Fund Balances - End of year | \$ 988,336 | \$ 285,602 | \$ 126,516 | \$ 48,397 | \$ 341,963 |

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

| Special Revenue Funds | | | | | Debt Service Funds | | Total |
|--------------------------|-------------------------|-------------------------|--------------------------|-------------------------|-------------------------|-------------------------|-----------------------------------|
| Grants | Drug Forfeiture | Airport | Building Safety | Expendable Trust | Debt Service | Building Authority | Nonmajor Governmental Funds |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 361,204 | \$ - | \$ 1,610,828 |
| - | - | - | 506,033 | - | - | - | 506,033 |
| 441,204 | 1,499 | - | - | - | 43,941 | - | 578,473 |
| - | - | - | - | - | - | - | 2,380,563 |
| - | - | 201,777 | - | - | - | - | 346,849 |
| - | 12,633 | - | - | - | - | - | 12,633 |
| 568 | 428 | - | 910 | - | 1,293 | 277 | 12,378 |
| - | - | 111,861 | - | - | - | 425,037 | 536,898 |
| - | - | 1,694 | - | 68,672 | 91,460 | - | 163,095 |
| <u>441,772</u> | <u>14,560</u> | <u>315,332</u> | <u>506,943</u> | <u>68,672</u> | <u>497,898</u> | <u>425,314</u> | <u>6,147,750</u> |
| - | 99,853 | - | - | - | - | - | 250,041 |
| - | - | 314,348 | 397,855 | 54,713 | - | - | 4,888,515 |
| 341,716 | - | - | - | - | - | - | 400,189 |
| - | - | - | - | - | - | 45,708 | 45,708 |
| - | - | - | - | - | 485,499 | 509,603 | 995,102 |
| <u>341,716</u> | <u>99,853</u> | <u>314,348</u> | <u>397,855</u> | <u>54,713</u> | <u>485,499</u> | <u>555,311</u> | <u>6,579,555</u> |
| 100,056 | (85,293) | 984 | 109,088 | 13,959 | 12,399 | (129,997) | (431,805) |
| - | - | - | - | - | - | 4,275,000 | 4,275,000 |
| - | - | - | - | - | 19,053 | - | 446,343 |
| (100,560) | - | - | - | - | - | - | (190,941) |
| - | - | - | - | - | - | (4,140,000) | (4,140,000) |
| <u>(100,560)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>19,053</u> | <u>135,000</u> | <u>390,402</u> |
| (504) | (85,293) | 984 | 109,088 | 13,959 | 31,452 | 5,003 | (41,403) |
| <u>205,391</u> | <u>121,920</u> | <u>79,722</u> | <u>260,787</u> | <u>79,665</u> | <u>62,232</u> | <u>73,845</u> | <u>2,790,468</u> |
| <u>\$ 204,887</u> | <u>\$ 36,627</u> | <u>\$ 80,706</u> | <u>\$ 369,875</u> | <u>\$ 93,624</u> | <u>\$ 93,684</u> | <u>\$ 78,848</u> | <u>\$ 2,749,065</u> |

City of Monroe, Michigan

Other Supplemental Information Budgetary Comparison - Nonmajor Governmental Funds Year Ended June 30, 2013

Special Revenue Fund - Major Streets

| | Original Budget (unaudited) | Amended Budget (unaudited) | Actual | Variance with Amended Budget |
|------------------------------------|--------------------------------|----------------------------------|-------------------|------------------------------------|
| Revenue and Other Sources | | | | |
| Federal grants | \$ - | \$ - | \$ 29,410 | \$ 29,410 |
| State-shared revenue and grants | 1,854,100 | 1,854,100 | 1,908,608 | 54,508 |
| Investment income | 2,000 | 2,000 | 1,477 | (523) |
| Special assessments | - | - | 769 | 769 |
| Other sources - Transfers in | 130,000 | 130,000 | 130,000 | - |
| Total revenue and other sources | 1,986,100 | 1,986,100 | 2,070,264 | 84,164 |
| Expenditures - Public works | 1,986,400 | 1,830,752 | 1,593,612 | 237,140 |
| Net Change in Fund Balance | \$ (300) | \$ 155,348 | \$ 476,652 | \$ 321,304 |

Special Revenue Fund - Local Streets

| | Original Budget (unaudited) | Amended Budget (unaudited) | Actual | Variance with Amended Budget |
|------------------------------------|--------------------------------|----------------------------------|---------------------|------------------------------------|
| Revenue and Other Sources | | | | |
| Federal grants | \$ - | \$ 7,500 | \$ - | \$ (7,500) |
| State-shared revenue and grants | 342,000 | 470,000 | 471,955 | 1,955 |
| Investment income | 500 | 1,000 | 1,287 | 287 |
| Other revenue | - | 10,000 | - | (10,000) |
| Other sources - Transfers in | 310,290 | 450,514 | 297,290 | 2,933 |
| Total revenue and other sources | 652,790 | 939,014 | 770,532 | (168,482) |
| Expenditures - Public works | 1,075,410 | 1,424,664 | 1,141,544 | 283,120 |
| Net Change in Fund Balance | \$ (422,620) | \$ (485,650) | \$ (371,012) | \$ 114,638 |

City of Monroe, Michigan

Other Supplemental Information Budgetary Comparison - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2013

Special Revenue Funds - Rubbish, Garbage, and Recycling

| | Original Budget (unaudited) | Amended Budget (unaudited) | Actual | Variance with Amended Budget |
|------------------------------------|--------------------------------|----------------------------------|----------------------------|------------------------------------|
| Revenue | | | | |
| Property taxes | \$ 1,254,628 | \$ 1,245,575 | \$ 1,249,624 | \$ 4,049 |
| Charges for services | 4,500 | 4,000 | 3,536 | (464) |
| Investment income | 4,000 | 4,000 | 3,868 | (132) |
| Other revenue | - | 500 | 500 | - |
| Total revenue | <u>1,263,128</u> | <u>1,254,075</u> | <u>1,257,528</u> | <u>3,453</u> |
| Expenditures - Public works | <u>1,386,500</u> | <u>1,387,922</u> | <u>1,386,443</u> | <u>1,479</u> |
| Net Change in Fund Balance | <u><u>\$ (123,372)</u></u> | <u><u>\$ (133,847)</u></u> | <u><u>\$ (128,915)</u></u> | <u><u>\$ 4,932</u></u> |

Special Revenue Fund - Parking Meter

| | Original Budget (unaudited) | Amended Budget (unaudited) | Actual | Variance with Amended Budget |
|--------------------------------------|--------------------------------|----------------------------------|---------------------------|------------------------------------|
| Revenue | | | | |
| Charges for services | \$ 160,000 | \$ 144,000 | \$ 141,536 | \$ (2,464) |
| Investment income | 350 | 350 | 392 | 42 |
| Total revenue | <u>160,350</u> | <u>144,350</u> | <u>141,928</u> | <u>(2,422)</u> |
| Expenditures and Other Uses | | | | |
| Public safety | 164,129 | 159,385 | 150,188 | 9,197 |
| Other uses - Transfers out | <u>67,500</u> | <u>80,500</u> | <u>80,500</u> | <u>-</u> |
| Total expenditures and other uses | <u>231,629</u> | <u>239,885</u> | <u>230,688</u> | <u>9,197</u> |
| Net Change in Fund Balance | <u><u>\$ (71,279)</u></u> | <u><u>\$ (95,535)</u></u> | <u><u>\$ (88,760)</u></u> | <u><u>\$ 6,775</u></u> |

City of Monroe, Michigan

Other Supplemental Information Budgetary Comparison - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2013

Special Revenue Fund - Economic Development

| | Original Budget (unaudited) | Amended Budget (unaudited) | Actual | Variance with Amended Budget |
|------------------------------------|--------------------------------|----------------------------------|-------------------|------------------------------------|
| Revenue | | | | |
| Federal grants | \$ - | \$ 444,238 | \$ 62,419 | \$ (381,819) |
| Investment income | 1,500 | 1,500 | 1,878 | 378 |
| Total revenue | 1,500 | 445,738 | 64,297 | (381,441) |
| Expenditures and Other Uses | | | | |
| Community and economic development | 10,000 | 442,292 | 58,473 | 383,819 |
| Other uses - Transfers out | 16,000 | 16,000 | 9,881 | 6,119 |
| Total expenditures and other uses | 26,000 | 458,292 | 68,354 | 389,938 |
| Net Change in Fund Balance | \$ (24,500) | \$ (12,554) | \$ (4,057) | \$ 8,497 |

Special Revenue Fund - Grants

| | Original Budget (unaudited) | Amended Budget (unaudited) | Actual | Variance with Amended Budget |
|------------------------------------|--------------------------------|----------------------------------|-----------------|------------------------------------|
| Revenue | | | | |
| Federal grants | \$ 412,000 | \$ 974,660 | \$ 441,204 | \$ (533,456) |
| Investment income | 600 | 400 | 568 | 168 |
| Total revenue | 412,600 | 975,060 | 441,772 | (533,288) |
| Expenditures and Other Uses | | | | |
| Community and economic development | 262,000 | 697,614 | 341,716 | 355,898 |
| Other uses - Transfers out | 150,000 | 277,046 | 100,560 | 176,486 |
| Total expenditures and other uses | 412,000 | 974,660 | 442,276 | 532,384 |
| Net Change in Fund Balance | \$ 600 | \$ 400 | \$ (504) | \$ (904) |

City of Monroe, Michigan

Other Supplemental Information Budgetary Comparison - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2013

Special Revenue Fund - Drug Forfeiture

| | Original Budget (unaudited) | Amended Budget (unaudited) | Actual | Variance with Amended Budget |
|-------------------------------------|--------------------------------|----------------------------------|---------------------------|------------------------------------|
| Revenue | | | | |
| Federal grants | \$ - | \$ 1,499 | \$ 1,499 | \$ - |
| Fines and forfeitures | 15,000 | 15,000 | 12,633 | (2,367) |
| Investment income | 300 | 350 | 428 | 78 |
| Total revenue | 15,300 | 16,849 | 14,560 | (2,289) |
| Expenditures - Public safety | 20,735 | 99,899 | 99,853 | 46 |
| Net Change in Fund Balance | <u>\$ (5,435)</u> | <u>\$ (83,050)</u> | <u>\$ (85,293)</u> | <u>\$ (2,243)</u> |

Special Revenue Fund - Airport

| | Original Budget (unaudited) | Amended Budget (unaudited) | Actual | Variance with Amended Budget |
|------------------------------------|--------------------------------|----------------------------------|----------------------|------------------------------------|
| Revenue and Other Sources | | | | |
| Charges for services | \$ 211,000 | \$ 220,001 | \$ 201,777 | \$ (18,224) |
| Investment income | 50 | - | - | - |
| Rental income | 111,200 | 113,400 | 111,861 | (1,539) |
| Other miscellaneous income | 1,500 | 1,500 | 1,694 | 194 |
| Other sources - Transfers in | 11,500 | 9,000 | - | (12,000) |
| Total revenue and other sources | 335,250 | 343,901 | 315,332 | (28,569) |
| Expenditures and Other Uses | | | | |
| Public works | 335,367 | 326,416 | 314,348 | 12,068 |
| Other uses - Transfers out | 20,400 | 20,662 | - | 20,662 |
| Total expenditures and other uses | 355,767 | 347,078 | 314,348 | 32,730 |
| Net Change in Fund Balance | <u>\$ (20,517)</u> | <u>\$ (3,177)</u> | <u>\$ 984</u> | <u>\$ 4,161</u> |

City of Monroe, Michigan

Other Supplemental Information Budgetary Comparison - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2013

Special Revenue Fund - Building Safety

| | Original Budget (unaudited) | Amended Budget (unaudited) | Actual | Variance with Amended Budget |
|------------------------------------|--------------------------------|----------------------------------|-------------------|------------------------------------|
| Revenue | | | | |
| Licenses and permits | \$ 396,300 | \$ 460,525 | \$ 506,033 | \$ 45,508 |
| Investment income | 300 | 800 | 910 | 110 |
| Total revenue | 396,600 | 461,325 | 506,943 | 45,618 |
| Expenditures - Public works | 420,581 | 419,196 | 397,855 | 21,341 |
| Net Change in Fund Balance | \$ (23,981) | \$ 42,129 | \$ 109,088 | \$ 66,959 |

