

City of Monroe, Michigan

Fiscal Year Ending June 30, 2014

Comprehensive Annual Financial Report

RIVER RAISIN

FISH PASSAGE & DAM REMEDIATION PROJECT



City of Monroe, Michigan

Comprehensive Annual Financial Report with Supplemental Information June 30, 2014

Mayor
Robert E. Clark

City Manager
George A. Brown

City Council
Jeffery A. Hensley
John Iacoangeli
Kellie M. Vining
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Prepared by:
Finance Director
Edward J. Sell Jr.

City of Monroe, Michigan

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Introductory Section



CITY OF MONROE

November 18, 2014

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, 2014. 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 2014.

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 9.12% over the last ten years. The unemployment rate for Monroe County as of June 30, 2014 was 6.8%. The state of the economy in the State of Michigan in general, the potential reduction of state shared revenues and federal revenues, and legislation approved 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 \$70.7 million. This represents an increase of 131 percent as compared to the previous five-year average of \$30.6 million. This increase was primarily due to some larger industrial projects, including expansion at the Gerdau MAC Steel facilities and

the construction of a new world headquarters by La-Z-Boy. With the high and low years removed from the last ten years, the average value is \$27.5 million. The total number of permits declined slightly to 772. A history of building permits over the last ten years follows:

Fiscal Year	Number of Permits	Value
2014	772	\$ 70,775,309
2013	867	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

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 been completed 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 was 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 2014 that projected revenues and expenditures through June 30, 2016. 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 annual retiree healthcare contribution. 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 2013 tax year, covering fiscal 2013-14, the overall taxable value was approximately \$157million below state equalized value reducing potential tax revenue by approximately \$2.61 million due to the cap, with \$2.15 million of that amount being attributed to general operating purposes. The gap between taxable value and state equalized valuation increased for the 2013 tax year. The gap was approximately \$144 million for the 2012 tax year covering fiscal year 2012-13.

State shared revenue accounted for approximately 11 percent of the City’s General Fund revenue. The constitutional and EVIP portion of the revenue increased 2.4 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 2013-2014 budget. The following projects were active in 2013-2014:

Local Streets:

- Lavender Reconstruction – Calkins to Hendricks
- Maple Resurfacing – Scottwood to Maywood
- Borgess Improvements-Sylvan to Stedman
- Noble Reconstruction – Theadore to Telegraph

Major Streets:

- N. Dixie Resurfacing – Elm to Spaulding
- Monroe Street Parking Lane Resurfacing
- West Front Curb Replacement – Roessler to Island
- East 2nd Street Resurfacing – Monroe to Washington
- Monroe and Elm Mast Arm Traffic Signals
- Cass Street Resurfacing – Third to Front

- Monroe Street Lane Reconfiguration Study

General Capital Projects:

- Navarre Library Light Fixture Replacement
- ALCC Building Renovations
- LED Streetlight Conversion – Phase 2
- River Raisin Dam Removal & Fish Passage Development
- Sidewalk Improvement Program
- Munson Ball Diamond Restroom Rehabilitation
- Property Acquisitions

Water System:

- Ozone System Upgrade
- Filters 2&4 Concrete Rehabilitation
- Chemical Tank Rehabilitation
- N. Telegraph Water Main Replacement
- W. Dunbar Water Main Replacement
- Western Water Main-Western Court to S. Custer
- Borgess Water Main – Ives to Stedman
- N. Monroe Street Water Main Modifications

Wastewater System:

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

Major planned projects for fiscal 2014-2015:

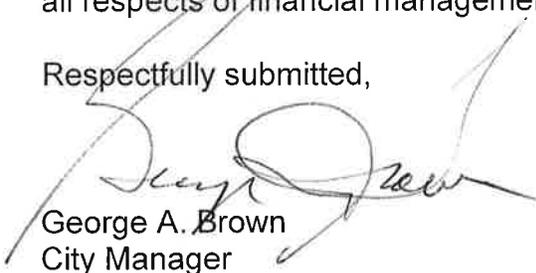
- Arthur Lesow Community Center Building Renovations
- E. Noble Resurfacing-Monroe to Dixie
- Roessler Street Bridge Rehabilitation
- Western Resurfacing – Winston to Huron
- Winston Court Resurfacing
- Borgess Widening/Resurfacing
- W. Fourth Resurfacing – Hubble to Harrison
- W. Sixth Resurfacing-Union to Monroe
- E. Sixth Resurfacing-Monroe to Scott
- Mark G. Worrell Memorial Trail Resurfacing
- St. Mary's Park & Riverwalk Lighting/Security Cameras
- Navarre Library Windows and Blinds
- W. Fourth Street Sanitary Sewer Installation – Hubble to East of Smith
- Sanitary Sewer System Rehabilitation
- E. Noble Avenue Water Main Loop – Monroe to East of Railroad
- Western Avenue Water Main – Winston Court to Western Court
- Roessler Street Bridge Water Main – River Crossing
- South Custer Booster Station Upgrades – Phase II
- 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, 2013. 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

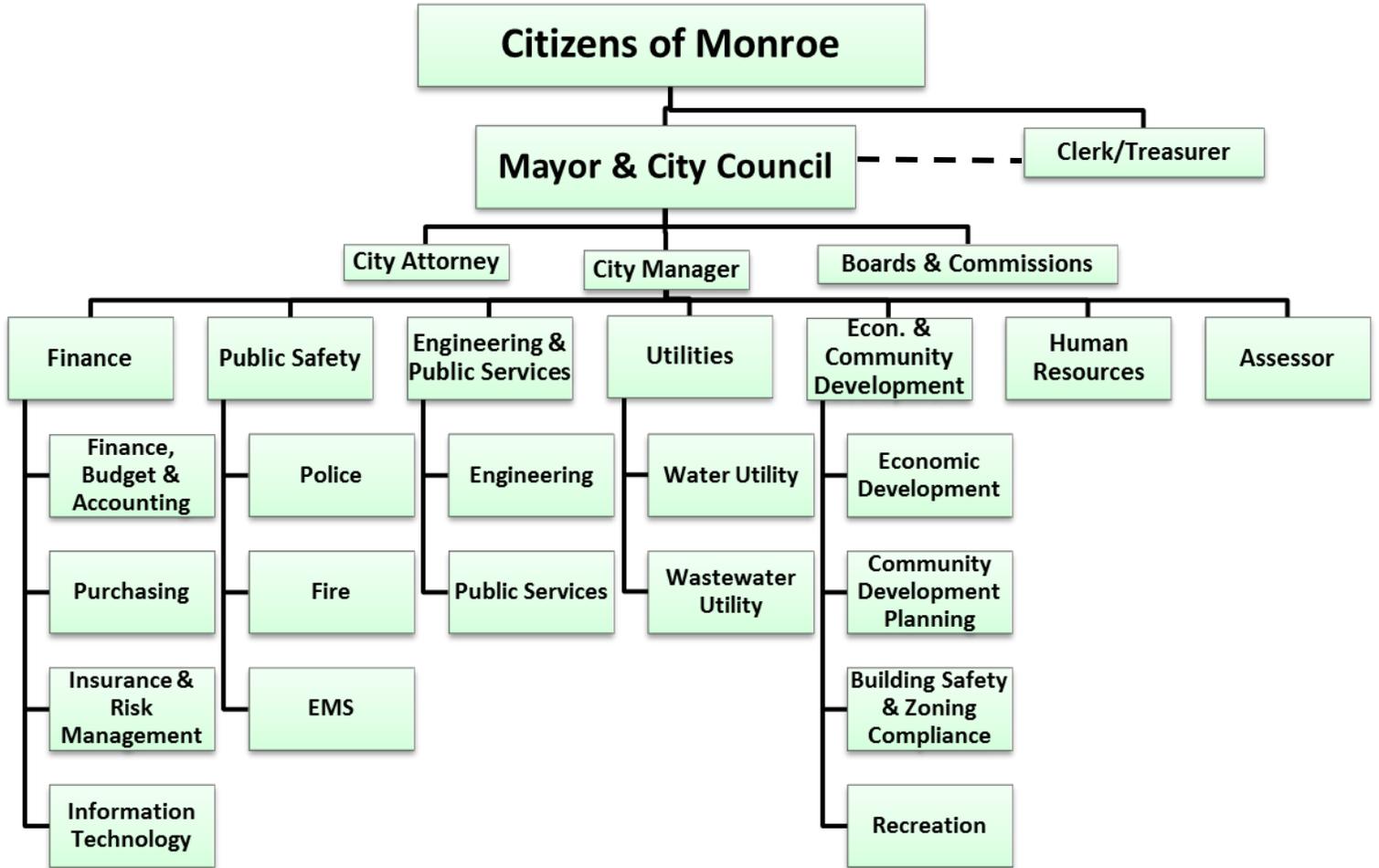
**City of Monroe
Michigan**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

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	John Iacoangeli
Third Precinct	Kellie M. Vining
Fourth Precinct	Jeremy J. Molenda
Fifth Precinct	Gloria Rafko
Sixth Precinct	William D. Sisk
City Clerk/Treasurer	Michelle LaVoy
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 council-manager 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, 2014, 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.

To the City Council
City of Monroe, Michigan

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, 2014 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.

Emphasis of Matter

As discussed in Note 21 to the basic financial statements, during the year ended June 30, 2014, the City of Monroe adopted the provisions of Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans*, and the provisions of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Adopting these standards resulted in significant changes to the defined benefit pension footnote disclosures, the required supplemental information schedules, as well as the deferred inflow/outflow of resources footnote disclosures. Our opinion is not modified with respect to this matter.

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.

To the City Council
City of Monroe, Michigan

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 have 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2014 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 18, 2014

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, 2014:

- Property tax revenue, our largest revenue source, increased slightly from \$14.44 million to \$14.75 million. Residential property values have continued to decline, but the amount of decline has started to stabilize. 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 due to an overall 1.8 percent increase in taxable value.
- The shared sales tax portion of state-shared revenue, our second largest revenue source, was increased by 2.7 percent, or \$48,761 to \$1,840,749. 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 four State of Michigan fiscal years:

<u>Fiscal Year End</u>	<u>Amount</u>
September 30, 2014	\$ 1,840,749
September 30, 2013	1,791,988
September 30, 2012	1,743,008
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) increased \$249,487 to \$5,790,217. This was primarily due to expenditures being incurred in the amount of \$429,833 less than what was budgeted. Unassigned fund balance increased \$198,665 to \$3,300,391. This following factors contributed to the increase:
 - Funds budgeted for demolitions of blighted buildings were not able to be spent as of fiscal year end.
 - Funds set aside in the Human Resources budget for employee intake were not fully expended.

City of Monroe, Michigan

Management's Discussion and Analysis (Continued)

- Reduced Public Safety personnel costs due to employment positions not being filled as quickly as expected.
- Public Works operating costs were less than what was budgeted in various areas.
- Field Maintenance and Recreation Program costs were incurred in an amount less than what was budgeted.

In addition, \$94,960 of fund balance is assigned and will be used in the fiscal year ending June 30, 2015 for items encumbered at fiscal year end.

- The City, for the second consecutive year, fully funded its annual required contribution (ARC) to the Post-Retirement Healthcare System. The ARC was \$3,691,439 and the City contributed \$4,086,559.
- The City has reduced the number of approved full-time equivalent positions to 166.6 from its peak of 258 in fiscal year 2002.
- Expenditures related to capital projects totaled \$24.0 million.
- Investment income continued to be weak at \$125,454, increasing slightly by \$13,917 from the prior fiscal year.
- Total net position related to the City's governmental activities increased by \$878,798 to \$67,887,258.
- Total net position related to the City's business-type activities increased by \$1,893,862 to \$71,845,452.
- The City implemented Governmental Accounting Standards Board (GASB) Statement No. 67 regarding pension system accounting. The reporting determined that the City had a net pension asset of \$3.58 million at fiscal year end and the plan was 102.7 percent funded.

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.

City of Monroe, Michigan

Management's Discussion and Analysis (Continued)

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.

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	
	2014	2013	2014	2013	2014	2013
Assets						
Current assets	\$ 31,773,294	\$ 31,026,535	\$ 10,393,386	\$ 10,960,898	\$ 42,166,680	\$ 41,987,433
Equity in joint ventures	-	-	3,860,000	3,859,267	3,860,000	3,859,267
Restricted assets	216,158	535,161	8,890,572	-	9,106,730	535,161
Capital assets	<u>70,468,896</u>	<u>71,465,228</u>	<u>117,430,193</u>	<u>100,503,961</u>	<u>187,899,089</u>	<u>171,969,189</u>
Total assets	102,458,348	103,026,924	140,574,151	115,324,126	243,032,499	218,351,050
Deferred Outflows of Resources	-	-	58,333	-	58,333	-
Liabilities						
Current liabilities	4,417,532	19,607,967	5,669,676	3,390,113	10,087,208	22,998,080
Long-term liabilities	<u>14,861,147</u>	<u>16,410,497</u>	<u>63,117,356</u>	<u>41,982,423</u>	<u>77,978,503</u>	<u>58,392,920</u>
Total liabilities	19,278,679	36,018,464	68,787,032	45,372,536	88,065,711	81,391,000
Deferred Inflows of Resources	<u>15,292,411</u>	-	-	-	<u>15,292,411</u>	-
Net Position						
Net investment in capital assets	61,231,910	61,962,831	60,690,546	58,090,703	121,922,456	120,053,534
Restricted	2,518,196	2,108,898	-	-	2,518,196	2,108,898
Unrestricted	<u>4,137,152</u>	<u>2,936,731</u>	<u>11,154,906</u>	<u>11,860,887</u>	<u>15,292,058</u>	<u>14,797,618</u>
Total net position	<u>\$ 67,887,258</u>	<u>\$ 67,008,460</u>	<u>\$ 71,845,452</u>	<u>\$ 69,951,590</u>	<u>\$ 139,732,710</u>	<u>\$ 136,960,050</u>

The City's combined net position increased by 2.0 percent from a year ago - increasing from \$136.9 million to \$139.7 million. The main reason for the increase was due to an increase in the net investment in capital assets of \$1.87 million. This means that the City invested in its capital at a greater level than it was depreciated. Significant improvements continued for the City's water and wastewater systems, as well as general infrastructure improvements.

City of Monroe, Michigan

Management's Discussion and Analysis (Continued)

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 \$1,200,421 for governmental activities. This represents an increase of approximately 41 percent. The current level of unrestricted net position for governmental activities stands at \$4.137 million, or about 17 percent of expenditures. The increase is primarily due to actual expenditures being less than what was budgeted in most governmental operations. The unrestricted portion of the business-type activities net position decreased \$705,981, or 5.9 percent, due to additional investment of current assets in capital assets.

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	
	2014	2013	2014	2013	2014	2013
Net Position - Beginning of year	\$ 67,008,460	\$ 65,350,818	\$ 69,951,590	\$ 66,884,804	\$ 136,960,050	\$ 132,235,622
Revenue						
Program revenue:						
Charges for services	2,110,077	2,141,936	15,406,076	15,272,429	17,516,153	17,414,365
Operating grants and contributions	1,851,121	1,635,959	139,867	152,259	1,990,988	1,788,218
Capital grants and contributions	2,322,245	3,023,728	287,982	468,477	2,610,227	3,492,205
General revenue:						
Property taxes	14,753,413	14,444,017	-	-	14,753,413	14,444,017
State-shared revenue	1,855,826	1,861,100	-	-	1,855,826	1,861,100
Investment income	79,464	65,260	45,990	46,277	125,454	111,537
Cable franchise fees	319,426	319,517	-	-	319,426	319,517
Other miscellaneous income	1,710,583	663,247	15,327	362,419	1,725,910	1,025,666
Gain on sale of fixed assets	-	-	4,250	-	4,250	-
Transfers	-	99,201	-	(99,201)	-	-
Total revenue	25,002,155	24,253,965	15,899,492	16,202,660	40,901,647	40,456,625
Program Expenses						
General government	1,583,604	2,646,677	-	-	1,583,604	2,646,677
Public safety	9,330,166	8,663,622	-	-	9,330,166	8,663,622
Public works	10,816,801	8,701,005	-	-	10,816,801	8,701,005
Community development	1,005,355	628,791	-	-	1,005,355	628,791
Culture and recreation	1,135,361	1,631,045	-	-	1,135,361	1,631,045
Interest on long-term debt	252,070	325,183	-	-	252,070	325,183
Water and wastewater	-	-	14,005,630	13,135,874	14,005,630	13,135,874
Total program expenses	24,123,357	22,596,323	14,005,630	13,135,874	38,128,987	35,732,197
Change in Net Position	878,798	1,657,642	1,893,862	3,066,786	2,772,660	4,724,428
Net Position - End of year	\$ 67,887,258	\$ 67,008,460	\$ 71,845,452	\$ 69,951,590	\$ 139,732,710	\$ 136,960,050

City of Monroe, Michigan

Management's Discussion and Analysis (Continued)

Revenue for the City as a whole increased \$445,022 (1.1 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
	2014	2013		
Charges for services	\$ 17,516,153	\$ 17,414,365	\$ 101,788	0.58%
Operating grants and contributions	1,990,988	1,788,218	202,770	11.34%
Capital grants and contributions	2,610,227	3,492,205	(881,978)	-25.26%
Property taxes	14,753,413	14,444,017	309,396	2.14%
State-shared revenue	1,855,826	1,861,100	(5,274)	-0.28%
Investment income	125,454	111,537	13,917	12.48%
Cable franchise fees	319,426	319,517	(91)	-0.03%
Other miscellaneous income	1,725,910	1,025,666	700,244	68.27%
Gain on sale of fixed asset	4,250	-	4,250	100.00%
Total	\$ 40,901,647	\$ 40,456,625	\$ 445,022	1.10%

Operating grants and contributions increased due to revenue received for additional environmental cleanup of the Mason Run Development and for work related to constructing a new rail line at the Port of Monroe. Capital grants and contributions decreased 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 in the prior year. State-shared revenue decreased slightly due to the loss of a one-time grant that was received the previous year. Investment income increased slightly due to the growth in value of some longer-term investments. Other miscellaneous income increased by \$700,244 or 68.27 percent due to insurance proceeds received for the repair of a City building and funds provided by the Brownfield Authority for the pay-off of a loan from the State of Michigan.

Due to a variety of reasons, program expenses for the City as a whole increased by \$2.396 million (6.7 percent). Program expenses in the governmental activities increased due to less costs being capitalized in the current year. Business-type activity program expenses also increased due to increased wastewater system depreciation, increased wastewater and water system interest expense, expensing of bond issue costs that had previously been amortized, and increased utility and chemical costs at the water filtration plant.

The City's total governmental revenue increased by \$748,190 (3.1 percent), primarily due to increases in operating grant revenue and other miscellaneous revenue that were discussed in the government-wide discussion. Property tax revenue also increased due to an increase in the City's overall taxable value which increased 1.8 percent. Governmental program expenses decreased \$1,527,034 (6.7 percent) related to 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 \$1,893,862 in the business-type funds. The increase was primarily due to increased revenue from water and wastewater services and a focus on reducing costs where possible. The revenue increased due to fee increases implemented July 1, 2013.

The analysis of the City's major funds is presented in Note I to the basic 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, 2014 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 \$9.049 million, or 52 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 \$17,082,028, or 2.6 percent, below budget. In addition to this amount, certain items that were budgeted will be expended in future years. A total of \$94,960 was encumbered at the fiscal year end and the budget amount will be transferred to the 2015 fiscal year. A report of the General Fund expenditures follows:

Department	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
City Council	\$ 112,751	\$ 114,042	\$ 104,978	\$ 9,064
City manager	298,815	303,760	300,269	3,491
Finance	410,752	400,790	392,719	8,071
Personnel	-	-	-	-
Clerk-Treasurer	520,778	476,447	458,468	17,979
Assessor	362,820	367,211	365,914	1,297
City hall grounds	256,883	264,532	243,388	21,144
Attorney	135,325	135,325	133,479	1,846
Human resources	285,962	326,090	247,662	78,428
Engineering	287,539	284,722	284,541	181
Police	5,869,697	5,971,542	5,932,451	39,091
Fire	3,185,539	3,180,653	3,116,335	64,318
Zoning/Ordinance enforcement	145,402	238,483	133,818	104,665
Public works - Department of Public Services	2,086,255	2,161,070	2,085,085	75,985
Community and economic development	254,503	257,344	254,554	2,790
Library	57,500	57,500	57,500	-
Recreation	1,421,623	1,468,211	1,436,745	31,466
Public access T.V.	157,500	159,750	159,713	37
Historic District Commission	1,950	1,980	330	1,650
Social services	140,000	140,000	140,000	-
Debt service - Principal	23,260	23,259	23,259	-
Debt service - Interest on long-term debt	17,303	17,303	17,303	-
Contingencies	150,000	-	-	-
Other uses - Transfers out	1,351,077	1,193,517	1,193,517	-
Other uses - Loss in fair value of inventory	-	-	-	-
Total	\$ 17,533,234	\$ 17,543,531	\$ 17,082,028	\$ 461,503

The original budget of \$17,533,234 was increased to \$17,543,531 by fiscal year end. The increase was due to miscellaneous changes across the budget.

City of Monroe, Michigan

Management's Discussion and Analysis (Continued)

Revenue was originally budgeted at \$17,352,234. It was amended to \$17,363,185. Various items were amended to amount for the increase, but the increase was primarily due to property tax revenue being estimated at an amount higher than what was originally budgeted.

Revenue came in under budget by \$31,670, or 0.18 percent. This surplus was primarily due to charges for service revenue being less than what was estimated for the Multi-Sports Complex and charges for grass and weed mowing.

The amended budget estimated that fund balance would decrease by \$180,346 to \$5,360,384. The actual fund balance increased by \$249,487 to \$5,790,217. Of the fund balance amount, \$94,960 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 \$26,086. When these items are subtracted from the ending fund balance, the amount of the fund balance available for appropriation is \$3,300,391. That amount represents about 18 percent of the General Fund budget for fiscal year 2015, 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 2014, the City had net capital assets of \$187,899,089 invested in a broad range of capital assets, including buildings, roads, police and fire equipment, and water and sewer lines. Debt amounted to \$75,271,310. Capital projects completed or in progress during fiscal year 2014 include continuation of the repaving portions of Lavender Street, Maple Street, Borgess Avenue, Noble Street, North Dixie Highway, Monroe Street, East 2nd Street, and others, Monroe and Elm mast arm traffic signals, Navarre Library lighting replacement, ALCC Building Renovations, LED streetlight conversion - phase 2, River Raisin dam removal and fish passage development, Munson ball diamond restroom rehabilitation, water distribution and filtration system improvements, continued sanitary sewer rehabilitation, a facility rehabilitation, wet weather improvements, and energy conservation project for the wastewater treatment plant, and many others.

City of Monroe, Michigan

Management's Discussion and Analysis (Continued)

The City of Monroe had two new debt issues during the 2014 fiscal year. An MDEQ Sewage Disposal System Bond (through the County of Monroe) was issued in June 2014 to fund energy conservation improvements for the wastewater system and treatment plant. The total issue will provide up to \$10.5 million at a true interest cost of 1.24 percent interest rate.

A capital improvement bond was issued in December 2013 to fund a Dunbar Road water main replacement and ozone system improvements and replacements at the water filtration plant. The total issue will provide up to \$5.615 million at a true interest cost of 3.55 percent interest rate.

The City received a financial rating from Standard & Poor's of A+ in 2013 when it issued bonds. This is the same rating as was received in 2012 and the rating has remained at that level since at least 2005.

The City is currently using 39.67 percent of its available debt margin of \$97,779,114. Debt service made up .23 percent of total General Fund expenditures for fiscal year 2014. Bonded debt and other long-term obligations were increased by \$8,238,598 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.

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 June 30	County	Michigan
2014	6.80%	7.90%
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%

City of Monroe, Michigan

Management's Discussion and Analysis (Continued)

The county unemployment rate had decreased to 5.9 percent at the end of September 2014.

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 third year of operation. River Raisin Battlefield property has been transferred to the United States of America and is now an official national park. Efforts continue to transfer additional land to the park to make the park larger. Gerdau MacSteel is implementing a significant expansion. The new La-Z-Boy world headquarters which is being relocated from a different site within the City is under construction. Other commercial and industrial developments are also occurring.

The City's fiscal year 2014-2015 General Fund budget increased slightly when compared to the 2013-2014 budget. The adopted revenue and expenditures for each fiscal year's budget are as follows:

	Originally Adopted General Fund Budget Totals			
	June 30, 2014	June 30, 2015	Increase	% Change
Revenue	\$ 17,352,234	\$ 17,885,685	\$ 533,451	3.07%
Expenditures	17,533,234	17,885,685	352,451	2.01%

The 2015 budget does not use any fund balance to balance the budget. The budget also does not use any appropriations from other city funds, including the Committed Budget Stabilization Fund balance. The expenditure budget increased by 2.01 percent primarily due to increased personnel costs, including increased pension 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 2014, but included additional funding for parks maintenance and equipment repairs, building demolitions, and park master plan creation. 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 \$3.899 million. Three firefighters were budgeted to be hired to keep a core group of twelve (12) firefighters to work with the public safety officers. The annual required contribution (ARC) for the 2015 fiscal year as calculated by the retiree healthcare systems actuary is \$3.708 million. Employer pension contributions have increased from \$1.488 million to \$1.622 million. The pension contributions will increase again in fiscal year 2016 to \$1.695 million.

City of Monroe, Michigan

Management's Discussion and Analysis (Continued)

The budget currently funds 166.6 full-time equivalent positions. This is the same as the previous year. Previous full-time employment numbers had exceeded 250. The initial General Fund budget included over \$905,000 budgeted for capital projects. This included \$100,000 to fund Mason Run drain assessments where the improvements will be constructed by the County Drain Commissioner. This is a decrease from the prior year amount of \$1.072 million, which included \$181,000 in reserve funds used to add to capital projects funded. 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 2014, residential taxable values declined another 3.0 percent. Fortunately, commercial and industrial taxable values increased in excess of that amount, causing total taxable value to increase by 1.8 percent. Historical taxable value data can be found in the statistical section of this report.

Taxable value in the residential sector is expected to begin to stabilize for fiscal year 2015. It is expected that values will begin to increase for fiscal year 2016. 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.

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 in 2017 will also have a minor negative effect on the City's revenue. Personal property tax revenue will be reimbursed at the December 31, 2012 level, which is slightly less than current personal property tax revenue.

The City received an actuarial valuation report for the retiree healthcare system which calculated the annual required contribution (ARC) for fiscal year 2015 at \$3,708,247. 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 \$55.7 million in the December 31, 2012 actuarial study. This was reduced from \$78.5 million as calculated in the December 31, 2006 study. The system was 28.4 percent funded as of December 31, 2012, an increase from 15.7 percent in the December 31, 2008 actuarial study.

City of Monroe, Michigan

Management's Discussion and Analysis (Continued)

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) and the program was changed again in 2015 to the "City, Village, and Township Revenue Sharing" (CVTRS) program. Under the programs, the City must meet certain goals to receive its full revenue-sharing allocation. The City met all of the qualifications for 2012, 2013, and 2014. The qualifications are due on December 1, 2014 for 2015. The primary factor affecting the City's 2016 budget projection is taxable value levels. If those levels increase by 2.0 percent or greater, the City's budget for 2016 will be balanced without 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, 2014

	Primary Government		Total	Component Units
	Governmental Activities	Business-type Activities		
Assets				
Cash and investments (Note 3)	\$ 26,050,728	\$ 5,174,659	\$ 31,225,387	\$ 2,290,354
Receivables - Net:				
Property taxes receivable	1,546,322	14,585	1,560,907	-
Customer receivables	24,295	2,998,642	3,022,937	-
Accrued interest receivable	6,977	1,364	8,341	1,718
Other receivables	740,311	112,566	852,877	4,389
Due from other governmental units	928,777	4,847	933,624	311,760
Economic development loans	25,000	-	25,000	-
Special assessments receivable	149,512	59,543	209,055	-
Internal balances (Note 6)	(839,565)	839,565	-	-
Inventory	1,184,138	149,833	1,333,971	-
Prepaid expenses and other assets	372,847	577,705	950,552	274
Restricted assets (Note 1)	216,158	8,890,572	9,106,730	1,516,041
Investment in joint ventures (Note 15)	-	3,860,000	3,860,000	-
Advances to component unit (Note 6)	1,583,952	460,077	2,044,029	-
Capital assets (Note 5):				
Assets not subject to depreciation	6,568,444	24,807,186	31,375,630	2,694,572
Assets subject to depreciation	63,900,452	92,623,007	156,523,459	890,177
Total assets	102,458,348	140,574,151	243,032,499	7,709,285
Deferred Outflows of Resources (Note 4)	-	58,333	58,333	-
Liabilities				
Accounts payable	1,051,537	1,312,981	2,364,518	532,593
Due to other governmental units	927	61,602	62,529	-
Refundable deposits, bonds, etc.	-	46,895	46,895	-
Accrued liabilities and other	812,805	487,940	1,300,745	3,119
Unearned revenue	1,638,044	463,960	2,102,004	54,330
Advances from primary government (Note 6)	-	-	-	2,044,029
Due within one year:				
Compensated absences	158,996	326,549	485,545	-
Current portion of long-term debt (Note 7)	755,223	2,969,749	3,724,972	7,985
Due in more than one year:				
Compensated absences	568,372	-	568,372	-
Landfill closure and postclosure	-	-	-	1,000,622
Net OPEB obligation (Note 14)	4,976,561	821,381	5,797,942	-
Long-term debt (Note 7)	9,316,214	62,295,975	71,612,189	1,382,777
Total liabilities	19,278,679	68,787,032	88,065,711	5,025,455
Deferred Inflows of Resources (Note 4)	15,292,411	-	15,292,411	347,414
Net Position				
Net investment in capital assets	61,231,910	60,690,546	121,922,456	3,443,617
Restricted for:				
Streets and highways	1,503,455	-	1,503,455	-
Debt service	186,262	-	186,262	-
Rubbish	65,153	-	65,153	-
Grants	204,780	-	204,780	-
Drug forfeiture	51,859	-	51,859	-
Code enforcement	506,687	-	506,687	-
Restricted land	-	-	-	1,516,041
Unrestricted	4,137,152	11,154,906	15,292,058	(2,623,242)
Total net position	\$ 67,887,258	\$ 71,845,452	\$ 139,732,710	\$ 2,336,416

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

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	\$ 1,583,604	\$ 110,282	\$ -	\$ -
Public safety	9,330,166	416,404	4,811	6,450
Public works	10,816,801	1,050,776	1,846,310	1,751,589
Community and economic development	1,005,355	-	-	564,206
Recreation and culture	1,135,361	532,615	-	-
Interest on long-term debt	252,070	-	-	-
Total governmental activities	24,123,357	2,110,077	1,851,121	2,322,245
Business-type activities:				
Water	7,141,197	7,293,205	-	365,122
Wastewater	6,864,433	8,112,871	-	62,727
Building Authority	-	-	-	-
Total business-type activities	14,005,630	15,406,076	-	427,849
Total primary government	<u>\$ 38,128,987</u>	<u>\$ 17,516,153</u>	<u>\$ 1,851,121</u>	<u>\$ 2,750,094</u>
Component units:				
Port of Monroe	\$ 1,022,985	\$ 173,305	\$ -	\$ 631,825
Downtown Development Authority	147,897	-	-	-
Brownfield Redevelopment Authority	1,024,283	-	-	-
Total component units:	<u>\$ 2,195,165</u>	<u>\$ 173,305</u>	<u>\$ -</u>	<u>\$ 631,825</u>
General revenue:				
Property taxes				
State-shared revenue				
Investment income				
Cable franchise fees				
Other miscellaneous income				
Gain on sale of 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, 2014**

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (1,473,322)	\$ -	\$ (1,473,322)	\$ -
(8,902,501)	-	(8,902,501)	-
(6,168,126)	-	(6,168,126)	-
(441,149)	-	(441,149)	-
(602,746)	-	(602,746)	-
(252,070)	-	(252,070)	-
(17,839,914)	-	(17,839,914)	-
-	517,130	517,130	-
-	1,311,165	1,311,165	-
-	-	-	-
-	1,828,295	1,828,295	-
(17,839,914)	1,828,295	(16,011,619)	-
-	-	-	(217,855)
-	-	-	(147,897)
-	-	-	(1,024,283)
-	-	-	(1,390,035)
14,753,413	-	14,753,413	1,093,878
1,855,826	-	1,855,826	-
79,464	45,990	125,454	6,441
319,426	-	319,426	-
1,710,583	15,327	1,725,910	10,265
-	4,250	4,250	-
18,718,712	65,567	18,784,279	1,110,584
878,798	1,893,862	2,772,660	(279,451)
67,008,460	69,951,590	136,960,050	2,615,867
\$ 67,887,258	\$ 71,845,452	\$ 139,732,710	\$ 2,336,416

City of Monroe, Michigan

Governmental Funds Balance Sheet June 30, 2014

	General Fund	Capital Projects Fund	Nonmajor Funds	Total
Assets				
Cash and cash equivalents	\$ 15,569,057	\$ 1,019,189	\$ 4,573,865	\$ 21,162,111
Investments	2,173,413	-	199,981	2,373,394
Receivables	1,913,020	328,919	852,751	3,094,690
Due from other funds (Note 6)	28,111	16,131	41,299	85,541
Real estate inventory	1,184,138	-	-	1,184,138
Prepaid expenses and other assets	26,086	7,763	31,675	65,524
Advance to component unit (Note 6)	-	-	1,583,952	1,583,952
Restricted assets (Note 1)	-	216,158	-	216,158
Total assets	\$ 20,893,825	\$ 1,588,160	\$ 7,283,523	\$ 29,765,508
Liabilities				
Accounts payable	\$ 320,804	\$ 221,445	\$ 399,529	\$ 941,778
Due to other governmental units	-	-	927	927
Due to other funds (Note 6)	1,965	-	110,638	112,603
Advances from other funds (Note 6)	815,358	-	-	815,358
Accrued liabilities and other	340,483	-	23,997	364,480
Unearned revenue	12,767	-	1,625,182	1,637,949
Total liabilities	1,491,377	221,445	2,160,273	3,873,095
Deferred Inflows of Resources				
Unavailable revenue (Note 4)	-	125,960	215,360	341,320
Property taxes levied for the following year (Note 4)	13,612,231	-	1,808,953	15,421,184
Total deferred inflows of resources	13,612,231	125,960	2,024,313	15,762,504
Fund Balances				
Nonspendable (Note 19)	394,866	7,763	56,675	459,304
Restricted (Note 19)	-	216,158	2,518,196	2,734,354
Committed (Note 19)	2,000,000	1,016,834	493,080	3,509,914
Assigned (Note 19)	94,960	-	30,986	125,946
Unassigned (Note 19)	3,300,391	-	-	3,300,391
Total fund balances	5,790,217	1,240,755	3,098,937	10,129,909
Total liabilities, deferred inflows of resources, and fund balances	\$ 20,893,825	\$ 1,588,160	\$ 7,283,523	\$ 29,765,508