Special Revenue Fund - Expendable Trust

| | Original Budget (unaudited) | Amended Budget (unaudited) | Actual | Variance with Amended Budget |
|---|--------------------------------|----------------------------------|------------------|------------------------------------|
| Revenue - Other miscellaneous income | \$ - | \$ 59,100 | \$ 68,672 | \$ 9,572 |
| Expenditures - Public works | - | 137,084 | 54,713 | 82,371 |
| Net Change in Fund Balance | \$ - | \$ (77,984) | \$ 13,959 | \$ 91,943 |

City of Monroe, Michigan

Other Supplemental Information Budgetary Comparison - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2013

Debt Service Fund - Debt Service

| | Original Budget (unaudited) | Amended Budget (unaudited) | Actual | Variance with Amended Budget |
|------------------------------------|--------------------------------|----------------------------------|------------------|------------------------------------|
| Revenue and Other Sources | | | | |
| Property taxes | \$ 359,561 | \$ 357,459 | \$ 361,204 | \$ 3,745 |
| Federal grants | 43,941 | 43,941 | 43,941 | - |
| Investment income | 1,500 | 1,200 | 1,293 | 93 |
| Other revenue | 91,461 | 91,460 | 91,460 | - |
| Other sources - Transfers in | 19,053 | 19,053 | 19,053 | - |
| Total revenue and other sources | 515,516 | 513,113 | 516,951 | 3,838 |
| Expenditures - Debt service | 485,767 | 485,767 | 485,499 | 268 |
| Net Change in Fund Balance | \$ 29,749 | \$ 27,346 | \$ 31,452 | \$ 4,106 |

Debt Service Fund - Building Authority

| | Original Budget (unaudited) | Amended Budget (unaudited) | Actual | Variance with Amended Budget |
|--|--------------------------------|----------------------------------|-----------------|------------------------------------|
| Revenue | | | | |
| Investment income | \$ 400 | \$ 250 | \$ 277 | \$ 27 |
| Rental income | 461,203 | 425,037 | 425,037 | - |
| Total revenue | 461,603 | 425,287 | 425,314 | 27 |
| Expenditures | | | | |
| Capital outlay | - | 45,708 | 45,708 | - |
| Debt service | 461,203 | 509,829 | 509,603 | 226 |
| Total expenditures | 461,203 | 555,537 | 555,311 | 226 |
| Excess of Revenue Over (Under) Expenditures | 400 | (130,250) | (129,997) | 253 |
| Other Financing Sources (Uses) | | | | |
| Face value of debt issue | - | 4,275,000 | 4,275,000 | - |
| Payment to bond refunding escrow agent | - | (4,140,000) | (4,140,000) | - |
| Net Change in Fund Balance | \$ 400 | \$ 4,750 | \$ 5,003 | \$ 253 |

City of Monroe, Michigan

Other Supplemental Information Budgetary Comparison - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2013

Capital Projects Fund - Capital Projects

| | Original Budget (unaudited) | Amended Budget (unaudited) | Actual | Variance with Amended Budget |
|------------------------------------|--------------------------------|----------------------------------|-----------------------|------------------------------------|
| Revenue and Other Sources | | | | |
| Federal grants | \$ 244,800 | \$ 3,466,828 | \$ 1,483,191 | \$ (1,983,637) |
| State-shared revenue and grants | 6,800 | 11,550 | | (11,550) |
| Investment income | 2,500 | 5,500 | 6,147 | 647 |
| Other revenue: | | | | |
| Special assessments | 157,000 | 268,242 | 109,998 | (158,244) |
| Other miscellaneous income | 150,000 | 253,065 | 101,815 | (151,250) |
| Other sources - Transfers in | 637,650 | 815,090 | 613,322 | (58,736) |
| Total revenue and other sources | 1,198,750 | 4,820,275 | 2,314,473 | (2,505,802) |
| Expenditures and Other Uses | | | | |
| Public works | 979,500 | 8,333,963 | 5,420,711 | 2,913,252 |
| Capital outlay | 216,750 | 415,913 | 45,700 | 370,213 |
| Other uses - Transfers out | - | 28,606 | 28,606 | - |
| Total expenditures and other uses | 1,196,250 | 8,778,482 | 5,495,017 | 3,283,465 |
| Net Change in Fund Balance | \$ 2,500 | \$ (3,958,207) | \$ (3,180,544) | \$ 777,663 |

City of Monroe, Michigan

Other Supplemental Information Internal Service Funds Fund Descriptions

The **Stores and Equipment Fund** accounts for the costs of acquiring and maintaining equipment and supplies utilized in the operations of the City. Departments are charged a rate sufficient to cover all costs, plus a provision for depreciation and replacement.

The **Information Systems Fund** records the operations of the management information systems department, which includes procurement and maintenance of equipment and computing support for informational needs of the City. Financing is provided by reimbursement from user service charges.

The **Insurance Fund** accounts for payment of public liability premiums.

The **Employee Benefits Fund** accounts for payment of certain employee benefits, including health care and workers' compensation for which the City is self-insured, and finances its claim payments through budgeted transfers from other funds.

City of Monroe, Michigan

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

| | Stores and Equipment | Information Systems | Insurance | Employee Benefits | Total |
|--|-------------------------|------------------------|-------------------|----------------------|---------------------|
| Assets | | | | | |
| Current assets: | | | | | |
| Cash and investments | \$ 442,515 | \$ 473,502 | \$ 496,013 | \$ 1,438,208 | \$ 2,850,238 |
| Receivables: | | | | | |
| Interest receivable | 93 | 292 | 110 | 280 | 775 |
| Other receivables | 14,212 | 1,547 | 34,393 | 336,809 | 386,961 |
| Due from other funds | - | - | - | 3,739 | 3,739 |
| Real estate inventory | 68,325 | - | - | - | 68,325 |
| Prepaid expenses and other assets | - | 10,900 | 209,066 | 3,346 | 223,312 |
| Total current assets | 525,145 | 486,241 | 739,582 | 1,782,382 | 3,533,350 |
| Noncurrent assets - Capital assets | 1,235,686 | 68,532 | - | - | 1,304,218 |
| Total assets | 1,760,831 | 554,773 | 739,582 | 1,782,382 | 4,837,568 |
| Liabilities | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | 49,606 | 9,186 | 15,760 | 47,153 | 121,705 |
| Due to other funds | 56 | 4 | - | - | 60 |
| Accrued liabilities and other | 9,830 | 364 | - | 396,502 | 406,696 |
| Deferred revenue | - | 551 | - | - | 551 |
| Compensated absences | 13,702 | 834 | - | - | 14,536 |
| Current portion of long-term debt | 16,157 | - | - | - | 16,157 |
| Total current liabilities | 89,351 | 10,939 | 15,760 | 443,655 | 559,705 |
| Noncurrent liabilities: | | | | | |
| Net OPEB obligation | 94,443 | 34,342 | - | - | 128,785 |
| Long-term debt - Net of current portion | 72,890 | - | - | - | 72,890 |
| Total noncurrent liabilities | 167,333 | 34,342 | - | - | 201,675 |
| Total liabilities | 256,684 | 45,281 | 15,760 | 443,655 | 761,380 |
| Net Position | | | | | |
| Net investment in capital assets | 1,146,639 | 68,532 | - | - | 1,215,171 |
| Unrestricted | 357,508 | 440,960 | 723,822 | 1,338,727 | 2,861,017 |
| Total net position | <u>\$ 1,504,147</u> | <u>\$ 509,492</u> | <u>\$ 723,822</u> | <u>\$ 1,338,727</u> | <u>\$ 4,076,188</u> |

City of Monroe, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Position Internal Service Funds Year Ended June 30, 2013

| | Stores and Equipment | Information Systems | Insurance | Employee Benefits | Total |
|--|-------------------------|------------------------|-------------------|----------------------|---------------------|
| Operating Revenue | | | | | |
| Other | \$ 12,920 | \$ 27,671 | \$ 34,393 | \$ 115,322 | \$ 190,306 |
| Charges to other funds | 932,613 | 310,314 | 306,913 | 2,060,077 | 3,609,917 |
| Total operating revenue | 945,533 | 337,985 | 341,306 | 2,175,399 | 3,800,223 |
| Operating Expenses | | | | | |
| Other operation and maintenance | 734,666 | 306,611 | 296,973 | 1,437,045 | 2,775,295 |
| Depreciation | 207,882 | 11,234 | - | - | 219,116 |
| Total operating expenses | 942,548 | 317,845 | 296,973 | 1,437,045 | 2,994,411 |
| Operating Income | 2,985 | 20,140 | 44,333 | 738,354 | 805,812 |
| Nonoperating Revenue (Expenses) | | | | | |
| Investment income | 101 | 1,900 | 3,057 | - | 5,058 |
| Interest expense | (4,649) | - | - | - | (4,649) |
| Gain on sale of assets | 92,395 | - | - | - | 92,395 |
| Income - Before transfers | 90,832 | 22,040 | 47,390 | 738,354 | 898,616 |
| Transfers In | - | 28,606 | - | - | 28,606 |
| Change in Net Position | 90,832 | 50,646 | 47,390 | 738,354 | 927,222 |
| Net Position - Beginning of year | 1,413,315 | 458,846 | 676,432 | 600,373 | 3,148,966 |
| Net Position - End of year | <u>\$ 1,504,147</u> | <u>\$ 509,492</u> | <u>\$ 723,822</u> | <u>\$ 1,338,727</u> | <u>\$ 4,076,188</u> |

City of Monroe, Michigan

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2013

| | Stores and Equipment | Information Systems | Insurance | Employee Benefits | Total |
|---|-------------------------|------------------------|-------------------|----------------------|---------------------|
| Cash Flows from Operating Activities | | | | | |
| Receipts from customers | \$ 931,906 | \$ 308,767 | \$ 272,520 | \$ 1,947,782 | \$ 3,460,975 |
| Payments to suppliers | (530,162) | (303,077) | (332,269) | (1,435,631) | (2,601,139) |
| Payments to employees for wages and benefits | (278,610) | (14,381) | - | (73,614) | (366,605) |
| Other receipts | 12,920 | 27,773 | 34,393 | 115,322 | 190,408 |
| Net cash provided by (used in) operating activities | 136,054 | 19,082 | (25,356) | 553,859 | 683,639 |
| Cash Flows from Noncapital Financing Activities - Transfers from other funds | | | | | |
| | - | 28,606 | - | - | 28,606 |
| Cash Flows from Capital and Related Financing Activities | | | | | |
| Proceeds from sales of capital assets | 92,395 | - | - | - | 92,395 |
| Purchase of capital assets | (185,241) | (43,097) | - | - | (228,338) |
| Principal and interest paid on capital debt | (20,056) | - | - | - | (20,056) |
| Net cash used in capital and related financing activities | (112,902) | (43,097) | - | - | (155,999) |
| Cash Flows from Investing Activities | | | | | |
| Interest received on investments | 141 | 1,970 | 3,250 | (238) | 5,123 |
| Purchase of investment securities | - | - | - | (716,000) | (716,000) |
| Proceeds from sale and maturities of investment securities | 30,000 | 45,000 | 239,000 | - | 314,000 |
| Net cash provided by (used in) investing activities | 30,141 | 46,970 | 242,250 | (716,238) | (396,877) |
| Net Increase (Decrease) in Cash and Cash Equivalents | 53,293 | 51,561 | 216,894 | (162,379) | 159,369 |
| Cash and Cash Equivalents - Beginning of year | 319,222 | 16,941 | 42,119 | 884,587 | 1,262,869 |
| Cash and Cash Equivalents - End of year | <u>\$ 372,515</u> | <u>\$ 68,502</u> | <u>\$ 259,013</u> | <u>\$ 722,208</u> | <u>\$ 1,422,238</u> |
| Balance Sheet Classification of Cash and Cash Equivalents | | | | | |
| Cash and investments | \$ 442,515 | \$ 473,502 | \$ 496,013 | \$ 1,438,208 | \$ 2,850,238 |
| Less amounts classified as investments | (70,000) | (405,000) | (237,000) | (716,000) | (1,428,000) |
| Total cash and cash equivalents | <u>\$ 372,515</u> | <u>\$ 68,502</u> | <u>\$ 259,013</u> | <u>\$ 722,208</u> | <u>\$ 1,422,238</u> |

City of Monroe, Michigan

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds (Continued) Year Ended June 30, 2013

| | Stores and Equipment | Information Systems | Insurance | Employee Benefits | Total |
|--|-------------------------|------------------------|--------------------|----------------------|-------------------|
| Reconciliation of Operating Income to Net Cash from Operating Activities | | | | | |
| Operating income | \$ 2,985 | \$ 20,140 | \$ 44,333 | \$ 738,354 | \$ 805,812 |
| Adjustments to reconcile operating income to net cash from operating activities: | | | | | |
| Depreciation and amortization | 207,882 | 11,234 | - | - | 219,116 |
| Changes in assets and liabilities: | | | | | |
| Receivables | (707) | (1,547) | (34,393) | (112,295) | (148,942) |
| Inventories | (4,030) | - | - | - | (4,030) |
| Prepaid and other assets | - | (10,900) | 8,473 | (371) | (2,798) |
| Accounts payable | (69,008) | 2,211 | (43,769) | (279) | (110,845) |
| Due to others | (64) | - | - | - | (64) |
| Accrued and other liabilities | (12,563) | (118) | - | (71,550) | (84,231) |
| Net OPEB obligation | 11,559 | (1,938) | - | - | 9,621 |
| Net cash provided by (used in) operating activities | <u>\$ 136,054</u> | <u>\$ 19,082</u> | <u>\$ (25,356)</u> | <u>\$ 553,859</u> | <u>\$ 683,639</u> |

City of Monroe, Michigan

Other Supplemental Information Fiduciary Funds Fund Descriptions

The **Pension Trust Fund** accounts for the activities of the Monroe Employees' Retirement System, which accumulates resources for pension benefit payments to qualified city employees. The money in this fund is obtained by employer pension expenses from operating funds (employer contributions), employee payroll deductions (employee contributions), and investment earnings.