City of Monroe, Michigan

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

Fund Balance Reported in Governmental Funds	\$ 10,129,909
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	68,981,441
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	125,960
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	344,133
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(9,998,547)
Accrued interest is not due and payable in the current period and is not reported in the funds	(77,106)
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	(710,465)
Net retiree healthcare obligations do not present a claim on current financial resources and are not reported as fund liabilities	(4,849,071)
Internal service funds are included as part of governmental activities	<u>3,941,004</u>
Net Position of Governmental Activities	<u>\$ 67,887,258</u>

City of Monroe, Michigan

Governmental Funds

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

	General Fund	Capital Projects Fund	Nonmajor Funds	Total
Revenue				
Property taxes	\$ 13,047,325	\$ -	\$ 1,685,376	\$ 14,732,701
Licenses and permits	355,981	-	574,720	930,701
Federal grants	329	1,346,930	1,076,097	2,423,356
State-shared revenue and grants	1,860,637	-	1,918,894	3,779,531
Charges for services	766,125	-	332,682	1,098,807
Fines and forfeitures	102,121	-	14,411	116,532
Investment income	57,649	1,952	9,512	69,113
Rental income	56,793	-	540,306	597,099
Other revenue	140,305	592,004	167,137	899,446
Total revenue	16,387,265	1,940,886	6,319,135	24,647,286
Expenditures				
Current:				
General government	1,686,183	-	-	1,686,183
Public safety	9,093,941	-	208,972	9,302,913
Public works	2,085,085	1,858,704	4,502,573	8,446,362
Community and economic development	254,554	-	748,599	1,003,153
Recreation and culture	1,794,288	-	-	1,794,288
Capital outlay	-	806,067	48,184	854,251
Debt service	40,562	-	848,848	889,410
Total expenditures	14,954,613	2,664,771	6,357,176	23,976,560
Excess of Revenue Over (Under) Expenditures	1,432,652	(723,885)	(38,041)	670,726
Other Financing Sources (Uses)				
Transfers in (Note 6)	-	804,252	913,419	1,717,671
Transfers out (Note 6)	(1,183,165)	-	(525,506)	(1,708,671)
Total other financing (uses) sources	(1,183,165)	804,252	387,913	9,000
Net Change in Fund Balances	249,487	80,367	349,872	679,726
Fund Balances - Beginning of year	5,540,730	1,160,388	2,749,065	9,450,183
Fund Balances - End of year	\$ 5,790,217	\$ 1,240,755	\$ 3,098,937	\$ 10,129,909

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 Year Ended June 30, 2014

Net Change in Fund Balances - Total Governmental Funds	\$ 679,726
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	3,927,039
Depreciation expense	(5,106,608)
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	(54,958)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	1,314,755
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	266,033
Increase in accumulated employee sick and vacation pay, as well as estimated general liability claims, are recorded when incurred in the statement of activities	(1,545)
Change in accrued interest payable and others	(10,460)
Internal service funds are included as part of governmental activities	<u>(135,184)</u>
Change in Net Position of Governmental Activities	<u>\$ 878,798</u>

City of Monroe, Michigan

Proprietary Funds Statement of Net Position June 30, 2014

	Enterprise Funds				
	Building Authority				Proprietary Internal Service Fund
	Wastewater	Water	Nonmajor Enterprise	Total	
Assets					
Current assets:					
Cash and investments	\$ 2,949,404	\$ 1,763,416	\$ 461,839	\$ 5,174,659	\$ 2,515,223
Receivables:					
Property taxes receivable	9,291	5,294	-	14,585	-
Special assessments receivable	-	59,543	-	59,543	-
Customer receivable	1,700,985	1,297,657	-	2,998,642	-
Accrued interest receivable	571	628	165	1,364	749
Other receivables	99,309	13,257	-	112,566	325,755
Due from other governmental units	-	4,847	-	4,847	-
Due from other funds (Note 6)	-	25,000	-	25,000	2,903
Real estate inventory	-	-	149,833	149,833	-
Inventory	1,267	576,438	-	577,705	307,323
Total current assets	4,760,827	3,746,080	611,837	9,118,744	3,151,953
Noncurrent assets:					
Restricted assets (Note 1)	6,218,199	2,672,373	-	8,890,572	-
Advances to other funds (Note 6)	-	815,358	-	815,358	-
Investment in joint ventures (Note 15)	-	3,860,000	-	3,860,000	-
Advance to component unit (Note 6)	-	460,077	-	460,077	-
Capital assets	60,427,653	56,648,249	354,291	117,430,193	1,487,455
Total noncurrent assets	66,645,852	64,456,057	354,291	131,456,200	1,487,455
Total assets	71,406,679	68,202,137	966,128	140,574,944	4,639,408
Deferred Outflows of Resources	-	58,333	-	58,333	-
Liabilities					
Current liabilities:					
Accounts payable	359,760	953,221	-	1,312,981	109,759
Due to other governmental units	-	61,602	-	61,602	-
Due to other funds	353	440	-	793	48
Refundable deposits, bonds, etc.	-	46,895	-	46,895	-
Accrued liabilities and other	280,327	207,613	-	487,940	371,219
Unearned revenue	-	3,585	460,375	463,960	95
Compensated absences	156,154	170,395	-	326,549	16,903
Current portion of long-term debt (Note 7)	2,090,000	879,749	-	2,969,749	16,944
Total current liabilities	2,886,594	2,323,500	460,375	5,670,469	514,968
Net OPEB obligation:					
Net OPEB obligation	379,326	442,055	-	821,381	127,490
Long-term debt - Net of current portion (Note 7)	43,537,090	18,758,885	-	62,295,975	55,946
Total noncurrent liabilities	43,916,416	19,200,940	-	63,117,356	183,436
Total liabilities	46,803,010	21,524,440	460,375	68,787,825	698,404
Net Position					
Net investment in capital assets	21,018,762	39,317,493	354,291	60,690,546	1,414,565
Unrestricted	3,584,907	7,418,537	151,462	11,154,906	2,526,439
Total net position	<u>\$ 24,603,669</u>	<u>\$ 46,736,030</u>	<u>\$ 505,753</u>	<u>\$ 71,845,452</u>	<u>\$ 3,941,004</u>

City of Monroe, Michigan

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

	Enterprise Funds				
	Major Funds		Building Authority Nonmajor Enterprise	Total	Proprietary Internal Service Fund
	Wastewater	Water			
Operating Revenue					
Sale of water	\$ -	\$ 6,474,878	\$ -	\$ 6,474,878	\$ -
Sewage disposal charges	7,614,319	-	-	7,614,319	-
Other charges for services	498,552	818,327	-	1,316,879	182,144
Charges to other funds	-	-	-	-	3,673,680
Total operating revenue	8,112,871	7,293,205	-	15,406,076	3,855,824
Operating Expenses					
Operations and maintenance	1,709,508	1,071,614	-	2,781,122	3,772,237
Direct cost of providing service	3,510,064	3,926,359	-	7,436,423	-
Depreciation	1,181,708	1,348,673	-	2,530,381	238,125
Total operating expenses	6,401,280	6,346,646	-	12,747,926	4,010,362
Operating Income (Loss)	1,711,591	946,559	-	2,658,150	(154,538)
Nonoperating Revenue (Expenses)					
Investment income	1,715	42,645	1,630	45,990	6,101
Income from joint venture	-	733	-	733	-
Interest expense	(463,153)	(677,777)	-	(1,140,930)	(3,878)
Bond issuance costs	-	(117,507)	-	(117,507)	-
Gain on sale of assets	-	4,250	-	4,250	26,131
Income from principal forgiveness	15,327	-	-	15,327	-
Total nonoperating (expenses) revenue	(446,111)	(747,656)	1,630	(1,192,137)	28,354
Income (Loss) - Before contributions	1,265,480	198,903	1,630	1,466,013	(126,184)
Capital Contributions					
Capital grants	-	139,867	-	139,867	-
Special assessments	62,727	(2,067)	-	60,660	-
Lines donated by developers	-	227,322	-	227,322	-
Total capital contributions	62,727	365,122	-	427,849	-
Transfers Out	-	-	-	-	(9,000)
Change in Net Position	1,328,207	564,025	1,630	1,893,862	(135,184)
Net Position - Beginning of year	23,275,462	46,172,005	504,123	69,951,590	4,076,188
Net Position - End of year	<u>\$ 24,603,669</u>	<u>\$ 46,736,030</u>	<u>\$ 505,753</u>	<u>\$ 71,845,452</u>	<u>\$ 3,941,004</u>

City of Monroe, Michigan

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

	Enterprise Funds				
	Major Funds		Building Authority Nonmajor Enterprise	Total	Proprietary Internal Service Fund
	Wastewater	Water			
Cash Flows from Operating Activities					
Receipts from customers	\$ 7,584,501	\$ 6,450,585	\$ -	\$ 14,035,086	\$ 3,735,722
Payments to suppliers	(2,841,215)	(1,461,472)	-	(4,302,687)	(3,470,531)
Payments to employees	(2,395,355)	(2,783,371)	-	(5,178,726)	(363,755)
Other receipts	497,588	818,327	-	1,315,915	181,688
Net cash provided by operating activities	2,845,519	3,024,069	-	5,869,588	83,124
Cash Flows from Noncapital Financing Activities - Transfers to other funds	-	-	-	-	(9,000)
Cash Flows from Capital and Related Financing Activities					
Issuance of bonds	-	5,615,000	-	5,615,000	-
Receipt of capital grants	-	139,867	-	139,867	-
Special assessment collections	-	10,354	-	10,354	-
Proceeds from sales of capital assets	-	4,250	-	4,250	26,131
Purchase of capital assets	(750,521)	(5,958,371)	-	(6,708,892)	(421,362)
Principal and interest paid on capital debt	(1,233,139)	(1,542,227)	-	(2,775,366)	(20,035)
Net cash used in capital and related financing activities	(1,983,660)	(1,731,127)	-	(3,714,787)	(415,266)
Cash Flows from Investing Activities					
Interest received on investments	1,645	43,315	2,317	47,277	6,127
Purchase of investment securities	-	(915,593)	-	(915,593)	-
Proceeds from sale and maturities of investment securities	8,000	-	-	8,000	272,665
Net cash provided by (used in) investing activities	9,645	(872,278)	2,317	(860,316)	278,792
Net Increase (Decrease) in Cash and Cash Equivalents	871,504	420,664	2,317	1,294,485	(62,350)
Cash and Cash Equivalents - Beginning of year	1,849,900	276,480	459,522	2,585,902	1,422,238
Cash and Cash Equivalents - End of year	<u>\$ 2,721,404</u>	<u>\$ 697,144</u>	<u>\$ 461,839</u>	<u>\$ 3,880,387</u>	<u>\$ 1,359,888</u>
Balance Sheet Classification of Cash and Cash Equivalents					
Cash and investments	\$ 2,949,404	\$ 1,763,416	\$ 461,839	\$ 5,174,659	\$ 2,515,223
Less amounts classified as investments	(228,000)	(1,066,272)	-	(1,294,272)	(1,155,335)
Total cash and cash equivalents	<u>\$ 2,721,404</u>	<u>\$ 697,144</u>	<u>\$ 461,839</u>	<u>\$ 3,880,387</u>	<u>\$ 1,359,888</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, 2014

	Enterprise Funds				
	Major Funds		Building Authority Nonmajor Enterprise	Total	Proprietary Internal Service Fund
	Wastewater	Water			
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities					
Operating income	\$ 1,711,591	\$ 946,559	\$ -	\$ 2,658,150	\$ (154,538)
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation and amortization	1,181,708	1,348,673	-	2,530,381	238,125
Changes in assets and liabilities:					
Receivables	(29,818)	(24,293)	-	(54,111)	62,042
Inventories	-	15,039	-	15,039	(11,888)
Prepaid and other assets	(782)	180,747	-	179,965	(3,798)
Accounts payable	117,394	635,073	-	752,467	(11,946)
Due to others	(169)	(107)	-	(276)	(12)
Accrued and other liabilities	(14,207)	41,731	-	27,524	(33,566)
Net OPEB obligation	(120,198)	(119,353)	-	(239,551)	(1,295)
Net cash provided by operating activities	<u>\$ 2,845,519</u>	<u>\$ 3,024,069</u>	<u>\$ -</u>	<u>\$ 5,869,588</u>	<u>\$ 83,124</u>

Noncash Activity - During the current year, Monroe County issued bonds for wastewater system improvements on behalf of the City. The City recorded \$18,738,598 as debt, \$12,520,399 as wastewater capital assets, and \$6,218,199 as restricted unspent bond proceeds at June 30, 2014. There was an adjustment to the City's MDEQ Sewage Disposal System Bonds debt by \$15,327. There was also \$227,322 in customer water main installations that were recorded as water capital assets and a capital contribution at June 30, 2014.

City of Monroe, Michigan

Fiduciary Funds Statement of Fiduciary Net Position June 30, 2014

	Pension and Other Employee Benefit Trust Funds	Private Purpose Trust Fund - Cemetery	<u>Agency Funds</u>
Assets			
Cash and cash equivalents	\$ 916,402	\$ 396,289	\$ 7,308,279
Investments:			
U.S. government securities	16,028,928	-	-
Foreign bonds	4,169,719	-	-
Stocks	43,872,863	-	-
Corporate bonds	33,403,611	-	-
Other investments	2,567,052	-	-
Foreign stocks	17,075,723	-	-
Mutual funds	39,461,672	-	-
Securities lending - Money market	7,158,924	-	-
Receivables:			
Interest	325,168	91	-
Other receivables	1,266	6,826	-
Other assets	7,000	-	1,332,123
	<u>164,988,328</u>	<u>403,206</u>	<u>\$ 8,640,402</u>
Liabilities			
Accounts payable	1,537,488	3,130	\$ 137,557
Due to other governmental units	-	-	8,486,690
Accrued liabilities and other	-	-	16,155
Obligations under securities lending agreements	7,289,750	-	-
	<u>8,827,238</u>	<u>3,130</u>	<u>\$ 8,640,402</u>
Net Position - Held in trust for pension, other employee benefits, and cemetery operations	<u>\$ 156,161,090</u>	<u>\$ 400,076</u>	

City of Monroe, Michigan

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

	Pension and Other Employee Benefit Trust Funds	Private Purpose Trust Fund - Cemetery
Additions		
Investment income (loss):		
Interest and dividends	\$ 2,369,998	\$ 3,496
Net increase in fair value of investments	20,169,193	5,102
Investment-related expenses	(855,423)	-
Net investment income	21,683,768	8,598
Securities lending income:		
Interest and dividends	15,767	-
Investment-related expenses	(9,575)	-
Contributions:		
Employer	5,511,030	-
Employee	510,769	-
Total contributions	6,021,799	-
General Fund contribution	-	27,000
Charges for services	-	24,383
Total additions	27,711,759	59,981
Deductions		
Benefit payments	11,378,438	-
Refunds of contributions	37,390	-
Administrative expenses	183,248	36,138
Total deductions	11,599,076	36,138
Net Increase in Net Position Held in Trust	16,112,683	23,843
Net Position - Beginning of year	140,048,407	376,233
Net Position - End of year	\$ 156,161,090	\$ 400,076

City of Monroe, Michigan

Component Units Statement of Net Position June 30, 2014

	Port of Monroe	Downtown Development Authority	Brownfield Redevelopment Authority	Total
Assets				
Cash and investments	\$ 362,061	\$ 525,570	\$ 1,402,723	\$ 2,290,354
Receivables:				
Accrued interest receivable	-	603	1,115	1,718
Other receivables	-	-	4,389	4,389
Due from other governmental units	311,760	-	-	311,760
Prepaid expenses and other assets	-	274	-	274
Restricted assets (Note 1)	1,516,041	-	-	1,516,041
Capital assets	3,584,749	-	-	3,584,749
Total assets	5,774,611	526,447	1,408,227	7,709,285
Liabilities				
Accounts payable	80,531	5,110	446,952	532,593
Accrued liabilities and other	2,527	592	-	3,119
Unearned revenue	54,330	-	-	54,330
Advance from primary government	80,000	-	1,964,029	2,044,029
Noncurrent liabilities:				
Due within one year - Current portion of long-term debt	7,985	-	-	7,985
Due in more than one year:				
Environmental liabilities	1,000,622	-	-	1,000,622
Long-term debt	133,147	-	1,249,630	1,382,777
Total liabilities	1,359,142	5,702	3,660,611	5,025,455
Deferred Inflows of Resources - Property taxes levied for subsequent year's operations	347,414	-	-	347,414
Net Position				
Net investment in capital assets	3,443,617	-	-	3,443,617
Restricted land	1,516,041	-	-	1,516,041
Unrestricted	(891,603)	520,745	(2,252,384)	(2,623,242)
Total net position	\$ 4,068,055	\$ 520,745	\$ (2,252,384)	\$ 2,336,416

City of Monroe, Michigan

Functions/Programs	Expenses	Program Revenue	
		Charges for Services	Capital Grants and Contributions
Downtown Development Authority - Public Works	\$ 147,897	\$ -	\$ -
Brownfield Redevelopment Authority:			
Public works	920,878	-	-
Debt service	103,405	-	-
Total Brownfield Redevelopment Authority	1,024,283	-	-
Business-type activities - Port of Monroe - Public Works	1,022,985	173,305	631,825
Total component units	\$ 2,195,165	\$ 173,305	\$ 631,825

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, 2014**

Net (Expense) Revenue and Changes in Net Position			
Downtown Development Authority	Brownfield Redevelopment Authority	Port of Monroe	Total
\$ (147,897)	\$ -	\$ -	\$ (147,897)
-	(920,878)	-	(920,878)
-	(103,405)	-	(103,405)
-	(1,024,283)	-	(1,024,283)
-	-	(217,855)	(217,855)
(147,897)	(1,024,283)	(217,855)	(1,390,035)
199,124	564,828	329,926	1,093,878
1,586	4,855	-	6,441
9,999	-	266	10,265
210,709	569,683	330,192	1,110,584
62,812	(454,600)	112,337	(279,451)
457,933	(1,797,784)	3,955,718	2,615,867
\$ 520,745	\$ (2,252,384)	\$ 4,068,055	\$ 2,336,416

Note I - Nature of Business and Significant Accounting Policies

The following is a summary of the significant accounting policies used by the City of Monroe, Michigan (the "City"):

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 appointed by the City's mayor and City Council. Although it is legally separate from the City, the Building Authority 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 15.