The **Retiree Health Care Fund** accounts for costs related to retiree healthcare benefits. Financing is provided through budgeted transfers from other funds.

The **Agency Fund** accounts for tax collections that are held by the City in the capacity of trustee. The collections are then transferred to the other governmental units on a timely distribution basis.

City of Monroe, Michigan

Other Supplemental Information Combining Statement of Net Position Fiduciary Funds - Pension and Other Employee Benefit Trust Funds June 30, 2013

| | Pension Trust | Retiree Health Care | Total |
|---|----------------|------------------------|----------------|
| Assets | | | |
| Cash and cash equivalents | \$ - | \$ 671,259 | \$ 671,259 |
| Investments: | | | |
| U.S. government securities | 12,556,888 | 2,134,439 | 14,691,327 |
| Foreign bonds | 2,805,473 | 640,252 | 3,445,725 |
| Stocks | 34,013,558 | 7,069,563 | 41,083,121 |
| Foreign stocks | 9,593,394 | 2,959,756 | 12,553,150 |
| Corporate bonds | 27,903,009 | 2,081,794 | 29,984,803 |
| Mutual funds | 35,907,148 | - | 35,907,148 |
| Other investments | 3,127,195 | - | 3,127,195 |
| Securities lending - Money market | 1,796,319 | - | 1,796,319 |
| Receivables - Interest | 280,672 | - | 280,672 |
| Total assets | 127,983,656 | 15,557,063 | 143,540,719 |
| Liabilities | | | |
| Accounts payable | 913,529 | 626,629 | 1,540,158 |
| Obligations under securities lending agreements | 1,952,154 | - | 1,952,154 |
| Total liabilities | 2,865,683 | 626,629 | 3,492,312 |
| Net Position - Held in trust for pension, other employee benefits, and cemetery operations | \$ 125,117,973 | \$ 14,930,434 | \$ 140,048,407 |

City of Monroe, Michigan

Other Supplemental Information Combining Statement of Changes in Fiduciary Net Position Fiduciary Funds - Pension and Other Employee Benefit Trust Funds Year Ended June 30, 2013

| | Pension Trust | Retiree Health Care | Total |
|---|-----------------------|------------------------|-----------------------|
| Additions | | | |
| Investment income: | | | |
| Interest and dividends | \$ 2,273,377 | \$ 282,140 | \$ 2,555,517 |
| Net increase in fair value of investments | 12,437,903 | 1,274,162 | 13,712,065 |
| Investment-related expenses | (842,000) | - | (842,000) |
| Net investment income | 13,869,280 | 1,556,302 | 15,425,582 |
| Securities lending income | 8,312 | - | 8,312 |
| Contributions: | | | |
| Employer | 1,351,441 | 4,163,549 | 5,514,990 |
| Employee | 433,129 | 32,698 | 465,827 |
| Net contributions | 1,784,570 | 4,196,247 | 5,980,817 |
| Total additions | 15,662,162 | 5,752,549 | 21,414,711 |
| Deductions | | | |
| Benefit payments | 8,102,238 | 3,609,769 | 11,712,007 |
| Refunds of contributions | 38,645 | - | 38,645 |
| Administrative expenses | 4,613 | 121,657 | 126,270 |
| Total deductions | 8,145,496 | 3,731,426 | 11,876,922 |
| Net Increase in Net Position Held in Trust | 7,516,666 | 2,021,123 | 9,537,789 |
| Net Position - Beginning of year | 117,601,307 | 12,909,311 | 130,510,618 |
| Net Position - End of year | \$ 125,117,973 | \$ 14,930,434 | \$ 140,048,407 |

City of Monroe, Michigan

Other Supplemental Information Schedule of Changes in Assets and Liabilities Agency Fund Year Ended June 30, 2013

| Agency Fund | Balance at July 1, 2012 | Additions | Reductions | Balance at June 30, 2013 |
|---------------------------------|----------------------------|----------------------|------------------------|-----------------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 3,081,956 | \$ 32,202,750 | \$ (27,536,388) | \$ 7,748,318 |
| Other assets | 1,523,836 | 30,125,540 | (30,204,665) | 1,444,711 |
| Total assets | <u>\$ 4,605,792</u> | <u>\$ 62,328,290</u> | <u>\$ (57,741,053)</u> | <u>\$ 9,193,029</u> |
| Liabilities | | | | |
| Accounts payable | \$ 102,409 | \$ 403,145 | \$ (386,493) | \$ 119,061 |
| Due to other governmental units | 4,487,650 | 30,527,058 | (25,964,602) | 9,050,106 |
| Accrued liabilities and other | 15,733 | 32,708 | (24,579) | 23,862 |
| Total liabilities | <u>\$ 4,605,792</u> | <u>\$ 30,962,911</u> | <u>\$ (26,375,674)</u> | <u>\$ 9,193,029</u> |

Statistical Section

This part of the Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplemental information says about the City's overall financial health.

The statistical section is organized into the following main categories:

- Financial trends
- Revenue capacity
- Debt capacity
- Demographic and economic information
- Operating information

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

City of Monroe, Michigan

| | 2005 | 2006 | 2007 | 2008 |
|------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Governmental Activities | | | | |
| Net investment in capital assets | \$ 69,001,428 | \$ 68,662,294 | \$ 67,326,685 | \$ 65,521,257 |
| Restricted | 2,488,896 | 1,620,483 | 1,517,780 | 1,568,799 |
| Unrestricted | <u>9,393,005</u> | <u>8,104,377</u> | <u>8,522,827</u> | <u>6,474,374</u> |
| Total net position | 80,883,329 | 78,387,154 | 77,367,292 | 73,564,430 |
| Business-type Activities - | | | | |
| As restated | | | | |
| Net investment in capital assets | 44,939,561 | 47,466,608 | 47,466,608 | 48,598,334 |
| Unrestricted | <u>14,478,292</u> | <u>12,401,910</u> | <u>12,401,910</u> | <u>12,142,548</u> |
| Total net position | 59,417,853 | 59,868,518 | 59,868,518 | 60,740,882 |
| Primary Government in Total | | | | |
| Net investment in capital assets | 113,940,989 | 116,128,902 | 114,793,293 | 114,119,591 |
| Restricted | 2,488,896 | 1,620,483 | 1,517,780 | 1,568,799 |
| Unrestricted | <u>23,871,297</u> | <u>20,506,287</u> | <u>20,924,737</u> | <u>18,616,922</u> |
| Total net position | <u>\$ 140,301,182</u> | <u>\$ 138,255,672</u> | <u>\$ 137,235,810</u> | <u>\$ 134,305,312</u> |

Note: In fiscal year 2004, the City adopted GASB No. 34 and began reporting a government-wide statement of net position.

Financial Trends Net Position by Component

| 2009 | 2010 | 2011 | 2012 | 2013 |
|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| \$ 64,233,467 | \$ 63,015,687 | \$ 62,616,606 | \$ 60,908,779 | \$ 61,962,831 |
| 1,583,236 | 2,345,979 | 2,017,723 | 2,074,059 | 2,108,898 |
| <u>4,799,429</u> | <u>2,585,456</u> | <u>2,873,427</u> | <u>2,367,980</u> | <u>2,936,731</u> |
| 70,616,132 | 67,947,122 | 67,507,756 | 65,350,818 | 67,008,460 |
| 50,741,867 | 54,471,941 | 55,296,917 | 57,363,383 | 58,090,703 |
| <u>11,275,851</u> | <u>10,524,286</u> | <u>10,970,242</u> | <u>9,521,421</u> | <u>11,860,887</u> |
| 62,017,718 | 64,996,227 | 66,267,159 | 66,884,804 | 69,951,590 |
| 114,975,334 | 117,487,628 | 117,913,523 | 118,272,162 | 120,053,534 |
| 1,583,236 | 2,345,979 | 2,017,723 | 2,074,059 | 2,108,898 |
| <u>16,075,280</u> | <u>13,109,742</u> | <u>13,843,669</u> | <u>11,889,401</u> | <u>14,797,618</u> |
| <u>\$ 132,633,850</u> | <u>\$ 132,943,349</u> | <u>\$ 133,774,915</u> | <u>\$ 132,235,622</u> | <u>\$ 136,960,050</u> |

City of Monroe, Michigan

| | 2005 | 2006* | 2007 | 2008 |
|--|--------------|--------------|--------------|--------------|
| Expenses | | | | |
| Governmental activities: | | | | |
| General government | \$ 2,797,809 | \$ 3,703,272 | \$ 3,475,626 | \$ 2,543,977 |
| Public safety | 9,955,878 | 10,167,563 | 10,557,003 | 12,093,279 |
| Public works | 10,419,518 | 8,991,478 | 8,073,568 | 10,697,812 |
| Community development | 559,559 | 913,348 | 1,056,860 | 1,383,129 |
| Culture and recreation | 1,535,537 | 2,336,309 | 2,299,055 | 2,176,732 |
| Interest on long-term debt | 335,422 | 268,285 | 290,567 | 273,314 |
| Total governmental activities | 25,603,723 | 26,380,255 | 25,752,679 | 29,168,243 |
| Business-type activities - As restated: | | | | |
| Water | 4,793,103 | 5,284,633 | 5,772,384 | 6,028,092 |
| Wastewater | 5,641,788 | 5,787,812 | 5,849,335 | 6,159,888 |
| Total business-type activities | 10,434,891 | 11,072,445 | 11,621,719 | 12,187,980 |
| Total primary government expenses | 36,038,614 | 37,452,700 | 37,374,398 | 41,356,223 |
| Program Revenue | | | | |
| Governmental activities: | | | | |
| Charges for services: | | | | |
| General government | 87,348 | 116,994 | 144,448 | 146,008 |
| Public safety | 1,238,814 | 1,280,660 | 1,251,333 | 1,508,019 |
| Public works | 407,955 | 1,169,010 | 657,196 | 726,972 |
| Community development | 302,682 | 367,937 | 902,972 | 1,696,001 |
| Culture and recreation | 1,184,312 | 1,121,457 | 975,343 | 892,473 |
| Operating grants and contributions | 1,987,274 | 2,088,844 | 2,389,324 | 1,515,662 |
| Capital grants and contributions | 3,918 | 3,188 | 5,036 | 4,942 |
| Total governmental activities program revenue | 5,212,303 | 6,148,090 | 6,325,652 | 6,490,077 |
| Business-type activities: | | | | |
| Charges for services: | | | | |
| Water | 5,028,934 | 4,877,286 | 4,954,923 | 5,599,299 |
| Wastewater | 5,329,404 | 5,457,644 | 6,079,243 | 6,245,312 |
| Operating grants and contributions | - | - | - | - |
| Capital grants and contributions | 1,919,510 | 885,144 | 268,370 | 941,925 |
| Total business-type activities program revenue | 12,277,848 | 11,220,074 | 11,302,536 | 12,786,536 |
| Total primary government program revenue | 17,490,151 | 17,368,164 | 17,628,188 | 19,276,613 |
| Net (Expense) Revenue | | | | |
| Governmental activities | (20,391,420) | (20,232,165) | (19,427,027) | (22,678,166) |
| Business-type activities | 1,842,957 | 147,629 | (319,183) | 598,556 |
| Total primary government net expense | (18,548,463) | (20,084,536) | (19,746,210) | (22,079,610) |

Financial Trends

Changes in Governmental and Business-type Net Position

| 2009 | 2010 | 2011 | 2012 | 2013 |
|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ 2,591,789 | \$ 2,835,598 | \$ 1,857,323 | \$ 2,398,403 | \$ 2,646,677 |
| 11,431,861 | 11,048,450 | 9,572,617 | 9,654,009 | 8,663,622 |
| 10,374,152 | 8,971,554 | 9,635,359 | 9,825,018 | 8,601,804 |
| 394,366 | 612,927 | 660,731 | 601,433 | 628,791 |
| 2,012,925 | 1,715,213 | 1,534,257 | 1,406,611 | 1,631,045 |
| 257,700 | 266,778 | 342,073 | 299,425 | 325,183 |
| <u>27,062,793</u> | <u>25,450,520</u> | <u>23,602,360</u> | <u>24,184,899</u> | <u>22,497,122</u> |
| 6,295,006 | 6,494,138 | 6,931,684 | 7,291,792 | 6,756,495 |
| 6,182,045 | 6,117,709 | 6,611,525 | 7,436,772 | 6,458,580 |
| <u>12,477,051</u> | <u>12,611,847</u> | <u>13,543,209</u> | <u>14,728,564</u> | <u>13,215,075</u> |
| 39,539,844 | 38,062,367 | 37,145,569 | 38,913,463 | 35,712,197 |
| 81,628 | 120,290 | 82,397 | 90,204 | 102,968 |
| 1,386,757 | 1,201,787 | 397,407 | 336,814 | 364,546 |
| 479,990 | 541,438 | 838,894 | 1,103,911 | 1,093,392 |
| 1,728,327 | 161,601 | - | - | - |
| 852,982 | 865,636 | 720,475 | 634,578 | 581,030 |
| 1,717,744 | 1,447,882 | 1,661,693 | 1,496,086 | 1,635,959 |
| 4,770 | 1,626,516 | 2,642,646 | 1,615,645 | 3,023,728 |
| <u>6,252,198</u> | <u>5,965,150</u> | <u>6,343,512</u> | <u>5,277,238</u> | <u>6,801,623</u> |
| 6,335,531 | 6,619,024 | 7,348,790 | 7,214,309 | 7,559,714 |
| 6,340,634 | 6,404,776 | 6,908,842 | 7,252,271 | 7,712,715 |
| - | - | 146,493 | 153,575 | 152,259 |
| 926,283 | 2,364,438 | 336,478 | 610,905 | 468,477 |
| <u>13,602,448</u> | <u>15,388,238</u> | <u>14,740,603</u> | <u>15,231,060</u> | <u>15,893,165</u> |
| 19,854,646 | 21,353,388 | 21,084,115 | 20,508,298 | 22,694,788 |
| (20,810,595) | (19,485,370) | (17,258,848) | (18,907,661) | (15,695,499) |
| 1,125,397 | 2,776,391 | 1,197,394 | 502,496 | 2,678,090 |
| <u>(19,685,198)</u> | <u>(16,708,979)</u> | <u>(16,061,454)</u> | <u>(18,405,165)</u> | <u>(13,017,409)</u> |

City of Monroe, Michigan

| | 2005 | 2006* | 2007 | 2008 |
|--|---------------------|-----------------------|---------------------|-----------------------|
| General Revenue and Other Changes in Net Position | | | | |
| Governmental activities: | | | | |
| Property taxes | \$ 14,288,246 | \$ 14,207,450 | \$ 14,695,520 | \$ 15,221,446 |
| State-shared revenue | 2,175,483 | 2,155,107 | 2,092,605 | 2,092,805 |
| Investment earnings | 519,669 | 816,760 | 1,086,134 | 1,029,899 |
| Franchise fees | 213,223 | 224,351 | 244,743 | 253,205 |
| Gain (loss) on sale of capital assets | 509,664 | 351 | 10,423 | - |
| Miscellaneous | 82,105 | 179,772 | 221,219 | 204,379 |
| Transfers | 41,341 | 152,199 | 56,521 | 73,570 |
| Total governmental activities | 17,829,731 | 17,735,990 | 18,407,165 | 18,875,304 |
| Business-type activities: | | | | |
| Investment earnings | 308,659 | 343,595 | 468,483 | 347,378 |
| Gain on sale of capital assets | - | 12,365 | - | - |
| Miscellaneous | 5,896 | 6,496 | - | - |
| Transfers | (41,341) | (152,199) | (56,521) | (73,570) |
| Total business-type activities | 273,214 | 210,257 | 411,962 | 273,808 |
| Total primary government | 18,102,945 | 17,946,247 | 18,819,127 | 19,149,112 |
| Changes in Net Position | | | | |
| Governmental activities | (2,561,689) | (2,496,175) | (1,019,862) | (3,802,862) |
| Business-type activities | 2,116,171 | 357,886 | 92,779 | 872,364 |
| Total primary government | \$ (445,518) | \$ (2,138,289) | \$ (927,083) | \$ (2,930,498) |

* The presentation of certain 2006 items has been reclassified to conform to their presentation in 2007.

Note: In fiscal year 2004, the City adopted GASB No. 34 and began reporting a government-wide statement of net position.

Financial Trends
Changes in Governmental and Business-type Net Position
(Continued)

| 2009 | 2010 | 2011 | 2012 | 2013 |
|------------------------------|--------------------------|--------------------------|------------------------------|----------------------------|
| \$ 14,833,080 | \$ 14,378,142 | \$ 13,997,910 | \$ 13,997,518 | \$ 14,444,017 |
| 2,005,975 | 1,785,843 | 1,786,140 | 1,752,988 | 1,861,100 |
| 483,042 | 176,901 | 127,503 | 87,494 | 65,260 |
| 267,655 | 276,697 | 303,680 | 307,837 | 319,517 |
| 3,526 | (31,630) | - | - | - |
| 202,889 | 237,112 | 604,249 | 487,789 | 663,247 |
| 66,130 | (6,705) | - | - | - |
| <u>17,862,297</u> | <u>16,816,360</u> | <u>16,819,482</u> | <u>16,633,626</u> | <u>17,353,141</u> |
| 216,442 | 130,413 | 73,538 | 51,253 | 46,277 |
| 1,127 | 65,000 | - | - | 14,513 |
| - | - | - | 63,896 | 347,906 |
| <u>(66,130)</u> | <u>6,705</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>151,439</u> | <u>202,118</u> | <u>73,538</u> | <u>115,149</u> | <u>408,696</u> |
| 18,013,736 | 17,018,478 | 16,893,020 | 16,748,775 | 17,761,837 |
| (2,948,298) | (2,669,010) | (439,366) | (2,274,035) | 1,657,642 |
| <u>1,276,836</u> | <u>2,978,509</u> | <u>1,270,932</u> | <u>617,645</u> | <u>3,086,786</u> |
| <u>\$ (1,671,462)</u> | <u>\$ 309,499</u> | <u>\$ 831,566</u> | <u>\$ (1,656,390)</u> | <u>\$ 4,744,428</u> |

City of Monroe, Michigan

| | 2004 | 2005 | 2006 | 2007 |
|---|----------------------------|----------------------------|----------------------------|----------------------------|
| General Fund | | | | |
| Reserved | \$ 40,989 | \$ 24,775 | \$ 27,217 | \$ 1,414,153 |
| Unreserved | 2,955,892 | 3,182,447 | 2,961,834 | 1,796,042 |
| Nonspendable | - | - | - | - |
| Committed | - | - | - | - |
| Assigned | - | - | - | - |
| Unassigned | - | - | - | - |
| Total General Fund | <u>\$ 2,996,881</u> | <u>\$ 3,207,222</u> | <u>\$ 2,989,051</u> | <u>\$ 3,210,195</u> |
| All Other Governmental Funds | | | | |
| Reserved | \$ - | \$ - | \$ - | \$ 1,191,050 |
| Unreserved, reported in: | | | | |
| Special revenue funds | 6,033,496 | 5,534,777 | 4,121,530 | 3,536,885 |
| Capital projects funds | 1,699,590 | 1,800,999 | 1,510,776 | 1,922,651 |
| Debt service funds | 149,986 | 177,132 | 203,430 | 180,748 |
| Nonspendable | - | - | - | - |
| Restricted | - | - | - | - |
| Committed | - | - | - | - |
| Assigned | - | - | - | - |
| Total all other governmental funds | <u>\$ 7,883,072</u> | <u>\$ 7,512,908</u> | <u>\$ 5,835,736</u> | <u>\$ 6,831,334</u> |

* An accounting change affected the beginning fund balance.

** Fund balance classifications were changed as a result of implementation of GASB No. 54.

Financial Trends
Fund Balances, Governmental Funds
Last Ten Fiscal Years

| 2008 | 2009 | 2010 | 2011 | 2012** | 2013** |
|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| \$ 1,414,423 | \$ 1,415,794 | \$ 1,415,856 | \$ - | \$ - | \$ - |
| 1,787,231 | 1,702,959 | 1,852,037 | - | - | - |
| - | - | - | 1,271,399 | 891,344 | 390,439 |
| - | - | - | 2,181,000 | 2,181,000 | 2,000,000 |
| - | - | - | 176,297 | 56,348 | 48,565 |
| - | - | - | 1,842,246 | 2,511,024 | 3,101,726 |
| <u>\$ 3,201,654</u> | <u>\$ 3,118,753</u> | <u>\$ 3,267,893</u> | <u>\$ 5,470,942</u> | <u>\$ 5,639,716</u> | <u>\$ 5,540,730</u> |
| | | | * | | |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 4,261,836 | 4,215,765 | 4,527,789 | - | - | - |
| 1,214,538 | 119,492 | 105,704 | - | - | - |
| 165,735 | 565,819 | 489,223 | - | - | - |
| - | - | - | 37,083 | 52,197 | 48,545 |
| - | - | - | 2,716,290 | 5,193,346 | 2,640,688 |
| - | - | - | 1,479,690 | 1,812,012 | 1,141,372 |
| - | - | - | - | 73,845 | 78,848 |
| <u>\$ 5,642,109</u> | <u>\$ 4,901,076</u> | <u>\$ 5,122,716</u> | <u>\$ 4,233,063</u> | <u>\$ 7,131,400</u> | <u>\$ 3,909,453</u> |