Accounting and Reporting Principles

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

Report Presentation

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

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

For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges between the City's water and 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.

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

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

Fund Accounting

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

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

- The General Fund, which is the primary operating fund because it accounts for all financial resources used to provide general government services, other than those specifically assigned to another fund;
- The Capital Projects Fund, which is used to account for the development of capital facilities other than those financed by the operations of an enterprise fund.

Proprietary funds include enterprise funds (which provide goods or services to users in exchange for charges or fees) and internal service funds (which provide goods or services to other funds of the City). The City reports the following funds as “major” enterprise funds:

- 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.

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

- 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.

The City's internal service funds are used to 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.

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

- Pension and Other Employee Benefit Trust Funds, which account for the activities of the retirement system and the trust established to account for costs related to retiree health care.
- The Private Purpose Trust Fund (Cemetery Fund), which accounts for the activities of the Woodland Cemetery. The cemetery is funded through contributions and fees.
- 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.

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

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

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

Basis of Accounting

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

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

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

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

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

Specific Balances and Transactions

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 in the "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 net of allowance for uncollectible amounts.

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

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.

Restricted Assets - Restricted assets in the Capital Projects Fund represent cash from unspent bond proceeds from the 2012 Capital Improvement Bonds. Restricted assets in the Wastewater Fund represent cash from unspent bond proceeds held at the County. Restricted assets in the Water Fund represent cash from unspent bond proceeds from the 2013 Capital Improvement Bonds. The cash in the funds is restricted for specific capital improvements.

Restricted assets in the Port of Monroe represent land held for enhancement of the River Raisin National Battlefield Park.

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

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

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

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

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position in the amount of \$58,333. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The government has two items that qualify for reporting in this category. The deferred inflows of resources related to unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: grants and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The government also has property taxes received before the period levied. These property taxes are shown as deferred inflows of resources on both the governmental funds balance sheet as well as the statement of net position. Those property taxes will be recognized as revenue next year, as those amounts were levied for the subsequent year's budgeted operations.

Net Position Flow Assumption

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

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

Fund Balance Flow Assumption

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

Fund Balance Policies

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

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

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

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

The City Council has committed fund balance, by ordinance, General Fund surplus, an amount equal to the excess of revenue in comparison to expenses in the General Fund. The amount of committed fund balance for this purpose is limited to either 15 percent of the City's most recent General Fund budget, as originally adopted, or 15 percent of the average of the City's five most recent General Fund budgets, as amended, whichever is less. An appropriation of these funds requires a 2/3 vote of the City Council and may only occur to correct a budget shortfall, or in the case of a natural disaster. The balance at year end of the committed amount, which is reported in the General Fund, is \$2,000,000.

Property Tax Revenue

Property taxes are levied and become a lien on the first Tuesday in May on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on June 30, at which time penalties and interest are assessed. The final collection date is September 15, at which point they are added to the county tax rolls.

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

The 2013 taxable valuation of the City totaled \$878 million (a portion of which is abated and a portion of which is captured by the TIFA and DDA), on which taxes levied consisted of 13.726 mills for operating purposes, .5634 mills for postretirement healthcare, 1.502 mills for refuse, and .420 mills for bridge repairs and rehabilitation. This resulted in \$11.7 million for operating, \$481 thousand for postretirement healthcare, \$1.3 million for refuse, and \$359 thousand for debt service. These amounts are recognized in the respective General, Special Revenue, and Debt Service Funds financial statements as tax revenue.

Pension and Other Postemployment Benefit Costs - The City offers both pension and retiree health care benefits to retirees. The City receives an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the 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.

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

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:

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.

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

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the 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, 2014 was \$94,960 in the General Fund and \$946,246 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, 2014, the Brownfield Redevelopment Authority Fund has a deficit in unrestricted net position of \$2,252,384 on a full accrual basis but has a fund balance of \$961,275 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, 2014, the Port of Monroe has an unrestricted net position deficit of \$891,603. 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.

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

Insurance	\$736,161
Employee benefits	\$1,148,934

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 13 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 pool 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.

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.

Note 3 - Deposits and Investments (Continued)

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, 2014 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, 2014, 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, 2014 were \$7,158,927 and \$7,145,860, respectively.

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

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$14,768,000 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 \$19,398,353 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	\$ 18,692,616	\$ 11,613,482	\$ 5,469,540	\$ 1,609,594
Foreign bonds	4,169,718	2,309,911	1,859,807	-
Corporate bonds	33,403,611	17,627,686	10,648,513	5,127,412

City of Monroe, Michigan

Notes to Financial Statements June 30, 2014

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	\$ 4,881,520	S&P	AAA
Bank investment pool	2,582,898	N/A	N/R
Corporate bonds	3,390,034	S&P	AAA
Corporate bonds	193,256	S&P	AA+
Corporate bonds	4,088,282	S&P	AA
Corporate bonds	125,709	S&P	AA-
Corporate bonds	381,291	S&P	A+
Corporate bonds	7,509,297	S&P	A
Corporate bonds	649,258	S&P	A-
Corporate bonds	194,202	S&P	BBB+
Corporate bonds	11,214,529	S&P	BBB
Corporate bonds	5,657,753	S&P	NR
Foreign bonds	1,302,088	S&P	AA
Foreign bonds	126,869	S&P	AA-
Foreign bonds	129,136	S&P	A+
Foreign bonds	1,769,071	S&P	A
Foreign bonds	842,555	S&P	BBB

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 restricts the amount of investments in foreign currency-denominated investments to 5 percent of total investments. At June 30, 2014, the Pension System and Retiree Healthcare Fund had \$4,169,718 invested in foreign bonds and \$17,075,723 invested in foreign stock. Of these amounts, \$5,581,949 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, 2014

Note 3 - Deposits and Investments (Continued)

Investment Type	Fair Value	Currency
Foreign stocks	\$ 1,086,301	Swiss Franc
Foreign stocks	1,491,527	Euro
Foreign stocks	803,687	Great British Pounds
Foreign stocks	581,269	Hong Kong Dollar
Foreign stocks	1,619,165	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 Inflows/Outflows of Resources

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

	Governmental Funds	Governmental Activities
Property taxes levied for subsequent year's operations	\$ 15,421,184	\$ 15,421,184
Special assessments and delinquent property taxes	341,320	-
Total deferred inflows	<u>\$ 15,762,504</u>	<u>\$ 15,421,184</u>

In addition, the Port of Monroe, a component unit of the City, has \$347,414 of deferred inflows related to property taxes for subsequent year's operations.

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

	Business-type Activities/ Water Fund
Bond refunding charges previously amortized	<u>\$ 58,333</u>

City of Monroe, Michigan

Notes to Financial Statements June 30, 2014

Note 5 - Capital Assets

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

	Balance July 1, 2013	Reclassifications	Additions	Disposals	Balance June 30, 2014
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 3,147,293	\$ -	\$ 101,146	\$ -	\$ 3,248,439
Construction in progress	1,664,288	(313,685)	1,969,402	-	3,320,005
Subtotal	4,811,581	(313,685)	2,070,548	-	6,568,444
Capital assets being depreciated:					
Roads and sidewalks	131,162,938	263,575	1,424,385	-	132,850,898
Buildings and improvements	16,297,598	46,115	358,447	-	16,702,160
Equipment	8,290,563	3,995	487,615	(670,853)	8,111,320
Land improvements	5,673,042	-	7,406	-	5,680,448
Subtotal	161,424,141	313,685	2,277,853	(670,853)	163,344,826
Accumulated depreciation:					
Infrastructure	79,315,692	-	4,361,008	-	83,676,700
Buildings and improvements	6,682,232	-	356,312	-	7,038,544
Equipment	7,187,810	-	353,205	(670,853)	6,870,162
Land improvements	1,584,760	-	274,208	-	1,858,968
Subtotal	94,770,494	-	5,344,733	(670,853)	99,444,374
Net capital assets being depreciated	66,653,647	313,685	(3,066,880)	-	63,900,452
Net capital assets	\$ 71,465,228	\$ -	\$ (996,332)	\$ -	\$ 70,468,896

City of Monroe, Michigan

Notes to Financial Statements June 30, 2014

Note 5 - Capital Assets (Continued)

	Balance July 1, 2013	Reclassifications	Additions	Disposals	Balance June 30, 2014
Business-type Activities					
Capital assets not being depreciated:					
Land	\$ 367,931	\$ -	\$ -	\$ -	\$ 367,931
Construction in progress	9,318,093	(147,989)	15,269,151	-	24,439,255
Subtotal	9,686,024	(147,989)	15,269,151	-	24,807,186
Capital assets being depreciated:					
Water and sewer distribution systems	75,680,091	70,793	3,174,379	-	78,925,263
Buildings and improvements	45,546,749	77,196	771,860	-	46,395,805
Machinery and equipment	18,802,624	-	180,963	(776,155)	18,207,432
Vehicles	1,287,590	-	60,260	(83,148)	1,264,702
Land improvements	467,626	-	-	-	467,626
Subtotal	141,784,680	147,989	4,187,462	(859,303)	145,260,828
Accumulated depreciation:					
Water and sewer distribution systems	17,104,376	-	1,218,759	-	18,323,135
Buildings and improvements	15,929,013	-	906,724	-	16,835,737
Machinery and equipment	16,569,910	-	284,879	(776,155)	16,078,634
Vehicles	989,396	-	112,564	(83,148)	1,018,812
Land improvements	374,048	-	7,455	-	381,503
Subtotal	50,966,743	-	2,530,381	(859,303)	52,637,821
Net capital assets being depreciated	90,817,937	147,989	1,657,081	-	92,623,007
Net capital assets	\$100,503,961	\$ -	\$ 16,926,232	\$ -	\$117,430,193

City of Monroe, Michigan

Notes to Financial Statements June 30, 2014

Note 5 - Capital Assets (Continued)

	Balance July 1, 2013	Reclassifications	Additions	Disposals	Balance June 30, 2014
Component Units					
Capital assets not being depreciated:					
Land	\$ 1,531,353	\$ -	\$ -	\$ -	\$ 1,531,353
Site improvements	363,697	-	-	-	363,697
Earthen dikes	321,061	-	-	-	321,061
Rental buildings	235,739	-	-	-	235,739
Construction in progress	246,271	(247,767)	244,218	-	242,722
Subtotal	2,698,121	(247,767)	244,218	-	2,694,572
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	98,653	247,767	28,355	-	374,775
Subtotal	2,770,480	247,767	28,355	-	3,046,602
Accumulated depreciation:					
Road and site improvement	523,630	-	28,037	-	551,667
Railroad siding	183,098	-	5,705	-	188,803
Wharf	224,540	-	1,049	-	225,589
Dredging	374,445	-	-	-	374,445
Leachate collection system	32,083	-	2,308	-	34,391
Rental buildings	289,668	-	672	-	290,340
Office building	385,220	-	7,249	-	392,469
Furniture and equipment	90,670	-	8,051	-	98,721
Subtotal	2,103,354	-	53,071	-	2,156,425
Net capital assets being depreciated	667,126	247,767	(24,716)	-	890,177
Net capital assets	\$ 3,365,247	\$ -	\$ 219,502	\$ -	\$ 3,584,749

City of Monroe, Michigan

Notes to Financial Statements June 30, 2014

Note 5 - Capital Assets (Continued)

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

Governmental activities:

General government	\$ 220,012
Public safety	118,369
Public works	4,439,511
Recreation and culture	328,716
Internal service fund depreciation is charged to the various functions based on their usage of the asset	<u>238,125</u>
Total governmental activities	<u>\$ 5,344,733</u>

Business-type activities:

Water	\$ 1,348,673
Wastewater	<u>1,181,708</u>
Total business-type activities	<u>\$ 2,530,381</u>

Component unit activities - Port of Monroe	<u>\$ 53,071</u>
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Construction Commitments - The City has active construction projects at year end. The City's significant active construction projects include the River Raisin Dam Remediation - Phase 2 and the Western Huron 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>
River Raisin Dam Remediation - Phase I	\$ 1,371,253	\$ 1,122,846	\$ 248,407
Western Huron Water Main Replacement Program	760,372	431,367	329,005

City of Monroe, Michigan

Notes to Financial Statements June 30, 2014

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	\$ 28,111
Capital Projects Fund	Nonmajor governmental fund - Grants Fund	16,131
Nonmajor governmental fund - Building Safety Fund	Nonmajor governmental fund - Grants Fund	9,053
Nonmajor governmental fund - Major Streets Fund	Nonmajor governmental fund - Local Streets Fund	32,246
Internal service fund - Employee Benefit Fund	General Fund	1,965
	Nonmajor governmental funds:	
	Parking Meter Fund	14
	Building Safety Fund	76
	Airport Fund	7
	Business-type funds:	
	Wastewater Fund	353
	Water Fund	440
	Internal service funds:	
	Information System Fund	3
	Stores and Equipment Fund	45
	Total internal service fund - Employee Benefit Fund	2,903
Business-type funds - Water Fund	Nonmajor governmental fund - Grants Fund	25,000
	Total interfund activity	<u>\$ 113,444</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, 2014

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	\$ 1,503,952
	Component unit - Port of Monroe	<u>80,000</u>
	Total nonmajor governmental fund - Economic Development Fund	1,583,952
Business-type fund - Water Fund	Component unit - Brownfield Redevelopment Authority	<u>460,077</u>
	Total	<u><u>\$ 2,044,029</u></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. The advance from the Economic Development Fund to the Port of Monroe was for a dredging project. Advances are being repaid with interest over a number of years.