City of Monroe, Michigan

| | Year Ended June 30 | | | |
|---|----------------------|----------------------|---------------------|----------------------|
| | 2004 | 2005 | 2006 | 2007 |
| Revenue | | | | |
| Property taxes | \$ 13,563,896 | \$ 14,218,480 | \$ 14,173,323 | \$ 14,627,273 |
| Licenses and permits | 637,729 | 668,905 | 666,396 | 636,857 |
| Federal grants | 993,458 | 715,489 | 1,161,034 | 1,258,043 |
| State-shared revenue and grants | 3,960,290 | 3,891,595 | 4,065,658 | 3,855,401 |
| Charges for services | 2,233,263 | 2,344,394 | 2,530,856 | 2,432,815 |
| Fines and forfeitures | 144,332 | 140,653 | 122,831 | 104,389 |
| Interest and rent | 789,697 | 914,299 | 1,317,782 | 1,509,709 |
| Special assessment | 148,979 | 103,708 | 99,574 | 67,846 |
| Other | 889,444 | 773,486 | 412,848 | 357,454 |
| Total revenue | 23,361,088 | 23,771,009 | 24,550,302 | 24,849,787 |
| Expenditures | | | | |
| Current: | | | | |
| General government | 3,296,274 | 3,253,491 | 3,601,498 | 3,524,862 |
| Public safety | 8,357,193 | 9,383,688 | 9,515,712 | 9,758,318 |
| Public works | 6,586,255 | 7,394,001 | 9,669,372 | 7,411,954 |
| Health and welfare | 398,816 | 448,739 | 396,127 | 352,177 |
| Community development | 215,966 | - | - | - |
| Recreation and culture | 2,594,465 | 2,073,256 | 2,210,452 | 2,536,156 |
| Capital outlay | 376,895 | 908,326 | 697,254 | 808,054 |
| Debt service: | | | | |
| Principal | 192,642 | 350,719 | 289,589 | 265,000 |
| Interest | 300,809 | 224,099 | 229,370 | 260,879 |
| Other | 262,590 | 11,285 | 14,856 | - |
| Total expenditures | 22,581,905 | 24,047,604 | 26,624,230 | 24,917,400 |
| Excess of Revenue Over (Under) Expenditures | 779,183 | (276,595) | (2,073,928) | (67,613) |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 1,474,820 | 1,489,795 | 2,506,811 | 1,743,876 |
| Transfers out | (1,617,813) | (1,989,777) | (2,328,226) | (1,866,431) |
| Debt issuance | - | 5,915,250 | - | 1,406,910 |
| Debt defeasance | - | (5,298,496) | - | - |
| Total other financing (uses) sources | (142,993) | 116,772 | 178,585 | 1,284,355 |
| Net Change in Fund Balances | 636,190 | (159,823) | (1,895,343) | 1,216,742 |
| Fund Balances - Beginning of year | 10,243,763 | 10,879,953 | 10,720,130 | 8,824,787 |
| Fund Balances - End of year | \$ 10,879,953 | \$ 10,720,130 | \$ 8,824,787 | \$ 10,041,529 |
| Capital expenditures | * | * | \$ 3,838,980 | \$ 2,446,104 |
| Debt service as a percentage of noncapital expenditures | 2.22% | 2.48% | 2.28% | 2.34% |

* Capital expenditures are not readily available.

** Certain expenditures were reclassified from public works to reflect the appropriate category.

**Financial Trends
Changes in Fund Balances,
Governmental Funds
Last Ten Fiscal Years**

| | | Year Ended June 30 | | | | | | | |
|-----------|-------------------------|--------------------|-------------------------|-----------|--------------------------|-----------|-------------------------|-----------|--------------------------|
| | | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | | |
| \$ | 15,052,806 | \$ | 15,042,614 | \$ | 14,431,373 | \$ | 13,973,835 | \$ | 14,475,644 |
| | 876,777 | | 716,195 | | 644,648 | | 902,130 | | 859,259 |
| | 1,535,622 | | 916,832 | | 1,663,075 | | 1,376,627 | | 2,125,091 |
| | 4,951,014 | | 3,774,663 | | 3,599,265 | | 3,994,692 | | 4,246,298 |
| | 1,979,435 | | 1,886,304 | | 1,891,719 | | 1,283,048 | | 1,151,562 |
| | 95,939 | | 79,793 | | 71,485 | | 80,148 | | 97,821 |
| | 1,487,861 | | 1,004,197 | | 759,441 | | 714,330 | | 657,024 |
| | 80,501 | | 73,460 | | 81,491 | | 28,844 | | 769 |
| | 489,040 | | 771,937 | | 206,877 | | 141,626 | | 454,736 |
| | <u>26,548,995</u> | | <u>24,265,995</u> | | <u>23,349,374</u> | | <u>22,495,280</u> | | <u>24,068,204</u> |
| | 2,759,546 | | 2,518,950 | | 2,399,966 | | 2,462,672 | | 2,661,896 |
| | 11,101,482 | | 9,980,735 | | 9,304,682 | | 8,515,103 | | 8,808,768 |
| | 10,395,898 | | 8,537,976 | | 8,526,350 | | 8,501,505 | | 12,430,284 |
| | 330,636 | | 339,049 | | 275,425 | | - | | - |
| | - | | - | | - | | 654,160 | ** | 583,729 |
| | 2,452,607 | | 2,238,636 | | 2,054,801 | | 1,807,922 | | 1,819,755 |
| | 628,327 | | 578,341 | | 362,713 | | 515,809 | | 339,984 |
| | 444,548 | | 461,700 | | 479,155 | | 756,850 | | 988,595 |
| | 289,198 | | 270,446 | | 252,648 | | 338,079 | | 325,035 |
| | - | | - | | - | | - | | - |
| | <u>28,402,242</u> | | <u>24,925,833</u> | | <u>23,655,740</u> | | <u>23,216,270</u> | | <u>23,531,744</u> |
| | (1,853,247) | | (659,838) | | (306,366) | | (772,723) | | (1,036,464) |
| | 1,694,330 | | 1,871,744 | | 1,731,119 | | 1,342,032 | | 1,434,396 |
| | (1,802,359) | | (2,035,840) | | (1,720,859) | | (1,342,032) | | (1,434,396) |
| | 763,510 | | - | | 2,753,005 | | - | | 4,103,575 |
| | - | | - | | - | | - | | - |
| | 655,481 | | (164,096) | | 2,763,265 | | - | | 4,103,575 |
| | (1,197,766) | | (823,934) | | 2,456,899 | | (772,723) | | 3,067,111 |
| | 10,041,529 | | 8,843,763 | | 8,019,829 | | 10,476,728 | | 9,704,005 |
| \$ | <u>8,843,763</u> | \$ | <u>8,019,829</u> | \$ | <u>10,476,728</u> | \$ | <u>9,704,005</u> | \$ | <u>12,771,116</u> |
| \$ | 3,216,045 | \$ | 3,175,217 | \$ | 3,979,564 | \$ | 3,832,699 | \$ | 3,836,071 |
| | 2.91% | | 3.37% | | 3.72% | | 5.65% | | 6.67% |
| | | | | | | | | | 5.35% |

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

City of Monroe, Michigan

Taxable Value by Property Type

| Real Property | | | | | | | |
|---------------|----------------|---------------|----------------|------------------------|---------------|-------------------|----------------|
| Tax Year | Residential | Commercial | Industrial | Agricultural and Other | IFT | Personal Property | Total Value |
| 2003 | \$ 327,755,545 | \$ 81,832,880 | \$ 363,119,650 | \$ 471,330 | \$ 25,625,750 | \$ 113,617,820 | \$ 912,422,975 |
| 2004 | 346,190,730 | 86,951,110 | 366,377,490 | 620,010 | 28,052,840 | 108,042,460 | 936,234,640 |
| 2005 | 365,730,580 | 91,437,540 | 362,735,560 | 760,530 | 26,419,080 | 107,305,420 | 954,388,710 |
| 2006 | 388,094,290 | 94,485,370 | 360,158,560 | 614,740 | 24,187,715 | 103,392,860 | 970,933,535 |
| 2007 | 405,380,660 | 101,619,590 | 357,835,380 | 629,050 | 27,269,820 | 109,037,880 | 1,001,772,380 |
| 2008 | 406,020,000 | 111,452,060 | 354,414,400 | 842,276 | 22,464,590 | 97,919,940 | 993,113,266 |
| 2009 | 383,280,185 | 114,814,150 | 357,553,390 | 988,332 | 13,571,035 | 79,570,790 | 949,777,882 |
| 2010 | 324,249,950 | 118,658,190 | 346,012,140 | 990,790 | 9,873,830 | 80,575,270 | 880,360,170 |
| 2011 | 302,168,380 | 116,526,760 | 365,866,750 | 993,037 | 9,239,490 | 83,255,310 | 878,049,727 |
| 2012 | 283,123,690 | 110,904,650 | 389,810,410 | 1,092,237 | 13,853,310 | 84,702,128 | 883,486,425 |

Source: City of Monroe Assessor

Revenue Capacity
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years

| Tax Rate (Mills) | Estimated Actual Value | Taxable Value as a Percentage of Actual |
|---------------------|---------------------------|---|
| 15.0030 | \$ 2,115,321,120 | 43.13 |
| 15.3156 | 2,163,634,080 | 43.27 |
| 15.3156 | 2,197,095,020 | 43.44 |
| 15.3790 | 2,227,183,960 | 43.59 |
| 15.3790 | 2,288,397,220 | 43.78 |
| 15.5490 | 2,193,922,680 | 45.27 |
| 15.5490 | 2,008,528,830 | 47.29 |
| 16.0690 | 1,961,907,580 | 44.87 |
| 16.5324 | 1,918,469,640 | 45.77 |
| 16.5867 | 1,911,160,396 | 46.23 |

City of Monroe, Michigan

| Tax Year | Millage Rates - Direct City Taxes | | | | Overlapping Rates | | | |
|-------------------------------|-----------------------------------|--------|--------------------|--------------------------|-------------------|----------------------|------------------------------------|---------|
| | General Operating | Debt | Special Purpose | Total Direct Taxes | County | Community College | Intermediate School District | Library |
| Monroe School District | | | | | | | | |
| 2012 | 13.7260 | 0.4200 | 2.3864 | 16.5324 | 5.6952 | 2.1794 | 4.7541 | 1.0000 |
| 2011 | 13.7260 | 0.5200 | 1.8230 | 16.0690 | 5.6052 | 2.1794 | 4.7541 | 1.0000 |
| 2010 | 13.7260 | 0.5200 | 1.8230 | 16.0690 | 5.2952 | 2.1794 | 4.7541 | 1.0000 |
| 2009 | 13.6760 | - | 1.8730 | 15.5490 | 5.2952 | 2.1794 | 4.7541 | 1.0000 |
| 2008 | 13.6390 | - | 1.9100 | 15.5490 | 5.2952 | 2.1794 | 4.7541 | 1.0000 |
| 2007 | 13.6390 | - | 1.7400 | 15.3790 | 5.2952 | 2.1794 | 4.7541 | 1.0000 |
| 2006 | 13.6390 | - | 1.7400 | 15.3790 | 5.2952 | 2.1794 | 4.7541 | 1.0000 |
| 2005 | 13.7156 | - | 1.6000 | 15.3156 | 5.4052 | 2.1794 | 4.7541 | 1.0000 |
| 2004 | 13.9656 | - | 1.3500 | 15.3156 | 5.4046 | 2.1857 | 4.7541 | 1.0000 |
| 2003 | 13.6530 | - | 1.3500 | 15.0030 | 5.3773 | 2.1785 | 4.7700 | 0.8111 |

Jefferson School District

| | | | | | | | | |
|------|---------|--------|--------|---------|--------|--------|--------|--------|
| 2012 | 13.7260 | 0.4200 | 2.3864 | 16.5324 | 5.6952 | 2.1794 | 4.7541 | 1.0000 |
| 2011 | 13.7260 | 0.5200 | 1.8230 | 16.0690 | 5.6052 | 2.1794 | 4.7541 | 1.0000 |
| 2010 | 13.7260 | 0.5200 | 1.8230 | 16.0690 | 5.2952 | 2.1794 | 4.7541 | 1.0000 |
| 2009 | 13.6760 | - | 1.8730 | 15.5490 | 5.2952 | 2.1794 | 4.7541 | 1.0000 |
| 2008 | 13.6390 | - | 1.9100 | 15.5490 | 5.2952 | 2.1794 | 4.7541 | 1.0000 |
| 2007 | 13.6390 | - | 1.7400 | 15.3790 | 5.2952 | 2.1794 | 4.7541 | 1.0000 |
| 2006 | 13.6390 | - | 1.7400 | 15.3790 | 5.2952 | 2.1794 | 4.7541 | 1.0000 |
| 2005 | 13.7156 | - | 1.6000 | 15.3156 | 5.4052 | 2.1794 | 4.7541 | 1.0000 |
| 2004 | 13.9656 | - | 1.3500 | 15.3156 | 5.4046 | 2.1857 | 4.7541 | 1.0000 |
| 2003 | 13.6530 | - | 1.3500 | 15.0030 | 5.3773 | 2.1785 | 4.7700 | 0.8111 |

Note: The City of Monroe has no Jefferson School District homestead properties located in its boundaries.

Source: City of Monroe Assessor

Note: Michigan law restricts the maximum millage that may be levied by the City without a vote of our residents, as follows:

| | General Operating | Debt | Special Purpose |
|------|----------------------|------|--------------------|
| 2012 | 14.6644 | - | 2.9328 |

**Revenue Capacity
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years**

| Overlapping Rates | | | | Total Tax Rate | |
|--------------------------|--------------------|-----------------------|---------------------------|----------------|-------------------|
| Public Transportation | State Education | School - Homestead | School - Non-homestead | Homestead | Non- homestead |
| 0.6904 | 6.0000 | 1.0000 | 19.0000 | 37.8515 | 55.8515 |
| 0.6904 | 6.0000 | 1.0000 | 19.0000 | 37.2981 | 55.2981 |
| 0.6922 | 6.0000 | 1.0000 | 19.0000 | 36.9899 | 54.9899 |
| 0.6826 | 6.0000 | 1.0000 | 19.0000 | 36.4603 | 54.4603 |
| 0.6199 | 6.0000 | 0.9985 | 18.9985 | 36.3961 | 54.3961 |
| 0.4896 | 6.0000 | 0.9985 | 18.9985 | 36.0958 | 54.0958 |
| 0.4981 | 6.0000 | 0.9985 | 18.9985 | 36.1043 | 54.1043 |
| 0.4825 | 6.0000 | 0.9985 | 18.9985 | 36.1353 | 54.1353 |
| 0.3922 | 6.0000 | 0.9985 | 18.9985 | 36.0507 | 54.0507 |
| 0.3346 | 5.0000 | 0.9941 | 18.9941 | 34.4686 | 52.4686 |
| 0.6904 | 6.0000 | 0.5000 | 18.0000 | 37.3515 | 55.3515 |
| 0.6904 | 6.0000 | - | 18.0000 | 36.2981 | 54.2981 |
| 0.6922 | 6.0000 | - | 18.0000 | 35.9899 | 53.9899 |
| 0.6826 | 6.0000 | - | 18.0000 | 35.4603 | 53.4603 |
| 0.6199 | 6.0000 | - | 18.0000 | 35.3976 | 53.3976 |
| 0.4896 | 6.0000 | 0.9985 | 18.9985 | 36.0958 | 54.0958 |
| 0.4981 | 6.0000 | - | 18.0000 | 35.1058 | 53.1058 |
| 0.4825 | 6.0000 | - | 18.0000 | 35.1368 | 53.1368 |
| 0.3922 | 6.0000 | - | 18.0000 | 35.0522 | 53.0522 |
| 0.3346 | 5.0000 | - | 18.0000 | 33.4745 | 51.4745 |

City of Monroe, Michigan

Revenue Capacity Principal Property Taxpayers

| | Tax Year 2012 | | | Tax Year 2003 | | |
|------------------------------------|----------------|------|---------------------|----------------|------|---------------------|
| | Taxable Value | Rank | Percentage of Total | Taxable Value | Rank | Percentage of Total |
| Detroit Edison | \$ 388,632,190 | 1 | 43.99 | \$ 345,512,170 | 1 | 37.85 |
| Gerdau Macsteel | 37,582,060 | 2 | 4.25 | 33,147,970 | 3 | 3.63 |
| International Transmission Company | 11,673,950 | 3 | 1.32 | | | |
| Howard Ternes Packing Company | 6,240,060 | 4 | 0.71 | 5,352,560 | 4 | 0.59 |
| Ford Motor Company | 5,357,380 | 5 | 0.61 | | | |
| Headwaters Resources, Inc. | 5,247,220 | 6 | 0.59 | | | |
| National Galvanizing | 4,835,710 | 7 | 0.55 | 4,844,350 | 7 | 0.53 |
| Monroe Bank & Trust | 4,598,330 | 8 | 0.52 | | | |
| Great Lakes Towers, LLC | 6,911,100 | 9 | 0.78 | | | |
| Oak Forest APT Investors, LLC | 3,270,670 | 10 | 0.37 | | | |
| Holiday Inn of Monroe | | | | 2,811,330 | 10 | 0.31 |
| Visteon Corporation | | | | 60,528,675 | 2 | 6.63 |
| Delta USA Corporation | | | | 5,129,295 | 5 | 0.56 |
| Thompson McCully Company | | | | 3,634,195 | 8 | 0.40 |
| Benchmark Homes | | | | 3,295,220 | 9 | 0.36 |
| Riverbend Commons, LLC | | | | 5,038,280 | 6 | 0.55 |

City of Monroe, Michigan

Revenue Capacity Property Tax Levies and Collections Last Ten Fiscal Years

| Tax Year | Year Ended June 30 | Total Levy | Current Collections | Percent Collected | Delinquent Collections | Total Tax Collections | Levy Collected |
|----------|-----------------------|---------------|------------------------|----------------------|---------------------------|--------------------------|-------------------|
| 2003 | 2004 | \$ 13,692,619 | \$ 13,478,386 | 98.44 | \$ 202,759 | \$ 13,681,145 | 99.92 |
| 2004 | 2005 | 14,291,466 | 14,012,116 | 98.05 | 271,542 | 14,283,658 | 99.95 |
| 2005 | 2006 | 14,562,887 | 14,236,760 | 97.76 | 313,538 | 14,550,298 | 99.91 |
| 2006 | 2007 | 15,088,559 | 14,605,550 | 96.80 | 459,751 | 15,065,301 | 99.85 |
| 2007 | 2008 | 15,494,010 | 14,975,863 | 96.66 | 473,526 | 15,449,389 | 99.71 |
| 2008 | 2009 | 15,614,880 | 15,099,991 | 96.70 | 493,029 | 15,593,020 | 99.86 |
| 2009 | 2010 | 15,310,521 | 14,721,278 | 96.15 | 550,331 | 15,271,609 | 99.75 |
| 2010 | 2011 | 14,709,127 | 14,250,863 | 96.88 | 446,060 | 14,696,923 | 99.92 |
| 2011 | 2012 | 14,227,768 | 13,843,954 | 97.30 | 361,837 | 14,205,791 | 99.85 |
| 2012 | 2013 | 14,188,252 | 13,799,075 | 97.26 | 364,757 | 14,163,832 | 99.83 |

Debt Capacity

These schedules contain information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

City of Monroe, Michigan

| | 2004 | 2005 | 2006 | 2007 | 2008 |
|--|-----------------|-----------------|------------------|------------------|------------------|
| Governmental Activities | | | | | |
| General obligation bonds | \$ 5,883 | \$ 6,179 | \$ 5,930 | \$ 5,705 | \$ 5,510 |
| Installment purchase agreements | - | - | - | 607 | 540 |
| State of Michigan loans | 1,120 | 999 | 898 | 1,535 | 2,213 |
| Sewer bonds | - | - | - | - | - |
| Revenue bonds | - | - | - | - | - |
| Capital leases | 174 | 657 | 528 | 394 | 415 |
| Total | 7,177 | 7,835 | 7,356 | 8,241 | 8,678 |
| Business-type Activities | | | | | |
| General obligation bonds | 1,285 | 900 | 3,020 | 2,755 | 8,855 |
| Installment purchase agreements | - | - | - | - | - |
| Special assessment bonds | - | - | - | - | - |
| Revenue bonds | - | - | - | - | - |
| Capital leases | - | - | - | - | - |
| Total | 1,285 | 900 | 3,020 | 2,755 | 8,855 |
| Total debt of the government | <u>\$ 8,462</u> | <u>\$ 8,735</u> | <u>\$ 10,376</u> | <u>\$ 10,996</u> | <u>\$ 17,533</u> |
| Total residential personal income* | \$ 484,339 | \$ 493,243 | \$ 510,027 | \$ 525,328 | \$ 542,139 |
| Ratio of total debt to personal income | 1.75% | 1.77% | 2.03% | 2.09% | 3.23% |
| Total population (actual) | 21,764 | 21,791 | 21,791 | 21,840 | 21,528 |
| Total debt per capita | \$ 389 | \$ 401 | \$ 476 | \$ 503 | \$ 814 |

Note: Data in thousands of dollars, except debt per capita

* Personal income other than census years trended based on State of Michigan percentage change

Source: U.S. Census Bureau - www.census.gov

**Debt Capacity
Ratios of Outstanding Debt
Last Ten Fiscal Years**

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|-----------|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ | 5,245 | \$ 7,470 | \$ 6,810 | \$ 10,215 | \$ 9,760 |
| | 470 | 784 | 673 | 315 | 278 |
| | 2,127 | 2,038 | 1,750 | 1,591 | 1,367 |
| | - | - | - | - | - |
| | - | - | - | - | - |
| | <u>258</u> | - | - | - | - |
| | 8,100 | 10,292 | 9,233 | 12,121 | 11,405 |
| | 17,278 | 26,592 | 27,477 | 31,360 | 42,413 |
| | - | - | - | - | - |
| | - | - | - | - | - |
| | - | - | - | - | - |
| | <u>17,278</u> | <u>26,592</u> | <u>27,477</u> | <u>31,360</u> | <u>42,413</u> |
| \$ | <u>25,378</u> | <u>36,884</u> | <u>36,710</u> | <u>43,481</u> | <u>53,818</u> |
| \$ | 563,662 | \$ 575,330 | \$ 558,415 | \$ 570,309 | \$ 606,238 |
| | 4.50% | 6.41% | 6.57% | 7.62% | 8.88% |
| | 21,374 | 21,323 | 20,733 | 20,672 | 20,535 |
| \$ | 1,187 | \$ 1,730 | \$ 1,771 | \$ 2,103 | \$ 2,621 |

City of Monroe, Michigan

| Fiscal Year | Tax-limited General Obligation Bonds (LTGO) | Tax- supported Bonds (UTGO) | Less Pledged Debt Service Funds | Other General Obligation Debt | Net General Bonded Debt | Taxable Value |
|-------------|---|--------------------------------------|--|--|----------------------------------|------------------|
| 2004 | \$ 7,090,000 | \$ - | \$ 149,986 | \$ 1,293,740 | \$ 8,233,754 | \$ 912,793,465 |
| 2005 | 7,040,000 | - | 177,132 | 1,695,128 | 8,557,996 | 936,954,310 |
| 2006 | 8,950,000 | - | 203,430 | 1,425,310 | 10,171,880 | 954,388,710 |
| 2007 | 8,460,000 | - | 179,245 | 2,535,748 | 10,816,503 | 970,933,535 |
| 2008 | 14,325,000 | - | 163,497 | 3,167,518 | 17,329,021 | 1,001,772,380 |
| 2009 | 13,770,000 | - | 117,095 | 2,855,290 | 16,508,195 | 993,113,266 |
| 2010 | 22,062,221 | - | 105,529 | 2,822,094 | 24,778,786 | 949,777,882 |
| 2011 | 22,070,980 | - | 127,224 | 2,423,314 | 24,367,070 | 880,360,170 |
| 2012 | 25,522,783 | - | 136,079 | 1,906,561 | 27,293,265 | 878,049,727 |
| 2013 | 24,437,783 | - | 172,533 | 1,644,435 | 25,909,685 | 883,486,425 |

**Debt Capacity
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years**

| Debt as a Percentage of Taxable Value | Population | Debt per Capita |
|---|------------|-----------------------|
| 0.90 | \$ 21,764 | \$ 378 |
| 0.91 | 21,791 | 393 |
| 1.07 | 21,791 | 467 |
| 1.11 | 21,840 | 495 |
| 1.73 | 21,528 | 805 |
| 1.66 | 21,374 | 772 |
| 2.61 | 21,323 | 1,162 |
| 2.77 | 20,733 | 1,175 |
| 3.11 | 20,672 | 1,320 |
| 2.93 | 20,535 | 1,262 |

City of Monroe, Michigan

Debt Capacity Direct and Overlapping Governmental Activities Debt

| Governmental Unit | Debt Outstanding | Estimated Percent Applicable | Estimated Share of Overlapping Debt |
|-------------------------------------|---------------------|------------------------------------|--|
| County of Monroe | \$ 32,489,100 | 15.66% | \$ 5,087,793 |
| Jefferson School District | - | 2.68% | - |
| Monroe School District | 145,000 | 49.54% | 71,833 |
| Monroe Intermediate School District | - | 16.25% | - |
| Monroe County Community College | - | 15.69% | - |
| Total overlapping debt * | | | 5,159,626 |
| Direct City debt | | | 9,760,000 |
| Total direct and overlapping debt | | | \$ 14,919,626 |

Source: Michigan Municipal Advisory Council

* Overlapping debt is calculated based upon the taxable value of the City that is in the taxing unit as a percentage of the total taxable value of the taxing unit.