City of Monroe, Michigan

Notes to Financial Statements June 30, 2014

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

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

<u>Fund Transferred From</u>	<u>Fund Transferred To</u>	<u>Amount</u>
General Fund	Capital Projects Fund (1)	\$ 485,486
	Nonmajor governmental funds (1)	627,942
	Nonmajor governmental funds (2)	19,737
	Nonmajor governmental funds (3)	<u>50,000</u>
	Total General Fund	1,183,165
Nonmajor governmental funds	Nonmajor governmental funds (1)	206,741
	Capital Projects Fund (1)	<u>318,765</u>
	Total	<u>525,506</u>
Internal Service	Nonmajor governmental funds (3)	<u>9,000</u>
	Total transfers	<u>\$ 1,717,671</u>

- (1) Transfer for capital improvements
- (2) Transfer for debt service
- (3) Transfer for additional costs incurred

City of Monroe, Michigan

Notes to Financial Statements June 30, 2014

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%	\$99,127	\$ 196,071	\$ -	\$ 96,440	\$ 99,631	\$ 99,126
MDEQ Site Revitalization Loan - Mason Run - \$800,000 - Maturing through 2021	2%	\$69,766- \$78,568	587,061	-	68,398	518,663	69,766
MDEQ Brownfield Development Loan - Battlefield - \$763,510 - Maturing through 2023	2%	\$54,183- \$63,484	581,659	-	581,659	-	-
2010 Capital Improvement Bonds - \$2,500,000 - Maturing through 2030	1.60% - 5.40%	\$85,000- \$100,000	1,590,000	-	85,000	1,505,000	85,000
2012 Capital Improvement Bonds - \$4,050,000 - Maturing through 2032	2.25% - 3.5%	\$110,000- \$330,000	3,960,000	-	120,000	3,840,000	110,000
2012 Monroe Building Authority Refunding Bonds - \$4,425,000 - Maturing through 2024	2.230%	\$350,000- \$425,000	4,210,000	-	340,000	3,870,000	350,000
Total bond obligations			11,124,791	-	1,291,497	9,833,294	713,892
Installment purchase obligations:							
Equipment installment purchase - \$159,230 - Maturing through 2018	4.90%	\$16,944- \$19,542	89,047	-	16,157	72,890	16,944
Various City facility improvements - \$253,005 - Maturing through 2020	4.85%	\$24,387- \$30,903	188,511	-	23,258	165,253	24,387
Total installment purchase obligations			277,558	-	39,415	238,143	41,331
Compensated absences			723,456	160,272	156,360	727,368	158,996
Total governmental activities			\$ 12,125,805	\$ 160,272	\$ 1,487,272	\$ 10,798,805	\$ 914,219

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	\$ 5,530,000	\$ -	\$ 260,000	\$ 5,270,000	\$ 275,000
MDEQ Clean Water State Revolving Funds (through County of Monroe) - \$12,000,000 - Maturing through 2030	2.50%	\$505,000- \$550,000	10,560,000	-	505,000	10,055,000	520,000
Michigan Municipal Bond Authority Drinking Water Revolving Funds - \$3,051,000 - Maturing through 2030	2.50%	\$100,000- \$190,000	2,137,783	-	100,000	2,037,783	105,000
2010 Capital Improvement Bonds - \$5,735,000 - Maturing through 2030	1.60%- 5.40%	\$155,000- \$705,000	5,280,000	-	155,000	5,125,000	155,000
MDEQ Sewage Disposal System Bonds (through County of Monroe) - \$9,115,000 - Maturing through 2033	2.50%	\$341,767 - \$545,000	8,382,477	364,075	341,983	8,404,569	350,000
2012 General Obligation Limited Tax Refunding Bonds - \$1,850,000 - Maturing through 2025	.55% - 3.50%	\$130,000 - \$165,000	1,730,000	-	130,000	1,600,000	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	7,874,523	-	16,667,521	705,000
2013 Water Bonds - \$5,540,000 - Maturing through 2033	3.55%	\$210,000- \$395,000	-	5,615,000	75,000	5,540,000	210,000
2014 Sewage Disposal System Bonds (through County of Monroe) - \$10,500,000 - maturing through 2034	4.2%	\$515,000- \$580,000	-	10,500,000	-	10,500,000	515,000
Unamortized bond premium			70,600	-	4,749	65,851	4,749
Total			\$ 42,483,858	\$ 24,353,598	\$ 1,571,732	\$ 65,265,724	\$ 2,969,749

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 and unamortized bond premiums, are as follows:

Years Ending June 30	Governmental Activities			Business-type Activities		
	Principal	Interest - Net of Subsidy	Total	Principal	Interest - Net of Subsidy	Total
2015	\$ 755,223	\$ 273,031	\$ 1,028,254	\$ 2,965,000	\$ 1,688,195	\$ 4,653,195
2016	674,500	255,258	929,758	3,015,000	1,850,220	4,865,220
2017	693,030	238,812	931,842	3,090,000	1,777,523	4,867,523
2018	726,689	221,628	948,317	3,160,000	1,698,978	4,858,978
2019	729,992	202,566	932,558	3,235,000	1,615,163	4,850,163
2020-2024	3,747,003	724,530	4,471,533	17,365,000	7,153,603	24,518,603
2025-2029	1,960,000	333,206	2,293,206	19,565,000	3,841,854	23,406,854
2029-2033	785,000	46,138	831,138	12,804,873	956,160	13,761,033
Total	\$ 10,071,437	\$ 2,295,169	\$ 12,366,606	\$ 65,199,873	\$ 20,581,696	\$ 85,781,569

Note 7 - Long-term Debt (Continued)

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 2014 was \$357,854 and the subsidy received was \$124,585, bringing the interest, net of subsidy, to \$233,269.

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, 2014 is \$939,482, with the advance projected to be completely repaid by February 28, 2023.

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. The loan will be repaid with tax captures. During the fiscal year, The City refunded unspent loan proceeds in the amount of \$689,853. The balance on the loan at June 30, 2014 is \$310,148.

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.

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.

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.

City of Monroe, Michigan

Notes to Financial Statements June 30, 2014

Note 8 - Risk Management (Continued)

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>2014</u>	<u>2013</u>
Unpaid claims - Beginning of year	\$ 669,505	\$ 688,914
Incurred claims, including claims incurred but not reported	(4,693,680)	5,135,770
Claim payments	<u>4,670,638</u>	<u>(5,155,179)</u>
Unpaid claims - End of year	<u>\$ 646,463</u>	<u>\$ 669,505</u>

Note 9 - Pension Plan Description

Plan Administration - The City of Monroe administers the City of Monroe Employees Retirement System - a single employer defined benefit pension plan that includes hybrid (combination of defined benefit and defined contribution) expenditures and provides pensions for substantially all full-time employees of the City. Benefit terms have been established by contractual agreements between the City and the various employee union representation; amendments are subject to the same process.

Management of the plan is vested in the Pension Board, which consists of nine members, elected by plan members, appointed by the City, and the mayor and City manager, by virtue of their offices.

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

Inactive plan members or beneficiaries currently receiving benefits	267
Inactive plan members entitled to but not yet receiving benefits	19
Active plan members	<u>160</u>
Total	<u><u>446</u></u>

Note 9 - Pension Plan Description (Continued)

Benefits Provided - The pension plan provides retirement, disability, and death benefits. Retirement benefits for general plan members are calculated as 2.2 percent of the member's final three year average salary times the member's years of service. Hybrid member benefits are calculated as 1.5 percent of the member's final three year average salary times the members years of service or the monthly pension that can be paid from 2.0 times the members accumulated contributions, whichever is higher. Benefits for public safety plan members are calculated as 2.65 percent of the member's final three-year average salary times the member's years of service. General plan members with 10 years of continuous service are eligible to retire at age 60 and can also retire after 25 continuous years of service at age 55. General members that are Teamsters union members can retire when the sum of their years of service and age equals 80. Hybrid plan members with 10 continuous years of service are eligible to retire at age 60 and at age 62 with 3 continuous years of service. Public safety plan members with 10 years of continuous service are eligible to retire at age 55, and can retire at age 50 with 25 years of continuous service. All plan members are eligible for non-duty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are equal to the members accumulated contributions or a retirement allowance equal to the workers compensation benefit received as a result of a death in the line of duty converted to a monthly amount. A plan member who leaves City service may withdraw his or her contributions, plus any accumulated interest.

Benefit terms provide for annual cost-of-living adjustments to each member's retirement allowance subsequent to the member's retirement date. The annual adjustments are 2 percent for general plan members and 3 percent for public safety plan members. Hybrid members receive an annual adjustment of the smaller of 2 percent or the annual rate of inflation as measured by the Consumer Price Index (CPI).

Contributions - Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the Pension Board retains an independent actuary to determine the annual contribution. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. Contribution requirements of plan members are established and may be amended by the board of trustees in accordance with the City Charter, union contracts, and plan provisions. For the year ended June 30, 2014, the average active member contribution rate was 4.63 percent of annual pay, and the City's average contribution rate was 14.17 percent of annual payroll.

Note 9 - Pension Plan Description (Continued)

Deferred Retirement Option Program

The City offers certain employees the ability to continue services and be paid a salary after they are fully vested; this program credits the employee for benefit payments that would have been paid, and pays them out with interest at 3.0 percent after the employee has fully retired (discontinued providing employee services to the City). At June 30, 2014, the Plan has \$158,497 accumulated in DROP accounts.

Note 10 - Pension Plan Investments - Policy and Rate of Return

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

Asset Class	Target Allocation
U.S. Large Cap Growth	7.50%
U.S. Large Cap Value	7.50%
U.S. Large Cap Core	8.50%
U.S. Mid Cap Growth	12.00%
U.S. Small Cap Growth	6.00%
International Equity	16.00%
Taxable Fixed Income - Intermediate	37.50%
Real Estate/REITs	5.00%
Cash	0.00%

Concentrations - At June 30, 2014, the Plan held 5.6 percent, 6.4 percent, 7.7 percent, and 8.6 percent of plan net position within Prisa Pooled Commingle Equity, International Research Enhanced Index, Comerica Large Cap Growth, and Comerica S&P 500 Index Fund, respectively.

Rate of Return - For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 15.64 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Note 11 - Pension Plan Reserves

In accordance with Ord. No. 81-010 and subsequent amendments, the following reserves are required to be set aside within the pension plan:

The retiree reserve is to be computed annually by the actuary as the present value of estimated benefit payments for all current retirees. The amounts reserved may be used solely to pay monthly retiree benefit payments. The reserve credits interest annually at a rate of 7.5 percent.

The employee reserve is credited as employee contributions are received throughout the year; the Plan maintains a record of the amount contributed by each employee, and credits interest annually at a rate of 3 percent for the defined benefit plan and 1 percent for the hybrid plan. For any employee who terminates before vesting in the pension plan, their balance is returned to them; for those who stay until retirement, the balance is transferred into the retiree reserve.

The employer reserve account is used to account for the residual net position balance in the pension plan after funding the above two reserves.

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

	<u>Required Reserve</u>	<u>Amount Funded</u>
Retiree reserve	\$ 96,684,136	\$ 96,684,136
Employee reserve	9,297,724	9,297,724
Employer reserve	31,753,138	31,753,138

Note 12 - Net Pension Asset/Liability of the City

The City reports pension expense based on funding requirements, as directed by GASB 27. Beginning next year, the City will adopt GASB 68 which will require the measurement of pension expense as it is earned, rather than as it is funded. The net pension liability of the City has been measured as of June 30, 2014 and is composed of the following:

Total pension liability	\$ 134,155,773
Plan fiduciary net position	<u>137,734,998</u>
City's net pension asset	<u>\$ (3,579,225)</u>
Plan fiduciary net position as a percentage of the total pension liability	102.7 %

Note 12 - Net Pension Asset/Liability of the City (Continued)

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of December 31, 2013, which used updated procedures to roll forward the estimated liability to June 30, 2014. The valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50 %	
Salary increases	5.0 %	average, including inflation
Investment rate of return	7.5 %	net of pension plan investment expense, including inflation

Mortality rates were based on the RP2000 Mortality Table.

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period 2005-2009.

Discount Rate - The discount rate used to measure the total pension liability was 7.50 percent. This single discount rate was based on the expected rate of return on pension plan investments of 7.50 percent and a municipal bond rate of 4.29 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Projected Cash Flows

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

City of Monroe, Michigan

Notes to Financial Statements June 30, 2014

Note 12 - Net Pension Asset/Liability of the City (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of December 31, 2013 for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table.

Asset Class	Long-term Expected Real Rate of Return
U.S. Large Cap Growth	7.55%
U.S. Large Cap Value	7.05%
U.S. Large Cap Core	7.25%
U.S. Mid Cap Growth	8.55%
U.S. Small Cap Value	8.80%
International Equity	7.75%
Taxable fixed income - Intermediate	2.25%
Real Estate/REITS	7.50%

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the City, calculated using the discount rate of 7.5 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net pension liability/(asset) of the City	\$ 11,374,039	\$ (3,569,409)	\$ (16,206,955)

Note 13 - City Pension Cost and Related Asset/Obligation

The pension plan does not issue a separate financial report.

Annual Pension Cost - For the year ended June 30, 2014, the City's annual pension cost of \$1,488,154 for the plan was equal to the City's required and actual contribution. The pension cost for the three most recent years is as follows:

City of Monroe, Michigan

Notes to Financial Statements June 30, 2014

Note 13 - City Pension Cost and Related Asset/Obligation (Continued)

	Fiscal Year Ended June 30		
	2014	2013	2012
Annual pension cost (APC)	\$ 1,488,154	\$ 1,351,441	\$ 1,274,568
Percentage of APC contributed	100.0 %	100.0 %	100.0 %
Net pension obligation	-	-	-

Funding Status and Funding Progress - As of December 31, 2013, the most recent actuarial valuation date, the plan was 102.67 percent funded. The actuarial accrued liability for benefits was \$134,155,773, and the actuarial value of assets was \$137,734,998, resulting in no unfunded actuarial accrued liability, and a net pension asset of \$3,579,225. The covered payroll (annual payroll to active employees covered by the plan) was \$9,829,890, and the ratio of the unfunded actuarial accrued liability to the covered payroll was (36.41) percent.

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

Actuarial Methods and Assumptions - The annual required contribution was determined as part of an actuarial valuation at December 31, 2013, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) a 7.50 investment rate of return, (b) projected salary increases of 5.0 percent per year, and (c) 3.50 percent per year cost of living adjustments. Both (a) and (b) include an inflation component of 3.50 percent. 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 percentage of payroll on a closed basis. The remaining amortization period is 26 years.

Note 14 - 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 409 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.

City of Monroe, Michigan

Notes to Financial Statements June 30, 2014

Note 14 - Other Postemployment Benefits (Continued)

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.

Funding Progress - For the year ended June 30, 2014, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2012, which is the most recent 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)	\$ 3,691,439
Interest on the prior year's net OPEB obligation	441,340
Less adjustment to the annual required contribution	<u>(553,099)</u>
Annual OPEB cost	3,579,680
Amounts contributed:	
Payments of current premiums	(3,050,484)
Advance funding	<u>(1,036,075)</u>
Decrease in net OPEB obligation	(506,879)
OPEB obligation - Beginning of year	<u>6,304,821</u>
OPEB obligation - End of year	<u>\$ 5,797,942</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	
6/30/10	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
6/30/14	12/31/10	3,691,439	3,579,680	110.7	114.2	5,797,942

Note 14 - 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
12/31/12	14,793,096	52,084,559	37,291,463	28.4	-	-

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, 2012 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 8.25 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 3.5 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, 2012 was 26 years.

Note 14 - 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, 2014, there were 39 members in the plan (33 active participants and six terminated employees with balances), and both the City and the plan members contributed \$29,891 to the plan.

Note 15 - 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 operating 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		30,162
Total equity		5,575,617
Total revenue		412,390
Total operating expenses		411,332
Increase in equity		1,058

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 \$3,860,000 is recorded in the Water Fund.

Note 16 - Economic Dependency

Three taxpayers account for approximately 51 percent of the City's tax revenue and 9 percent of the water and sewage disposal revenue.

Note 17 - Pension and Other Employee Benefit Trust Funds

The following are condensed financial statements for the individual pension plans and postemployment healthcare plans:

	Pension Trust Fund	Retiree Health Care Fund	Total
<u>Statement of Net Position</u>			
Cash and investments	\$ 145,657,201	\$ 18,997,693	\$ 164,654,894
Other assets	326,434	7,000	333,434
Liabilities	<u>8,248,637</u>	<u>578,601</u>	<u>8,827,238</u>
Net position	<u>\$ 137,734,998</u>	<u>\$ 18,426,092</u>	<u>\$ 156,161,090</u>
<u>Statement of Changes in Net Position</u>			
Investment income	\$ 19,072,218	\$ 2,617,742	\$ 21,689,960
Contributions	1,935,242	4,086,557	6,021,799
Benefit payments	8,327,954	3,050,484	11,378,438
Other decreases	<u>62,481</u>	<u>158,157</u>	<u>220,638</u>
Net change in net position	<u>\$ 12,617,025</u>	<u>\$ 3,495,658</u>	<u>\$ 16,112,683</u>

Note 18 - Contingent Liabilities

Environmental Liability

As of June 30, 2014, the Port of Monroe (the "Port") 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 18 - Contingent Liabilities (Continued)

Based upon available information, in June 2014, 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, 2014. 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 \$4,461,291. The Port's expected outlays for its share of the pollution remediation obligations related to the Property have been estimated to be \$1,000,622 and are reflected on the Port's June 30, 2014 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 collectability from other PRPs.

City of Monroe, Michigan

Notes to Financial Statements June 30, 2014

Note 19 - 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	26,086	7,763	31,675	65,524
Long-term receivable	-	-	25,000	25,000
Total nonspendable	394,866	7,763	56,675	459,304
Restricted:				
Roads	-	-	1,503,455	1,503,455
Police	-	-	51,859	51,859
Debt service	-	-	186,262	186,262
Grants	-	-	204,780	204,780
Capital projects (unspent bond proceeds)	-	216,158	-	216,158
Rubbish, garbage, and recycling	-	-	65,153	65,153
Code enforcement	-	-	506,687	506,687
Total restricted	-	216,158	2,518,196	2,734,354
Committed:				
Budget stabilization	2,000,000	-	-	2,000,000
Airport operations	-	-	24,670	24,670
Parking enforcement and parking lot maintenance	-	-	48,661	48,661
Donation purpose	-	-	76,492	76,492
Capital outlay projects	-	1,016,834	-	1,016,834
Economic development activities	-	-	343,257	343,257
Total committed	2,000,000	1,016,834	493,080	3,509,914
Assigned:				
Subsequent year's budget	94,960	-	-	94,960
Debt service	-	-	30,986	30,986
Total assigned	94,960	-	30,986	125,946
Unassigned	3,300,391	-	-	3,300,391
Total fund balance	<u>\$ 5,790,217</u>	<u>\$ 1,240,755</u>	<u>\$ 3,098,937</u>	<u>\$ 10,129,909</u>

Note 20 - Upcoming Accounting Pronouncements

In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide, proprietary and discretely presented component units statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The Statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this Statement are effective for financial statements for the year ending June 30, 2015.