City of Monroe, Michigan

| | 2004 | 2005 | 2006 | 2007 |
|---|-----------------------------|------------------------------|------------------------------|------------------------------|
| Calculation of Debt Limit | | | | |
| State equalized valuation (SEV) | \$ 1,057,660,560 | \$ 1,081,817,040 | \$ 1,098,547,510 | \$ 1,113,591,980 |
| 10% of SEV | 105,766,056 | 108,181,704 | 109,854,751 | 111,359,198 |
| Calculation of Debt Subject to Limit | | | | |
| Total debt | 8,288,205 | 8,178,234 | 9,847,508 | 10,054,546 |
| Less debt not subject to limit: | | | | |
| Special assessment bonds | - | - | - | - |
| Revenue bonds | - | - | - | - |
| Pollution abatement bonds | - | - | - | - |
| Water Resources Commission or Court-ordered bonds | - | - | - | - |
| Net debt subject to limit | <u>8,288,205</u> | <u>8,178,234</u> | <u>9,847,508</u> | <u>10,054,546</u> |
| Legal Debt Margin | <u>\$ 97,477,851</u> | <u>\$ 100,003,470</u> | <u>\$ 100,007,243</u> | <u>\$ 101,304,652</u> |
| Net Debt Subject to Limit as Percent of Debt Limit | 7.84% | 7.56% | 8.96% | 9.03% |

Source: City of Monroe Assessor

**Debt Capacity
Legal Debt Margin
Last Ten Fiscal Years**

| 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| \$ 1,144,198,610 | \$ 1,096,961,340 | \$ 1,004,264,415 | \$ 980,953,790 | \$ 959,234,820 | \$ 955,580,198 |
| 114,419,861 | 109,696,134 | 100,426,442 | 98,095,379 | 95,923,482 | 95,558,020 |
| 16,538,227 | 24,629,274 | 36,100,022 | 36,036,433 | 43,166,869 | 53,540,134 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>16,538,227</u> | <u>24,629,274</u> | <u>36,100,022</u> | <u>36,036,433</u> | <u>43,166,869</u> | <u>53,540,134</u> |
| <u>\$ 97,881,634</u> | <u>\$ 85,066,860</u> | <u>\$ 64,326,420</u> | <u>\$ 62,058,946</u> | <u>\$ 52,756,613</u> | <u>\$ 42,017,886</u> |
| 14.45% | 22.45% | 35.95% | 36.74% | 45.00% | 56.03% |

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

City of Monroe, Michigan

Demographic and Economic Information Demographic and Economic Statistics Last Ten Fiscal Years

| Fiscal Year | Population | Personal Income (in thousands) | Per Capita Personal Income | Unemployment Rate |
|-------------|------------|-----------------------------------|----------------------------|-------------------|
| 2004 | 21,764 | \$ 493,243 | \$ 22,663 | 6.7 |
| 2005 | 21,791 | 510,027 | 23,405 | 6.0 |
| 2006 | 21,791 | 525,328 | 24,108 | 5.9 |
| 2007 | 21,840 | 542,139 | 24,823 | 6.5 |
| 2008 | 21,528 | 563,662 | 26,183 | 8.5 |
| 2009 | 21,375 | 575,330 | 26,916 | 17.0 |
| 2010 | 21,323 | 558,415 | 26,188 | 12.9 |
| 2011 | 20,733 | 570,309 | 27,507 | 10.4 |
| 2012 | 20,672 | 570,309 | 27,588 | 8.4 |
| 2013 | 20,535 | 606,238 | 29,522 | 8.8 |

Source: U.S. Census Bureau and Michigan Department of Labor and Economic Growth

City of Monroe, Michigan

Demographic and Economic Information Principal Employers Current Year and Nine Years Prior

| Taxpayer | 2013 Employees | Percentage of Total | 2007 Employees | Percentage of Total | 2006 Rank |
|---|-------------------|------------------------|-------------------|------------------------|--------------|
| 1 Mercy Memorial Hospital | 1,738 | 2.67 | 1,246 | 1.63 | 2 |
| 2 County of Monroe | 427 | 0.66 | 750 | 0.98 | 3 |
| 3 DTE Energy | 1,251 | 1.92 | 530 | 0.70 | 4 |
| 4 La-Z-Boy Incorporated | 491 | 0.76 | 522 | 0.68 | 5 |
| 5 Gerdau MACSteel | 510 | 0.78 | 385 | 0.50 | 7 |
| 6 Monroe Bank & Trust | 450 | 0.69 | 401 | 0.53 | 6 |
| 7 Sisters, Servants of the Immaculate Heart of Mary | - | - | 265 | 0.35 | 8 |
| 8 Monroe Publishing Company | - | - | 200 | 0.26 | 10 |
| 9 City of Monroe | 167 | 0.26 | 257 | 0.34 | 9 |
| 10 SYGMA Network | 119 | 0.18 | | | |
| 11 Visteon | | | 1,954 | 2.56 | 1 |

Source: Monroe County Chamber of Commerce and Michigan Department of Labor and Economic Growth

Note: Percentage is of total employed in Monroe County. Data on City of Monroe employment is not available.

City of Monroe, Michigan

| Function/Program | 2004 | 2005 | 2006 | 2007 | 2008 |
|------------------------------------|---------------|---------------|---------------|---------------|---------------|
| General government: | | | | | |
| City manager | 5.00 | 4.00 | 4.00 | 4.00 | 3.00 |
| Clerk/Treasurer | 7.00 | 7.00 | 7.00 | 6.00 | 6.00 |
| Assessor | 3.50 | 3.50 | 3.60 | 3.60 | 3.60 |
| City attorney | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 |
| Finance | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 |
| Human resources | 2.00 | 1.42 | 2.00 | 2.00 | 2.00 |
| Engineering | 11.00 | 11.00 | 10.00 | 9.50 | 8.50 |
| City hall and grounds | 2.00 | 2.50 | 2.20 | 2.20 | 2.35 |
| Information systems | 3.00 | 3.00 | 3.00 | 3.00 | 2.00 |
| Public safety: | | | | | |
| Police: | | | | | |
| Officers | 47.00 | 47.00 | 47.00 | 46.00 | 45.00 |
| Civilians | 7.00 | 7.00 | 7.00 | 7.00 | 7.00 |
| Fire and EMS: | | | | | |
| Firefighters and officers | 41.00 | 41.00 | 41.00 | 41.00 | 41.00 |
| Civilians | 0.50 | 0.50 | 0.40 | 0.40 | 0.40 |
| Zoning/Ordinance enforcement | 3.50 | 4.40 | 3.75 | 3.75 | 2.75 |
| Building inspection | 6.00 | 4.60 | 5.90 | 5.55 | 5.40 |
| Public works - Public service: | | | | | |
| Operations division | 26.00 | 26.00 | 25.50 | 25.00 | 26.00 |
| Forestry division | 5.00 | 5.00 | 5.50 | 5.00 | 5.00 |
| Parks division | 4.00 | 3.00 | 3.00 | - | - |
| Airport | - | - | 1.00 | 1.00 | 1.00 |
| Community and economic development | 4.50 | 4.50 | 5.15 | 4.00 | 4.00 |
| Parks and recreation | 3.00 | 3.00 | 3.00 | 6.00 | 3.00 |
| Water | 32.00 | 32.00 | 33.00 | 33.00 | 32.00 |
| Wastewater | 31.00 | 31.00 | 31.00 | 31.00 | 31.00 |
| Total | 251.00 | 248.42 | 251.00 | 246.00 | 238.00 |

Note: Number of positions equals the number of positions initially budgeted for the fiscal year.

**Demographic and Economic Information
Full-time Equivalent Government Employees
Last Ten Fiscal Years**

| 2009 | 2010 | 2011 | 2012 | 2013 |
|---------------|---------------|---------------|---------------|---------------|
| 2.00 | 2.00 | 2.00 | 2.00 | 2.00 |
| 5.00 | 5.00 | 5.00 | 4.00 | 5.00 |
| 3.00 | 3.00 | 3.00 | 3.00 | 3.00 |
| 2.00 | - | - | - | - |
| 3.90 | 3.90 | 3.90 | 3.90 | 3.90 |
| 2.00 | 2.00 | 1.50 | 1.50 | 1.50 |
| 9.00 | 6.50 | 6.50 | 6.50 | 6.50 |
| 1.35 | 1.35 | 1.35 | 1.35 | 1.35 |
| 2.10 | 0.10 | 0.10 | 0.10 | 0.10 |
| 38.00 | 39.00 | 37.00 | 40.00 | 40.00 |
| 6.00 | 5.00 | 5.00 | 5.00 | 6.00 |
| 31.00 | 27.00 | 19.00 | 16.00 | 16.00 |
| - | - | - | - | - |
| 2.25 | 1.25 | 0.63 | 0.63 | 0.63 |
| 4.15 | 3.90 | 4.15 | 4.15 | 4.15 |
| 27.00 | 22.50 | 20.50 | 19.50 | 19.50 |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| 3.00 | 2.25 | 2.75 | 2.75 | 2.75 |
| 2.25 | 2.25 | 2.13 | 2.13 | 2.13 |
| 30.00 | 28.50 | 28.50 | 28.50 | 28.50 |
| 31.00 | 26.50 | 26.50 | 26.00 | 26.00 |
| 205.00 | 182.00 | 169.51 | 167.01 | 169.01 |

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

City of Monroe, Michigan

| Function/Program | 2004 | 2005 | 2006 | 2007 |
|--|--------|--------|--------|--------|
| Police: | | | | |
| Physical arrests | 1,284 | 1,406 | 1,352 | 1,186 |
| Traffic citations and warnings | 7,010 | 8,185 | 5,947 | 5,407 |
| Original complaints | 27,081 | 25,188 | 23,280 | 22,273 |
| Fire: | | | | |
| Fire incidents | 2,729 | 2,837 | 2,849 | 3,168 |
| EMS incidents | 2,189 | 2,221 | 2,220 | 2,481 |
| Inspections | 329 | 460 | 448 | 508 |
| Code enforcement/administration: | | | | |
| Building inspections | 3,186 | 3,398 | 3,251 | 2,635 |
| Plumbing/Mechanical inspections | 876 | 964 | 924 | 709 |
| Electrical inspections | 853 | 862 | 893 | 730 |
| Zoning inspections | 2,147 | 1,621 | 1,609 | 876 |
| Blight violations | 130 | 290 | 474 | 552 |
| Rental inspections | N/A | N/A | 1017 | 1204 |
| Public works: | | | | |
| Miles of street resurfaced | 1.59 | 1.67 | 1.98 | 1.81 |
| Trees trimmed | 2,625 | 2,700 | 3,200 | 3,300 |
| Trees removed | 270 | 305 | 320 | 275 |
| Trees planted | 260 | 275 | 300 | 350 |
| Street sweeping curb miles | 2,250 | 2,400 | 2,400 | 2,400 |
| Storm sewers replaced (miles) | - | - | - | - |
| Storm sewers installed (miles) | - | - | - | - |
| Storm sewer miles cleaned | 70 | 70 | 70 | 75 |
| City property mowing hours | 2,975 | 2,950 | 2,900 | 2,900 |
| Parks and recreation: | | | | |
| Recreation program attendance | 9,264 | 9,319 | 8,930 | 5,608 |
| Park/Shelter reservations | 192 | 212 | 259 | 187 |
| Pool admission | 2,651 | 2,770 | 3,112 | 3,830 |
| Water: | | | | |
| Number of customers billed | 58,432 | 58,884 | 59,091 | 61,394 |
| New services | 338 | 335 | 171 | 126 |
| Average daily consumption (thousands of gallons per day) | 6,342 | 6,773 | 6,998 | 6,287 |
| Wastewater - Average daily sewage treatment (thousands of gallons) | 13,425 | 11,233 | 13,999 | 13,720 |