In January 2013, the Governmental Accounting Standards Board issued GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. Until now, governments had been accounting for mergers, acquisitions, and transfers of operations by analogizing to accounting and financial reporting guidance intended for the business environment. This Statement provides specific accounting and financial reporting guidance for combinations in the governmental environment. This Statement also requires that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. GASB Statement No. 69 is required to be adopted for years beginning after December 15, 2013. The City is currently evaluating the impact this standard will have on the financial statements when adopted, during the City's 2014-2015 fiscal year.

Note 21 - Change in Accounting

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

City of Monroe, Michigan

Notes to Financial Statements June 30, 2014

Note 21 - Change in Accounting (Continued)

As a result of implementing this Statement, the following assets and liabilities have been reclassified, as indicated:

Item	Amount	Prior Reporting Classification/Treatment	New Classification After Adoption of GASB Statement No. 65
Property taxes billed, but which were levied for next year's budget	\$ 15,421,184	Liability	Deferred inflow of resources
Revenue in governmental funds not collected within 60 days of year end	341,320	Liability	Deferred inflow of resources
Bond issuance costs	117,507	Asset	Outflow of resources (an expense)
Deferred amounts on debt refundings	58,333	Adjustment to the bond payable liability	Deferred outflow of resources

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

Required Supplemental Information

City of Monroe, Michigan

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

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 13,048,978	\$ 13,068,879	\$ 13,047,325	\$ (21,554)
Licenses and permits	346,850	346,350	355,981	9,631
Federal grants	-	329	329	-
State-shared revenue and grants	1,858,411	1,873,500	1,860,637	(12,863)
Charges for services	847,806	815,518	766,125	(49,393)
Fines and forfeitures	66,500	83,500	102,121	18,621
Investment income	70,000	50,000	57,649	7,649
Rental income	67,439	55,535	56,793	1,258
Other revenue:				
Administrative fees	944,250	944,250	944,250	-
Other miscellaneous income	102,000	125,324	140,305	14,981
Total revenue	17,352,234	17,363,185	17,331,515	(31,670)
Expenditures				
General government:				
City Council	112,751	114,042	104,978	9,064
City manager	298,815	303,760	300,269	3,491
Finance	410,752	400,790	392,719	8,071
Clerk-Treasurer	520,778	476,447	458,468	17,979
Assessor	362,820	367,211	365,914	1,297
City Hall grounds	256,883	264,532	243,388	21,144
Attorney	135,325	135,325	133,479	1,846
Human resources	285,962	326,090	247,662	78,428
Engineering	287,539	284,722	284,541	181
Total general government	2,671,625	2,672,919	2,531,418	141,501
Public safety:				
Police	5,869,697	5,971,542	5,932,451	39,091
Fire	3,185,539	3,180,653	3,116,335	64,318
Zoning/Ordinance enforcement	145,402	238,483	133,818	104,665
Total public safety	9,200,638	9,390,678	9,182,604	208,074
Public works - Department of Public Services				
Community and economic development	2,086,255	2,161,070	2,085,085	75,985
development	254,503	257,344	254,554	2,790

City of Monroe, Michigan

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

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Expenditures (Continued)				
Recreation and culture:				
Library	\$ 57,500	\$ 57,500	\$ 57,500	\$ -
Recreation	1,421,623	1,468,211	1,436,745	31,466
Public access TV	157,500	159,750	159,713	37
Historic District Commission	1,950	1,980	330	1,650
Social services	140,000	140,000	140,000	-
Total recreation and culture	1,778,573	1,827,441	1,794,288	33,153
Debt service:				
Principal	23,260	23,259	23,259	-
Interest on long-term debt	17,303	17,303	17,303	-
Contingencies	150,000	-	-	-
Other uses - Transfers out	1,351,077	1,193,517	1,193,517	-
Total expenditures	17,533,234	17,543,531	17,082,028	461,503
Net Change in Fund Balance	(181,000)	(180,346)	249,487	429,833
Fund Balance - Beginning of year	5,540,730	5,540,730	5,540,730	-
Fund Balance - End of year	\$ 5,359,730	\$ 5,360,384	\$ 5,790,217	\$ 429,833

City of Monroe, Michigan

Note to Required Supplemental Information Year Ended June 30, 2014

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, 2014

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
12/31/08	\$ 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
12/31/13	130,300	132,708	2,408	98.2	9,524	25.3

(Dollar amounts in thousands of dollars)

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	1,351,541	100.0
6/30/14	12/31/11	1,488,154	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, 2014

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2013, the latest actuarial valuation, follows:

Amortization method	Level percent
Amortization period	26 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%

City of Monroe, Michigan

Required Supplemental Information Schedule of Changes in the City Net Pension Liability and Related Ratios Year Ended June 30, 2014

Total Pension Liability	
Service cost	\$ 1,437,222
Interest	9,601,384
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit payments, including refunds	<u>(8,365,344)</u>
Net change in total pension liability	2,673,262
Total pension liability - Beginning of year	<u>131,482,511</u>
Total pension liability - End of year	<u>\$ 134,155,773</u>
Plan Fiduciary Net Position	
Contributions - Employer	\$ 1,488,154
Contributions - Member	447,088
Net investment income	19,162,455
Administrative expenses	(126,646)
Benefit payments, including refunds	(8,365,344)
Other	<u>11,317</u>
Net change in plan fiduciary net position	12,617,024
Plan fiduciary net position - Beginning of year	<u>125,117,974</u>
Plan fiduciary net position - End of year	<u>\$ 137,734,998</u>
City's net pension liability - Ending	<u>\$ (3,579,225)</u>
Plan fiduciary net position as a % of total pension liability	102.67 %
Covered employee payroll	\$ 9,829,890
City's net pension liability as a % of covered employee payroll	36.4 %

City of Monroe, Michigan

Required Supplemental Information Schedule of City Contributions Last Ten Fiscal Years

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Actuarially determined contribution	\$ 1,488,154	\$ 1,351,441	\$ 1,274,568	\$ 1,191,553	\$ 1,483,539	\$ 1,439,269	\$ 1,444,880	\$ 487,016	\$ 479,028	\$ -
Contributions in relation to the actuarially determined contribution	<u>1,488,154</u>	<u>1,351,441</u>	<u>1,274,568</u>	<u>1,191,553</u>	<u>1,483,539</u>	<u>1,439,269</u>	<u>1,444,880</u>	<u>487,368</u>	<u>479,028</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (352)</u>	<u>\$ -</u>	<u>\$ -</u>						
Covered employee payroll	\$ 9,829,890	\$ 10,758,097	\$ 11,061,644	\$ 11,289,204	\$ 13,371,922	\$ 13,007,162	\$ 13,232,960	\$ 13,232,960	\$ 13,015,919	\$ 12,575,732
Contributions as a percentage of covered employee payroll	15.1 %	12.6 %	11.5 %	10.6 %	11.1 %	11.1 %	10.9 %	3.7 %	3.7 %	- %

Notes to Schedule of City Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age actuarial method
Amortization method	30 year period
Remaining amortization period	28 years
Asset valuation method	7-year smoothing method
Inflation	3.5% to 4.0%
Salary increases	3.5% to 5.8%
Investment rate of return	7.5% per year
Retirement age	Enter data
Mortality	The RP2000 Mortality table was selected by the Board of Trustees
Other information	There were no benefit changes during the year.

City of Monroe, Michigan

Required Supplemental Information Schedule of Investment Returns Year Ended June 30, 2014

Annual money-weighted rate of return, net of investment expense	15.6 %
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City of Monroe, Michigan

Notes to Pension Required Supplemental Information Schedules Year Ended June 30, 2014

Benefit Changes - None

Changes in Assumptions - None

Changes in Size or Composition of the Covered Population - None

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; these funds are legally committed for parking enforcement and maintenance.

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	Grants
Assets						
Cash and investments	\$ 781,874	\$ 506,548	\$ 1,532,574	\$ 54,029	\$ 409,310	\$ 182,621
Receivables:						
Property taxes receivable	-	-	136,819	-	-	-
Customer receivables	-	-	-	-	-	-
Accrued interest receivable	220	49	170	-	178	24
Other receivables	8,708	-	-	215,360	-	-
Due from other governmental units	169,509	56,381	-	-	52,865	109,675
Economic development loans receivable	-	-	-	-	25,000	-
Due from other funds	-	32,246	-	-	-	-
Prepaid expenses and other assets	-	-	-	-	-	-
Advance to component unit	-	-	-	-	1,583,952	-
Total assets	\$ 960,311	\$ 595,224	\$ 1,669,563	\$ 269,389	\$ 2,071,305	\$ 292,320
Liabilities						
Accounts payable	\$ 14,763	\$ 5,071	\$ 186,830	\$ 3,251	\$ 77,866	\$ 9,245
Due to other governmental units	-	-	-	-	-	-
Due to other funds	32,246	-	-	14	-	78,295
Accrued liabilities and other	-	-	-	2,103	-	-
Unearned revenue	-	-	-	-	1,625,182	-
Total liabilities	47,009	5,071	186,830	5,368	1,703,048	87,540
Deferred Inflows of Resources						
Unavailable revenue	-	-	-	215,360	-	-
Property taxes levied for the following year	-	-	1,417,580	-	-	-
Total deferred inflows of resources	-	-	1,417,580	215,360	-	-
Fund Balances						
Nonspendable:						
Prepays	-	-	-	-	-	-
Long-term receivable	-	-	-	-	25,000	-
Restricted:						
Roads	913,302	590,153	-	-	-	-
Police	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Grants	-	-	-	-	-	204,780
Rubbish, garbage, and recycling	-	-	65,153	-	-	-
Capital outlay projects	-	-	-	-	-	-
Committed:						
Airport operations	-	-	-	-	-	-
Parking enforcement and parking lot maintenance	-	-	-	48,661	-	-
Donation purpose	-	-	-	-	-	-
Economic development activities	-	-	-	-	343,257	-
Assigned	-	-	-	-	-	-
Total fund balances	913,302	590,153	65,153	48,661	368,257	204,780
Total liabilities, deferred inflows of resources, and fund balances	\$ 960,311	\$ 595,224	\$ 1,669,563	\$ 269,389	\$ 2,071,305	\$ 292,320

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

Special Revenue Funds				Debt Service Funds		Total Nonmajor Governmental Funds
Drug Forfeiture	Airport	Building Safety	Expendable Trust	Debt Service	Building Authority	
\$ 51,860	\$ 8,625	\$ 514,317	\$ 80,335	\$ 620,759	\$ 30,994	\$ 4,773,846
-	-	3,600	-	36,880	-	177,299
-	27,878	-	-	-	-	27,878
-	-	336	-	122	13	1,112
-	-	-	8,940	-	-	233,008
-	24	-	-	-	-	388,454
-	-	-	-	-	-	25,000
-	-	9,053	-	-	-	41,299
-	31,675	-	-	-	-	31,675
-	-	-	-	-	-	1,583,952
\$ 51,860	\$ 68,202	\$ 527,306	\$ 89,275	\$ 657,761	\$ 31,007	\$ 7,283,523
\$ 1	\$ 8,408	\$ 1,164	\$ 12,783	\$ 80,126	\$ 21	\$ 399,529
-	927	-	-	-	-	927
-	7	76	-	-	-	110,638
-	2,515	19,379	-	-	-	23,997
-	-	-	-	-	-	1,625,182
1	11,857	20,619	12,783	80,126	21	2,160,273
-	-	-	-	-	-	215,360
-	-	-	-	391,373	-	1,808,953
-	-	-	-	391,373	-	2,024,313
-	31,675	-	-	-	-	31,675
-	-	-	-	-	-	25,000
-	-	-	-	-	-	1,503,455
51,859	-	-	-	-	-	51,859
-	-	-	-	186,262	-	186,262
-	-	-	-	-	-	204,780
-	-	-	-	-	-	65,153
-	-	506,687	-	-	-	506,687
-	24,670	-	-	-	-	24,670
-	-	-	-	-	-	48,661
-	-	-	76,492	-	-	76,492
-	-	-	-	-	-	343,257
-	-	-	-	-	30,986	30,986
51,859	56,345	506,687	76,492	186,262	30,986	3,098,937
\$ 51,860	\$ 68,202	\$ 527,306	\$ 89,275	\$ 657,761	\$ 31,007	\$ 7,283,523

City of Monroe, Michigan

	Special Revenue Funds				
	Major Streets	Local Streets	Rubbish, Garbage, and Recycling	Parking Meter	Economic Development
Revenue					
Property taxes	\$ -	\$ -	\$ 1,317,644	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Federal grants	-	7,500	-	-	461,266
State-shared revenue and grants	1,576,438	342,456	-	-	-
Charges for services	-	-	5,873	128,171	-
Fines and forfeitures	-	-	-	-	-
Investment income	1,915	5	2,293	-	2,102
Rental income	-	-	-	-	-
Other revenue	11,110	32,418	198	-	-
Total revenue	1,589,463	382,379	1,326,008	128,171	463,368
Expenditures					
Current:					
Public safety	-	-	-	207,907	-
Public works	1,525,756	741,793	1,387,371	-	-
Community and economic development	-	-	-	-	487,074
Capital outlay	-	-	-	-	-
Debt service	-	-	-	-	-
Total expenditures	1,525,756	741,793	1,387,371	207,907	487,074
Excess of Revenue Over (Under) Expenditures	63,707	(359,414)	(61,363)	(79,736)	(23,706)
Other Financing Sources (Uses)					
Transfers in	68,000	663,965	-	80,000	50,000
Transfers out	(206,741)	-	-	-	-
Total other financing (uses) sources	(138,741)	663,965	-	80,000	50,000
Net Change in Fund Balances	(75,034)	304,551	(61,363)	264	26,294
Fund Balances - Beginning of year	988,336	285,602	126,516	48,397	341,963
Fund Balances - End of year	\$ 913,302	\$ 590,153	\$ 65,153	\$ 48,661	\$ 368,257

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

Special Revenue Funds					Debt Service Funds		Total
Grants	Drug Forfeiture	Airport	Building Safety	Expendable Trust	Debt Service	Building Authority	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 367,732	\$ -	\$ 1,685,376
-	-	-	574,720	-	-	-	574,720
566,378	1,799	-	-	-	39,154	-	1,076,097
-	-	-	-	-	-	-	1,918,894
-	-	198,638	-	-	-	-	332,682
-	14,411	-	-	-	-	-	14,411
743	87	-	1,202	-	1,095	70	9,512
-	-	109,764	-	-	-	430,542	540,306
-	-	1,681	-	38,311	83,419	-	167,137
<u>567,121</u>	<u>16,297</u>	<u>310,083</u>	<u>575,922</u>	<u>38,311</u>	<u>491,400</u>	<u>430,612</u>	<u>6,319,135</u>
-	1,065	-	-	-	-	-	208,972
-	-	353,100	439,110	55,443	-	-	4,502,573
261,525	-	-	-	-	-	-	748,599
-	-	-	-	-	-	48,184	48,184
-	-	-	-	-	418,558	430,290	848,848
<u>261,525</u>	<u>1,065</u>	<u>353,100</u>	<u>439,110</u>	<u>55,443</u>	<u>418,558</u>	<u>478,474</u>	<u>6,357,176</u>
305,596	15,232	(43,017)	136,812	(17,132)	72,842	(47,862)	(38,041)
-	-	31,718	-	-	19,736	-	913,419
(305,703)	-	(13,062)	-	-	-	-	(525,506)
<u>(305,703)</u>	<u>-</u>	<u>18,656</u>	<u>-</u>	<u>-</u>	<u>19,736</u>	<u>-</u>	<u>387,913</u>
(107)	15,232	(24,361)	136,812	(17,132)	92,578	(47,862)	349,872
<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>
<u>\$ 204,780</u>	<u>\$ 51,859</u>	<u>\$ 56,345</u>	<u>\$ 506,687</u>	<u>\$ 76,492</u>	<u>\$ 186,262</u>	<u>\$ 30,986</u>	<u>\$ 3,098,937</u>

City of Monroe, Michigan

Other Supplemental Information Budgetary Comparison - Nonmajor Governmental Funds Year Ended June 30, 2014

Special Revenue Fund - Major Streets

	Original Budget (unaudited)	Amended Budget (unaudited)	Actual	Variance with Amended Budget
Revenue and Other Sources				
State-shared revenue and grants	\$ 1,366,000	\$ 1,602,700	\$ 1,576,438	\$ (26,262)
Investment income	1,500	1,500	1,915	415
Special assessments	-	7,040	11,110	4,070
Other sources - Transfers in	-	68,000	68,000	-
Total revenue and other sources	<u>1,367,500</u>	<u>1,679,240</u>	<u>1,657,463</u>	<u>(21,777)</u>
Expenditures and Other Uses				
Streets	1,453,400	1,845,293	1,525,756	319,537
Other uses - Transfers out	<u>200,000</u>	<u>206,000</u>	<u>206,741</u>	<u>(741)</u>
Total expenditures and other uses	<u>1,653,400</u>	<u>2,051,293</u>	<u>1,732,497</u>	<u>318,796</u>
Net Change in Fund Balance	<u>\$ (285,900)</u>	<u>\$ (372,053)</u>	<u>\$ (75,034)</u>	<u>\$ 297,019</u>

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	330,000	340,000	342,456	2,456
Special assessments	24,000	-	-	-
Investment income	1,000	100	5	(95)
Other sources - Transfers in	662,785	662,224	663,965	1,741
Other revenue	-	11,282	32,418	21,136
Total revenue and other sources	<u>1,017,785</u>	<u>1,021,106</u>	<u>1,046,344</u>	<u>25,238</u>
Expenditures - Public works	<u>1,256,470</u>	<u>1,303,449</u>	<u>741,793</u>	<u>561,656</u>
Net Change in Fund Balance	<u>\$ (238,685)</u>	<u>\$ (282,343)</u>	<u>\$ 304,551</u>	<u>\$ 586,894</u>

City of Monroe, Michigan

Other Supplemental Information Budgetary Comparison - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2014

Special Revenue Funds - Rubbish, Garbage, and Recycling

	Original Budget (unaudited)	Amended Budget (unaudited)	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 1,316,637	\$ 1,318,007	\$ 1,317,644	\$ (363)
Charges for services	4,200	5,795	5,873	78
Investment income	4,000	2,500	2,293	(207)
Other revenue	-	198	198	-
Total revenue	1,324,837	1,326,500	1,326,008	(492)
Expenditures - Public works	1,377,500	1,387,371	1,387,371	-
Net Change in Fund Balance	\$ (52,663)	\$ (60,871)	\$ (61,363)	\$ (492)

Special Revenue Fund - Parking Meter

	Original Budget (unaudited)	Amended Budget (unaudited)	Actual	Variance with Amended Budget
Revenue				
Charges for services	\$ 146,350	\$ 131,030	\$ 128,171	\$ (2,859)
Other sources - Transfer in	-	80,000	80,000	-
Total revenue	146,350	211,030	208,171	(2,859)
Expenditures and Other Uses - Public safety	161,426	214,269	207,907	6,362
Net Change in Fund Balance	\$ (15,076)	\$ (3,239)	\$ 264	\$ 3,503

City of Monroe, Michigan

Other Supplemental Information Budgetary Comparison - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2014

Special Revenue Fund - Economic Development

	Original Budget (unaudited)	Amended Budget (unaudited)	Actual	Variance with Amended Budget
Revenue				
Federal grants	\$ -	\$ 648,786	\$ 461,266	\$ (187,520)
Investment income	1,500	1,500	2,102	602
Other sources - Transfer in	-	50,000	50,000	-
Total revenue	1,500	700,286	513,368	(186,918)
Expenditures and Other Uses -				
Community and economic development	10,000	743,786	487,074	256,712
Net Change in Fund Balance	\$ (8,500)	\$ (43,500)	\$ 26,294	\$ 69,794

Special Revenue Fund - Grants

	Original Budget (unaudited)	Amended Budget (unaudited)	Actual	Variance with Amended Budget
Revenue				
Federal grants	\$ 400,000	\$ 1,015,796	\$ 566,378	\$ (449,418)
Investment income	400	400	743	343
Total revenue	400,400	1,016,196	567,121	(449,075)
Expenditures and Other Uses				
Community and economic development	250,000	592,296	261,525	330,771
Other uses - Transfers out	150,000	423,500	305,703	117,797
Total expenditures and other uses	400,000	1,015,796	567,228	448,568
Net Change in Fund Balance	\$ 400	\$ 400	\$ (107)	\$ (507)

City of Monroe, Michigan

Other Supplemental Information Budgetary Comparison - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2014

Special Revenue Fund - Drug Forfeiture

	Original Budget (unaudited)	Amended Budget (unaudited)	Actual	Variance with Amended Budget
Revenue				
Federal grants	\$ -	\$ 1,799	\$ 1,799	\$ -
Fines and forfeitures	15,000	15,000	14,411	(589)
Investment income	200	200	87	(113)
Total revenue	15,200	16,999	16,297	(702)
Expenditures - Public safety	15,200	15,200	1,065	14,135
Net Change in Fund Balance	\$ -	\$ 1,799	\$ 15,232	\$ 13,433

Special Revenue Fund - Airport

	Original Budget (unaudited)	Amended Budget (unaudited)	Actual	Variance with Amended Budget
Revenue and Other Sources				
Charges for services	\$ 225,000	\$ 220,200	\$ 198,638	\$ (21,562)
Other sources - Transfers in	11,000	38,000	31,718	(6,282)
Rental income	121,400	106,108	109,764	3,656
Other miscellaneous income	-	2,104	1,681	(423)
Total revenue and other sources	357,400	366,412	341,801	(24,611)
Expenditures and Other Uses				
Public works	339,656	354,457	353,100	1,357
Other uses - Transfers out	13,300	33,962	13,062	20,900
Total expenditures and other uses	352,956	388,419	366,162	22,257
Net Change in Fund Balance	\$ 4,444	\$ (22,007)	\$ (24,361)	\$ (2,354)

City of Monroe, Michigan

Other Supplemental Information Budgetary Comparison - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2014

Special Revenue Fund - Building Safety

	Original Budget (unaudited)	Amended Budget (unaudited)	Actual	Variance with Amended Budget
Revenue				
Licenses and permits	\$ 429,800	\$ 492,325	\$ 574,720	\$ 82,395
Investment income	800	1,000	1,202	202
Total revenue	430,600	493,325	575,922	82,597
Expenditures - Public works	411,217	439,171	439,110	61
Net Change in Fund Balance	<u>\$ 19,383</u>	<u>\$ 54,154</u>	<u>\$ 136,812</u>	<u>\$ 82,658</u>

Special Revenue Fund - Expendable Trust

	Original Budget (unaudited)	Amended Budget (unaudited)	Actual	Variance with Amended Budget
Revenue - Other miscellaneous income	\$ -	\$ 45,663	\$ 38,311	\$ (7,352)
Expenditures - Public works	-	137,606	55,443	82,163
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ (91,943)</u>	<u>\$ (17,132)</u>	<u>\$ 74,811</u>

City of Monroe, Michigan

Other Supplemental Information Budgetary Comparison - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2014

Debt Service Fund - Debt Service

	Original Budget (unaudited)	Amended Budget (unaudited)	Actual	Variance with Amended Budget
Revenue and Other Sources				
Property taxes	\$ 364,418	\$ 363,514	\$ 367,732	\$ 4,218
Federal grants	42,085	38,838	39,154	316
Investment income	1,200	1,000	1,095	95
Other sources - Transfers in	102,521	103,155	103,155	-
Total revenue and other sources	510,224	506,507	511,136	4,629
Expenditures - Debt service	418,624	418,624	418,558	66
Net Change in Fund Balance	\$ 91,600	\$ 87,883	\$ 92,578	\$ 4,695

Debt Service Fund - Building Authority

	Original Budget (unaudited)	Amended Budget (unaudited)	Actual	Variance with Amended Budget
Revenue				
Investment income	\$ 250	\$ 250	\$ 70	\$ (180)
Rental income	430,542	430,542	430,542	-
Total revenue	430,792	430,792	430,612	(180)
Expenditures				
Capital outlay	-	51,000	48,184	2,816
Debt service	430,542	430,542	430,290	252
Total expenditures	430,542	481,542	478,474	3,068
Net Change in Fund Balance	\$ 250	\$ (50,750)	\$ (47,862)	\$ 2,888

City of Monroe, Michigan

Other Supplemental Information Budgetary Comparison - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2014

Capital Projects Fund - Capital Projects

	Original Budget (unaudited)	Amended Budget (unaudited)	Actual	Variance with Amended Budget
Revenue and Other Sources				
Federal grants	\$ 275,200	\$ 1,965,562	\$ 1,346,930	\$ (618,632)
Investment income	5,500	1,500	1,952	452
Other revenue:				
Special assessments	56,500	142,063	62,003	(80,060)
Local donations		96,320	96,320	
Other sources - Transfers in	770,800	968,079	804,252	(163,827)
Other miscellaneous income	10,000	712,268	433,681	(278,587)
Total revenue and other sources	1,118,000	3,885,792	2,745,138	(1,140,654)
Expenditures and Other Uses				
Public works	821,000	3,396,461	1,858,704	1,537,757
Capital outlay	177,000	1,239,854	806,067	433,787
Total expenditures and other uses	998,000	4,636,315	2,664,771	1,971,544
Net Change in Fund Balance	\$ 120,000	\$ (750,523)	\$ 80,367	\$ 830,890

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, 2014

	Stores and Equipment	Information Systems	Insurance	Employee Benefits	Total
Assets					
Current assets:					
Cash and investments	\$ 368,185	\$ 386,238	\$ 521,417	\$ 1,239,383	\$ 2,515,223
Receivables:					
Interest receivable	56	190	339	164	749
Other receivables	10,392	379	37,081	277,903	325,755
Due from other funds	-	-	-	2,903	2,903
Prepaid expenses and other assets	81,842	-	225,481	-	307,323
Total current assets	460,475	386,807	784,318	1,520,353	3,151,953
Noncurrent assets - Capital assets	1,277,833	209,622	-	-	1,487,455
Total assets	1,738,308	596,429	784,318	1,520,353	4,639,408
Liabilities					
Current liabilities:					
Accounts payable	38,246	11,839	48,157	11,517	109,759
Due to other funds	45	3	-	-	48
Accrued liabilities and other	10,915	402	-	359,902	371,219
Unearned revenue	-	95	-	-	95
Compensated absences	15,885	1,018	-	-	16,903
Current portion of long-term debt	16,944	-	-	-	16,944
Total current liabilities	82,035	13,357	48,157	371,419	514,968
Noncurrent liabilities:					
Net OPEB obligation	93,760	33,730	-	-	127,490
Long-term debt - Net of current portion	55,946	-	-	-	55,946
Total noncurrent liabilities	149,706	33,730	-	-	183,436
Total liabilities	231,741	47,087	48,157	371,419	698,404
Net Position - Unrestricted	\$ 1,506,567	\$ 549,342	\$ 736,161	\$ 1,148,934	\$ 3,941,004

City of Monroe, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Position Internal Service Funds Year Ended June 30, 2014

	Stores and Equipment	Information Systems	Insurance	Employee Benefits	Total
Operating Revenue					
Other	\$ 12,043	\$ 26,078	\$ 37,081	\$ 106,942	\$ 182,144
Charges to other funds	1,016,658	310,722	284,473	2,061,827	3,673,680
Total operating revenue	1,028,701	336,800	321,554	2,168,769	3,855,824
Operating Expenses					
Other operation and maintenance	823,676	276,541	313,458	2,358,562	3,772,237
Depreciation	216,291	21,834	-	-	238,125
Total operating expenses	1,039,967	298,375	313,458	2,358,562	4,010,362
Operating (Loss) Income	(11,266)	38,425	8,096	(189,793)	(154,538)
Nonoperating Revenue (Expenses)					
Investment income	433	1,425	4,243	-	6,101
Interest expense	(3,878)	-	-	-	(3,878)
Gain on sale of assets	26,131	-	-	-	26,131
Income (Loss) - Before transfers	11,420	39,850	12,339	(189,793)	(126,184)
Transfers Out	(9,000)	-	-	-	(9,000)
Change in Net Position	2,420	39,850	12,339	(189,793)	(135,184)
Net Position - Beginning of year	1,504,147	509,492	723,822	1,338,727	4,076,188
Net Position - End of year	<u>\$ 1,506,567</u>	<u>\$ 549,342</u>	<u>\$ 736,161</u>	<u>\$ 1,148,934</u>	<u>\$ 3,941,004</u>

City of Monroe, Michigan

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2014

	Stores and Equipment	Information Systems	Insurance	Employee Benefits	Total
Cash Flows from Operating Activities					
Receipts from customers	\$ 1,020,478	\$ 311,890	\$ 281,785	\$ 2,121,569	\$ 3,735,722
Payments to suppliers	(531,726)	(250,477)	(297,476)	(2,390,852)	(3,470,531)
Payments to employees for wages and benefits	(314,253)	(12,902)	-	(36,600)	(363,755)
Other receipts	12,043	25,622	37,081	106,942	181,688
	<u>186,542</u>	<u>74,133</u>	<u>21,390</u>	<u>(198,941)</u>	<u>83,124</u>
Net cash provided by (used in) operating activities					
Cash Flows from Noncapital Financing Activities - Transfers from other funds					
	(9,000)	-	-	-	(9,000)
Cash Flows from Capital and Related Financing Activities					
Proceeds from sales of capital assets	26,131	-	-	-	26,131
Purchase of capital assets	(258,438)	(162,924)	-	-	(421,362)
Principal and interest paid on capital debt	(20,035)	-	-	-	(20,035)
	<u>(252,342)</u>	<u>(162,924)</u>	<u>-</u>	<u>-</u>	<u>(415,266)</u>
Net cash used in capital and related financing activities					
Cash Flows from Investing Activities					
Interest received on investments	470	1,527	4,014	116	6,127
Proceeds from sale and maturities of investment securities	40,000	224,610	(207,945)	216,000	272,665
	<u>40,470</u>	<u>226,137</u>	<u>(203,931)</u>	<u>216,116</u>	<u>278,792</u>
Net cash provided by (used in) investing activities					
Net (Decrease) Increase in Cash and Cash Equivalents	(34,330)	137,346	(182,541)	17,175	(62,350)
Cash and Cash Equivalents - Beginning of year	372,515	68,502	259,013	722,208	1,422,238
Cash and Cash Equivalents - End of year	<u>\$ 338,185</u>	<u>\$ 205,848</u>	<u>\$ 76,472</u>	<u>\$ 739,383</u>	<u>\$ 1,359,888</u>
Balance Sheet Classification of Cash and Cash Equivalents					
Cash and investments	\$ 368,185	\$ 386,238	\$ 521,417	\$ 1,239,383	\$ 2,515,223
Less amounts classified as investments	(30,000)	(180,390)	(444,945)	(500,000)	(1,155,335)
	<u>\$ 338,185</u>	<u>\$ 205,848</u>	<u>\$ 76,472</u>	<u>\$ 739,383</u>	<u>\$ 1,359,888</u>
Total cash and cash equivalents					

City of Monroe, Michigan

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds (Continued) Year Ended June 30, 2014

	Stores and Equipment	Information Systems	Insurance	Employee Benefits	Total
Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities					
Operating (loss) income	\$ (11,266)	\$ 38,425	\$ 8,096	\$ (189,793)	\$ (154,538)
Adjustments to reconcile operating (loss) income to net cash from operating activities:					
Depreciation and amortization	216,291	21,834	-	-	238,125
Changes in assets and liabilities:					
Receivables	3,820	1,168	(2,688)	59,742	62,042
Due from others	-	-	-	(836)	(836)
Inventories	(11,888)	-	-	-	(11,888)
Prepaid and other assets	(1,629)	10,900	(16,415)	4,182	(2,962)
Accounts payable	(11,360)	2,653	32,397	(35,636)	(11,946)
Due to others	(11)	(1)	-	-	(12)
Accrued and other liabilities	3,268	(234)	-	(36,600)	(33,566)
Net OPEB obligation	(683)	(612)	-	-	(1,295)
Net cash provided by (used in) operating activities	<u>\$ 186,542</u>	<u>\$ 74,133</u>	<u>\$ 21,390</u>	<u>\$ (198,941)</u>	<u>\$ 83,124</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, 2014

	Pension Trust	Retiree Health Care	Total
Assets			
Cash and cash equivalents	\$ -	\$ 916,402	\$ 916,402
Investments:			
U.S. government securities	12,784,420	3,244,508	16,028,928
Foreign bonds	3,402,121	767,598	4,169,719
Stocks	35,618,727	8,254,136	43,872,863
Foreign stocks	13,434,014	3,641,709	17,075,723
Corporate bonds	31,230,271	2,173,340	33,403,611
Mutual funds	39,461,672	-	39,461,672
Other investments	2,567,052	-	2,567,052
Securities lending - Money market	7,158,924	-	7,158,924
Receivables - Interest	325,168	-	325,168
Other	1,266	-	1,266
Prepaid expenses and other assets	-	7,000	7,000
Total assets	145,983,635	19,004,693	164,988,328
Liabilities			
Accounts payable	958,887	578,601	1,537,488
Obligations under securities lending agreements	7,289,750	-	7,289,750
Total liabilities	8,248,637	578,601	8,827,238
Net Position - Held in trust for pension, other employee benefits, and cemetery operations	\$ 137,734,998	\$ 18,426,092	\$ 156,161,090

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, 2014

	Pension Trust	Retiree Health Care	Total
Additions			
Investment income:			
Interest and dividends	\$ 2,058,254	\$ 311,744	\$ 2,369,998
Net increase in fair value of investments	17,863,195	2,305,998	20,169,193
Investment-related expenses	(855,423)	-	(855,423)
Net investment income	19,066,026	2,617,742	21,683,768
Securities lending income	6,192	-	6,192
Contributions:			
Employer	1,488,154	4,022,876	5,511,030
Employee	447,088	63,681	510,769
Net contributions	1,935,242	4,086,557	6,021,799
Total additions	21,007,460	6,704,299	27,711,759
Deductions			
Benefit payments	8,327,954	3,050,484	11,378,438
Refunds of contributions	37,390	-	37,390
Administrative expenses	25,091	158,157	183,248
Total deductions	8,390,435	3,208,641	11,599,076
Net Increase in Net Position Held in Trust	12,617,025	3,495,658	16,112,683
Net Position - Held in trust for pension, other employee benefits, and cemetery operations - Beginning of year	125,117,973	14,930,434	140,048,407
Net Position - Held in trust for pension, other employee benefits, and cemetery operations - End of year	<u>\$ 137,734,998</u>	<u>\$ 18,426,092</u>	<u>\$ 156,161,090</u>