N/A - Not available

Source: City records and department annual reports

Operating Information
Operating Indicators
Last Ten Fiscal Years

| 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|--------|--------|--------|--------|--------|--------|
| 1,101 | 998 | 1,039 | 1,032 | 1,045 | 1,089 |
| 4,562 | 3,685 | 3,471 | 3,148 | 2,571 | 3,549 |
| 19,858 | 19,611 | 19,075 | 19,656 | 17,100 | 19,581 |
| 3,165 | 781 | 766 | 784 | 697 | 735 |
| 2,498 | 2,407 | 2,360 | 2,272 | 2,590 | 2,533 |
| 470 | 200 | 222 | 337 | 300 | 193 |
| 2,452 | 2,538 | 2,186 | 2,096 | 2,280 | 2,376 |
| 1,011 | 751 | 750 | 600 | 585 | 485 |
| 1,263 | 607 | 424 | 616 | 516 | 364 |
| 280 | 152 | 437 | 416 | 486 | 326 |
| 197 | 159 | 73 | 307 | 1,178 | 759 |
| 1,053 | 1,075 | 1,425 | 1,096 | 1,052 | 1,348 |
| 1.61 | 1.66 | 2.60 | 2.16 | 1.98 | 1.57 |
| 3,250 | 650 | 2,000 | 1,500 | 1,200 | 600 |
| 300 | 250 | 288 | 215 | 220 | 145 |
| 275 | 125 | 130 | 125 | 140 | 120 |
| 2,400 | 2,400 | 2,400 | 2,400 | 2,400 | 2,400 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 50 | 10 | 7 | 3 | 1 | 1 |
| 750 | 150 | 290 | 210 | 170 | 150 |
| 9,844 | 16,393 | 17,149 | 20,703 | 13,388 | 12,181 |
| 168 | 117 | 82 | 92 | 101 | 85 |
| 3,807 | 3,613 | - | - | 3,011 | 2,465 |
| 61,435 | 61,595 | 61,779 | 61,709 | 62,202 | 62,067 |
| 110 | 112 | 35 | 73 | 115 | 121 |
| 6,207 | 5,978 | 6,983 | 7,206 | 7,197 | 7,328 |
| 15,304 | 14,081 | 8,568 | 12,130 | 14,094 | 10,192 |

City of Monroe, Michigan

| Function/Program | 2004 | 2005 | 2006 | 2007 |
|--|--------|--------|--------|--------|
| Police: | | | | |
| Stations | 1 | 1 | 1 | 1 |
| Patrol units | 15 | 15 | 15 | 15 |
| Fire: | | | | |
| Stations | 3 | 3 | 3 | 3 |
| Fire response vehicles | 5 | 5 | 5 | 5 |
| Emergency response vehicles | 3 | 3 | 3 | 3 |
| Public works: | | | | |
| Streets (miles): | | | | |
| Major streets | 27.6 | 27.58 | 27.58 | 28.77 |
| Local streets | 52.49 | 52.89 | 53.01 | 53.33 |
| Sidewalks | 170.74 | 170.74 | 170.74 | 170.74 |
| Streetlights | 1,564 | 1,564 | 1,564 | 1,564 |
| Traffic signals | 12 | 12 | 13 | 12 |
| Parks and recreation: | | | | |
| Acreage | 280 | 280 | 280 | 280 |
| Developed parks/playgrounds | 32 | 32 | 32 | 32 |
| Developed fields (soccer, baseball, etc.) | 23 | 21 | 21 | 21 |
| Libraries - Branches | 2 | 2 | 2 | 2 |
| Water: | | | | |
| Mains (miles) | 239 | 250 | 260 | 262 |
| Fire hydrants | 2,080 | 2,328 | 2,373 | 2,373 |
| Storage capacity | 6.56 | 6.81 | 6.81 | 6.81 |
| Sewer: | | | | |
| Miles of sanitary sewers | 270 | 290 | 300 | 303 |
| Miles of storm sewers | 60.71 | 60.81 | 60.81 | 60.81 |
| Treatment capacity (millions of gallons/day) | 32 | 32 | 32 | 32 |

Source: City records and department annual reports

**Operating Information
Capital Asset Statistics
Last Ten Fiscal Years**

| 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|--------|--------|--------|--------|--------|--------|
| 1 | 1 | 1 | 1 | 1 | 1 |
| 15 | 15 | 14 | 14 | 14 | 14 |
| 3 | 2 | 2 | 2 | 2 | 2 |
| 5 | 5 | 4 | 4 | 4 | 4 |
| 2 | 2 | 3 | 4 | 4 | 4 |
| 28.77 | 28.77 | 28.6 | 28.6 | 28.6 | 28.6 |
| 53.33 | 53.33 | 54.12 | 54.12 | 54.12 | 54.12 |
| 170.86 | 170.86 | 170.86 | 170.86 | 170.86 | 172.25 |
| 1,564 | 1,564 | 1,564 | 1,564 | 1570 | 1582 |
| 10 | 10 | 10 | 9 | 9 | 7 |
| 280 | 280 | 280 | 280 | 280 | 280 |
| 32 | 32 | 32 | 32 | 32 | 32 |
| 21 | 21 | 21 | 21 | 21 | 21 |
| 2 | 2 | 2 | 2 | 2 | 2 |
| 281 | 282 | 282 | 298 | 298 | 305 |
| 2,494 | 2,541 | 2,640 | 2,834 | 2854 | 3295 |
| 6.81 | 6.81 | 6.81 | 6.81 | 6.81 | 6.81 |
| 303 | 303 | 303 | 303 | 303 | 303 |
| 60.81 | 60.81 | 60.81 | 60.81 | 60.81 | 60.81 |
| 32 | 32 | 32 | 32 | 32 | 32 |

City of Monroe, Michigan

**Federal Awards
Supplemental Information
June 30, 2013**

Independent Auditor's Reports:

| | |
|---|-----|
| Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133 | I |
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 2-3 |
| Report on Compliance for the Major Federal Program; Report on Internal Control Over Compliance | 4-5 |
| Schedule of Expenditures of Federal Awards | 6 |
| Notes to Schedule of Expenditures of Federal Awards | 7 |
| Schedule of Findings and Questioned Costs | 8-9 |
| Summary Schedule of Prior Audit Findings | 10 |

Report on Schedule of Expenditures of Federal Awards
Required by OMB Circular A-133

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Monroe, Michigan

We have audited the 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 Monroe, Michigan as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated November 20, 2013 which contained unmodified opinions on the financial statements. Our audit was conducted for the purpose of forming opinions on the financial statement that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to November 20, 2013.

The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Plante & Moran, PLLC

November 20, 2013

Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To Management and the Honorable Mayor and
Members of the City Council
City of Monroe, Michigan

We have audited, in accordance with the 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, the 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 Monroe, Michigan as of and for the year ended June 30, 2013, and related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 20, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Monroe, Michigan's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness. See finding 2013-001 in the schedule of findings and questioned costs.

To Management and the Honorable Mayor and
Members of the City Council
City of Monroe, Michigan

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Monroe, Michigan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Monroe, Michigan's Response to Findings

The City of Monroe, Michigan's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. City of Monroe, Michigan's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

November 20, 2013

Report on Compliance for the Major Federal Program;
Report on Internal Control Over Compliance

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Monroe, Michigan

Report on Compliance for Each Major Federal Program

We have audited City of Monroe, Michigan's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013. City of Monroe, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Monroe, Michigan's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Monroe, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Monroe, Michigan's compliance.

To the Honorable Mayor and
Members of the City Council
City of Monroe, Michigan

Opinion on Each Major Federal Program

In our opinion, the City of Monroe, Michigan complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the City of Monroe, Michigan is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Monroe, Michigan's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Plante & Morse, PLLC

November 20, 2013

City of Monroe, Michigan

Schedule of Expenditures of Federal Awards Year Ended June 30, 2013

| Federal Agency/Pass-through Agency/Program Title | CFDA Number | Pass-through Entity Identifying Number | Federal Expenditures |
|--|-------------|---|----------------------------|
| U.S. Department of Housing and Urban Development - | | | |
| CDBG Entitlement Grants Cluster - Community Development | | | |
| Block Grants/Entitlement Grants | 14.218 | B-12-MC-26-0041 | \$ 443,376 |
| U.S. Department of Justice: | | | |
| Office of Justice Programs - Bulletproof Vest Partnership Program | 16.607 | None | 1,499 |
| Office of Community Oriented Policing Services - ARRA - Public Safety Partnership and Community Policing Grants | 16.710 | 2009RKWX0446 | <u>63,427</u> |
| Total U.S. Department of Justice | | | 64,926 |
| U.S. Department of Transportation - Rail Line Relocation and Improvement | | | |
| | 20.320 | FR-LRI-032-12-01-00 | 3,963 |
| U.S. Environmental Protection Agency: | | | |
| Great Lakes Program: | | | |
| Restoring Lake Erie Fish Passage in the River Raisin AOC | 66.469 | GL-00E00473-0 | 1,047,291 |
| Passed through the Michigan Department of Environmental Quality: | | | |
| Sterling Island Restoration | 66.469 | 100020-11 | 376,982 |
| Restoring Fish Passage in the River Raisin AOC - Phase 2 | 66.469 | 100017-11 | <u>110,769</u> |
| Total Great Lakes Program | | | 1,535,042 |
| Passed through the Downriver Community Conference - Brownfields Assessment and Cleanup Cooperative Agreements: | | | |
| ARRA - Mason Run Property | 66.818 | 2B-00E97201 | 54,510 |
| Port of Monroe Property | 66.818 | n/a | <u>29,446</u> |
| Total Brownfields Assessment and Cleanup Cooperative Agreements | | | <u>83,956</u> |
| Total U.S. Environmental Protection Agency | | | 1,618,998 |
| U.S. Department of Homeland Security - | | | |
| Port Security Grant Program | 97.056 | 2009-PU-T9-0095 | <u>156,548</u> |
| Total federal expenditures | | | <u><u>\$ 2,287,811</u></u> |

City of Monroe, Michigan

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2013

Note 1 - Basis of Presentation and Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Monroe, Michigan under programs of the federal government for the year ended June 30, 2013. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-87, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Because the Schedule presents only a selected portion of the operations of City of Monroe, Michigan, it is not intended to, and does not, present the financial position, changes in net position, or cash flows, if applicable, of City of Monroe, Michigan. Pass-through entity identifying numbers are presented where available.

Note 2 - Subrecipient Awards

Of the federal expenditures presented in the Schedule, federal awards were provided to subrecipients as follows:

| <u>Federal Program Title</u> | <u>CFDA Number</u> | <u>Amount Provided to Subrecipients</u> |
|---|--------------------|---|
| Community Development Block Grants/Entitlement Grants | 14.218 | \$ 15,200 |

City of Monroe, Michigan

Schedule of Findings and Questioned Costs Year Ended June 30, 2013

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No

Identification of major programs:

| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
|---------------------|---|
| 14.218 | CDBG Entitlement Grants Cluster |
| 66.469 | Great Lakes Program |

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes No

City of Monroe, Michigan

Schedule of Findings and Questioned Costs Year Ended June 30, 2013

Section II - Financial Statement Audit Findings

Reference

Number

Finding

2013-001 **Finding Type** - Material weakness

Criteria - Management's goal was to accurately record all adjustments for the fund level and government-wide statements.

Condition - Journal entries were necessary to adjust various account balances of the Port of Monroe, a discretely presented component unit of the City of Monroe, to properly state the account balances as of June 30, 2013.

Context - Entries were required to adjust property tax revenue, deferred revenue, and receivables at year end. There were also various uncorrected adjusting entries proposed impacting accrued payroll and prepaid expenses.

Cause - The Port of Monroe accounting is done externally from the rest of the City and other discretely presented component units. The review process did not identify these required entries.

Effect - As a result of these entries not being recorded, several account balances required adjustments as of June 30, 2013. The financial statements were misstated prior to the auditor proposing the entries.

Recommendation - The Port of Monroe should develop processes and controls to ensure that all appropriate journal entries are made so that ending balances are correct.

Views of Responsible Officials and Planned Corrective Actions - The City understands the recommendation and will work with the Port of Monroe to put a process in place to address the issue.

Section III - Federal Program Audit Findings

None

City of Monroe, Michigan

Summary Schedule of Prior Audit Findings Year Ended June 30, 2013

| <u>Prior Year Finding Number</u> | <u>Federal Program</u> | <u>Original Finding Description</u> | <u>Status</u> | <u>Planned Corrective Action</u> |
|--|--|--|--------------------|--|
| 2012-1 | 66.469 - Great Lakes Program passed through the Michigan Department of Environmental Quality | The City did not verify that a contractor used as part of the Great Lakes Program was suspended or debarred prior to contracting with the entity. | Fully Corrected | N/A |