City of Monroe, Michigan

Other Supplemental Information Schedule of Changes in Assets and Liabilities Agency Fund Year Ended June 30, 2014

Agency Fund	Balance at July 1, 2013	Additions	Reductions	Balance at June 30, 2014
Assets				
Cash and cash equivalents	\$ 7,748,318	\$ 31,107,285	\$ (31,547,324)	\$ 7,308,279
Other assets	1,444,711	30,602,467	(30,715,053)	1,332,125
Total assets	<u>\$ 9,193,029</u>	<u>\$ 61,709,752</u>	<u>\$ (62,262,377)</u>	<u>\$ 8,640,404</u>
Liabilities				
Accounts payable	\$ 119,061	\$ 381,038	\$ (362,540)	\$ 137,559
Due to other governmental units	9,050,106	31,853,868	(32,417,284)	8,486,690
Accrued liabilities and other	23,862	8,623	(16,330)	16,155
Total liabilities	<u>\$ 9,193,029</u>	<u>\$ 32,243,529</u>	<u>\$ (32,796,154)</u>	<u>\$ 8,640,404</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	2014
\$ 64,233,467	\$ 63,015,687	\$ 62,616,606	\$ 60,908,779	\$ 61,962,831	\$ 61,231,910
1,583,236	2,345,979	2,017,723	2,074,059	2,108,898	2,518,196
4,799,429	2,585,456	2,873,427	2,367,980	2,936,731	4,137,152
70,616,132	67,947,122	67,507,756	65,350,818	67,008,460	67,887,258
50,741,867	54,471,941	55,296,917	57,363,383	58,090,703	60,690,546
11,275,851	10,524,286	10,970,242	9,521,421	11,860,887	11,154,906
62,017,718	64,996,227	66,267,159	66,884,804	69,951,590	71,845,452
114,975,334	117,487,628	117,913,523	118,272,162	120,053,534	121,922,456
1,583,236	2,345,979	2,017,723	2,074,059	2,108,898	2,518,196
16,075,280	13,109,742	13,843,669	11,889,401	14,797,618	15,292,058
\$ 132,633,850	\$ 132,943,349	\$ 133,774,915	\$ 132,235,622	\$ 136,960,050	\$ 139,732,710

City of Monroe, Michigan

	2005	2006*	2007	2008	2009
Expenses					
Governmental activities:					
General government	\$ 2,797,809	\$ 3,703,272	\$ 3,475,626	\$ 2,543,977	\$ 2,591,789
Public safety	9,955,878	10,167,563	10,557,003	12,093,279	11,431,861
Public works	10,419,518	8,991,478	8,073,568	10,697,812	10,374,152
Community development	559,559	913,348	1,056,860	1,383,129	394,366
Culture and recreation	1,535,537	2,336,309	2,299,055	2,176,732	2,012,925
Interest on long-term debt	335,422	268,285	290,567	273,314	257,700
Total governmental activities	25,603,723	26,380,255	25,752,679	29,168,243	27,062,793
Business-type activities - As restated:					
Water	4,793,103	5,284,633	5,772,384	6,028,092	6,295,006
Wastewater	5,641,788	5,787,812	5,849,335	6,159,888	6,182,045
Total business-type activities	10,434,891	11,072,445	11,621,719	12,187,980	12,477,051
Total primary government expenses	36,038,614	37,452,700	37,374,398	41,356,223	39,539,844
Program Revenue					
Governmental activities:					
Charges for services:					
General government	87,348	116,994	144,448	146,008	81,628
Public safety	1,238,814	1,280,660	1,251,333	1,508,019	1,386,757
Public works	407,955	1,169,010	657,196	726,972	479,990
Community development	302,682	367,937	902,972	1,696,001	1,728,327
Culture and recreation	1,184,312	1,121,457	975,343	892,473	852,982
Operating grants and contributions	1,987,274	2,088,844	2,389,324	1,515,662	1,717,744
Capital grants and contributions	3,918	3,188	5,036	4,942	4,770
Total governmental activities program revenue	5,212,303	6,148,090	6,325,652	6,490,077	6,252,198
Business-type activities:					
Charges for services:					
Water	5,028,934	4,877,286	4,954,923	5,599,299	6,335,531
Wastewater	5,329,404	5,457,644	6,079,243	6,245,312	6,340,634
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	1,919,510	885,144	268,370	941,925	926,283
Total business-type activities program revenue	12,277,848	11,220,074	11,302,536	12,786,536	13,602,448
Total primary government program revenue	17,490,151	17,368,164	17,628,188	19,276,613	19,854,646
Net (Expense) Revenue					
Governmental activities	(20,391,420)	(20,232,165)	(19,427,027)	(22,678,166)	(20,810,595)
Business-type activities	1,842,957	147,629	(319,183)	598,556	1,125,397
Total primary government net expense	(18,548,463)	(20,084,536)	(19,746,210)	(22,079,610)	(19,685,198)

Financial Trends

Changes in Governmental and Business-type Net Position

2010	2011	2012	2013	2014
\$ 2,835,598	\$ 1,857,323	\$ 2,398,403	\$ 2,646,677	\$ 1,583,604
11,048,450	9,572,617	9,654,009	8,663,622	9,330,166
8,971,554	9,635,359	9,825,018	8,601,804	10,816,801
612,927	660,731	601,433	628,791	1,005,355
1,715,213	1,534,257	1,406,611	1,631,045	1,135,361
<u>266,778</u>	<u>342,073</u>	<u>299,425</u>	<u>325,183</u>	<u>252,070</u>
25,450,520	23,602,360	24,184,899	22,497,122	24,123,357
6,494,138	6,931,684	7,291,792	6,756,495	7,141,197
<u>6,117,709</u>	<u>6,611,525</u>	<u>7,436,772</u>	<u>6,458,580</u>	<u>6,864,433</u>
<u>12,611,847</u>	<u>13,543,209</u>	<u>14,728,564</u>	<u>13,215,075</u>	<u>14,005,630</u>
38,062,367	37,145,569	38,913,463	35,712,197	38,128,987
120,290	82,397	90,204	102,968	110,282
1,201,787	397,407	336,814	364,546	416,404
541,438	838,894	1,103,911	1,093,392	1,050,776
161,601	-	-	-	-
865,636	720,475	634,578	581,030	532,615
1,447,882	1,661,693	1,496,086	1,635,959	1,851,121
<u>1,626,516</u>	<u>2,642,646</u>	<u>1,615,645</u>	<u>3,023,728</u>	<u>2,322,245</u>
5,965,150	6,343,512	5,277,238	6,801,623	6,283,443
6,619,024	7,348,790	7,214,309	7,559,714	7,293,205
6,404,776	6,908,842	7,252,271	7,712,715	8,112,871
-	146,493	153,575	152,259	139,867
<u>2,364,438</u>	<u>336,478</u>	<u>610,905</u>	<u>468,477</u>	<u>287,982</u>
<u>15,388,238</u>	<u>14,740,603</u>	<u>15,231,060</u>	<u>15,893,165</u>	<u>15,833,925</u>
21,353,388	21,084,115	20,508,298	22,694,788	22,117,368
(19,485,370)	(17,258,848)	(18,907,661)	(15,695,499)	(17,839,914)
<u>2,776,391</u>	<u>1,197,394</u>	<u>502,496</u>	<u>2,678,090</u>	<u>1,828,295</u>
(16,708,979)	(16,061,454)	(18,405,165)	(13,017,409)	(16,011,619)

City of Monroe, Michigan

	2005	2006*	2007	2008	2009
General Revenue and Other Changes in Net Position					
Governmental activities:					
Property taxes	\$ 14,288,246	\$ 14,207,450	\$ 14,695,520	\$ 15,221,446	\$ 14,833,080
State-shared revenue	2,175,483	2,155,107	2,092,605	2,092,805	2,005,975
Investment earnings	519,669	816,760	1,086,134	1,029,899	483,042
Franchise fees	213,223	224,351	244,743	253,205	267,655
Gain (loss) on sale of capital assets	509,664	351	10,423	-	3,526
Miscellaneous	82,105	179,772	221,219	204,379	202,889
Transfers	41,341	152,199	56,521	73,570	66,130
Total governmental activities	17,829,731	17,735,990	18,407,165	18,875,304	17,862,297
Business-type activities:					
Investment earnings	308,659	343,595	468,483	347,378	216,442
Gain on sale of capital assets	-	12,365	-	-	1,127
Miscellaneous	5,896	6,496	-	-	-
Transfers	(41,341)	(152,199)	(56,521)	(73,570)	(66,130)
Total business-type activities	273,214	210,257	411,962	273,808	151,439
Total primary government	18,102,945	17,946,247	18,819,127	19,149,112	18,013,736
Changes in Net Position					
Governmental activities	(2,561,689)	(2,496,175)	(1,019,862)	(3,802,862)	(2,948,298)
Business-type activities	2,116,171	357,886	92,779	872,364	1,276,836
Total primary government	\$ (445,518)	\$ (2,138,289)	\$ (927,083)	\$ (2,930,498)	\$ (1,671,462)

* 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)

2010	2011	2012	2013	2014
\$ 14,378,142	\$ 13,997,910	\$ 13,997,518	\$ 14,444,017	\$ 14,753,413
1,785,843	1,786,140	1,752,988	1,861,100	1,855,826
176,901	127,503	87,494	65,260	79,464
276,697	303,680	307,837	319,517	319,426
(31,630)	-	-	-	-
237,112	604,249	487,789	663,247	1,710,583
(6,705)	-	-	-	-
16,816,360	16,819,482	16,633,626	17,353,141	18,718,712
130,413	73,538	51,253	46,277	45,990
65,000	-	-	14,513	4,250
-	-	63,896	347,906	15,327
6,705	-	-	-	-
202,118	73,538	115,149	408,696	65,567
17,018,478	16,893,020	16,748,775	17,761,837	18,784,279
(2,669,010)	(439,366)	(2,274,035)	1,657,642	878,798
2,978,509	1,270,932	617,645	3,086,786	1,893,862
\$ 309,499	\$ 831,566	\$ (1,656,390)	\$ 4,744,428	\$ 2,772,660

City of Monroe, Michigan

	2005	2006	2007	2008
General Fund				
Reserved	\$ 24,775	\$ 27,217	\$ 1,414,153	\$ 1,414,423
Unreserved	3,182,447	2,961,834	1,796,042	1,787,231
Nonspendable	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total General Fund	<u>\$ 3,207,222</u>	<u>\$ 2,989,051</u>	<u>\$ 3,210,195</u>	<u>\$ 3,201,654</u>
All Other Governmental Funds				
Reserved	\$ -	\$ -	\$ 1,191,050	\$ -
Unreserved, reported in:				
Special revenue funds	5,534,777	4,121,530	3,536,885	4,261,836
Capital projects funds	1,800,999	1,510,776	1,922,651	1,214,538
Debt service funds	177,132	203,430	180,748	165,735
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total all other governmental funds	<u>\$ 7,512,908</u>	<u>\$ 5,835,736</u>	<u>\$ 6,831,334</u>	<u>\$ 5,642,109</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

2009	2010	2011*	2012**	2013**	2014
\$ 1,415,794	\$ 1,415,856	\$ -	\$ -	\$ -	\$ -
1,702,959	1,852,037	-	-	-	-
-	-	1,271,399	891,344	390,439	394,866
-	-	2,181,000	2,181,000	2,000,000	2,000,000
-	-	176,297	56,348	48,565	94,960
-	-	1,842,246	2,511,024	3,101,726	3,300,391
<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>	<u>\$ 5,790,217</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4,215,765	4,527,789	-	-	-	-
565,819	489,223	-	-	-	-
119,492	105,704	-	-	-	-
-	-	37,083	52,197	48,545	64,438
-	-	2,716,290	5,193,346	2,640,688	2,734,354
-	-	1,479,690	1,812,012	1,141,372	1,509,914
-	-	-	73,845	78,848	30,986
<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>	<u>\$ 4,339,692</u>

City of Monroe, Michigan

	Year Ended June 30			
	2005	2006	2007	2008
Revenue				
Property taxes	\$ 14,218,480	\$ 14,173,323	\$ 14,627,273	\$ 15,052,806
Licenses and permits	668,905	666,396	636,857	876,777
Federal grants	715,489	1,161,034	1,258,043	1,535,622
State-shared revenue and grants	3,891,595	4,065,658	3,855,401	4,951,014
Charges for services	2,344,394	2,530,856	2,432,815	1,979,435
Fines and forfeitures	140,653	122,831	104,389	95,939
Interest and rent	914,299	1,317,782	1,509,709	1,487,861
Special assessment	103,708	99,574	67,846	80,501
Other	773,486	412,848	357,454	489,040
Total revenue	23,771,009	24,550,302	24,849,787	26,548,995
Expenditures				
Current:				
General government	3,253,491	3,601,498	3,524,862	2,759,546
Public safety	9,383,688	9,515,712	9,758,318	11,101,482
Public works	7,394,001	9,669,372	7,411,954	10,395,898
Health and welfare	448,739	396,127	352,177	330,636
Community development	-	-	-	-
Recreation and culture	2,073,256	2,210,452	2,536,156	2,452,607
Capital outlay	908,326	697,254	808,054	628,327
Debt service:				
Principal and interest	-	-	-	-
Principal	350,719	289,589	265,000	444,548
Interest	224,099	229,370	260,879	289,198
Other	11,285	14,856	-	-
Total expenditures	24,047,604	26,624,230	24,917,400	28,402,242
Excess of Revenue Over (Under) Expenditures	(276,595)	(2,073,928)	(67,613)	(1,853,247)
Other Financing Sources (Uses)				
Transfers in	1,489,795	2,506,811	1,743,876	1,694,330
Transfers out	(1,989,777)	(2,328,226)	(1,866,431)	(1,802,359)
Debt issuance	5,915,250	-	1,406,910	763,510
Debt defeasance	(5,298,496)	-	-	-
Total other financing (uses) sources	116,772	178,585	1,284,355	655,481
Net Change in Fund Balances	(159,823)	(1,895,343)	1,216,742	(1,197,766)
Fund Balances - Beginning of year	10,879,953	10,720,130	8,824,787	10,041,529
Fund Balances - End of year	\$ 10,720,130	\$ 8,824,787	\$ 10,041,529	\$ 8,843,763
Capital expenditures	*	\$ 3,838,980	\$ 2,446,104	\$ 3,216,045
Debt service as a percentage of noncapital expenditures	2.48%	2.28%	2.34%	2.91%

* 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					
2009	2010	2011	2012	2013	2014
\$ 15,042,614	\$ 14,431,373	\$ 13,985,058	\$ 13,973,835	\$ 14,475,644	\$ 14,732,701
716,195	644,648	828,816	902,130	859,259	930,701
916,832	1,663,075	1,668,566	1,376,627	2,125,091	2,423,356
3,774,663	3,599,265	3,486,364	3,994,692	4,246,298	3,779,531
1,886,304	1,891,719	1,341,866	1,283,048	1,151,562	1,098,830
79,793	71,485	84,443	80,148	97,821	116,532
1,004,197	759,441	721,408	714,330	657,024	666,147
73,460	81,491	114,233	28,844	769	79,613
771,937	206,877	212,793	141,626	454,736	819,875
<u>24,265,995</u>	<u>23,349,374</u>	<u>22,443,547</u>	<u>22,495,280</u>	<u>24,068,204</u>	<u>24,647,286</u>
2,518,950	2,399,966	2,299,454	2,462,672	2,661,896	1,686,183
9,980,735	9,304,682	8,666,716	8,515,103	8,808,768	9,302,913
8,537,976	8,526,350	8,177,280	8,501,505	12,430,284	8,446,362
339,049	275,425	-	-	-	-
-	-	654,160	583,729	647,756	1,003,153
2,238,636	2,054,801	1,807,922	1,815,121	1,819,755	1,794,288
578,341	362,713	515,809	339,984	91,408	854,251
-	-	-	-	-	-
461,700	479,155	756,850	988,595	612,183	568,259
270,446	252,648	338,079	325,035	423,481	321,151
-	-	-	-	-	-
<u>24,925,833</u>	<u>23,655,740</u>	<u>23,216,270</u>	<u>23,531,744</u>	<u>27,495,531</u>	<u>23,976,560</u>
(659,838)	(306,366)	(772,723)	(1,036,464)	(3,427,327)	670,726
1,871,744	1,731,119	1,342,032	1,434,396	1,069,546	1,717,671
(2,035,840)	(1,720,859)	(1,342,032)	(1,434,396)	(1,098,152)	(1,708,671)
-	2,753,005	-	4,103,575	4,275,000	-
-	-	-	-	(4,140,000)	-
<u>(164,096)</u>	<u>2,763,265</u>	<u>-</u>	<u>4,103,575</u>	<u>106,394</u>	<u>9,000</u>
(823,934)	2,456,899	(772,723)	3,067,111	(3,320,933)	679,726
8,843,763	8,019,829	10,476,728	9,704,005	12,771,116	9,450,183
<u>\$ 8,019,829</u>	<u>\$ 10,476,728</u>	<u>\$ 9,704,005</u>	<u>\$ 12,771,116</u>	<u>\$ 9,450,183</u>	<u>\$10,129,909</u>
\$ 3,175,217	\$ 3,979,564	\$ 3,832,699	\$ 3,836,071	\$ 8,141,498	\$ 3,565,751
3.37%	3.72%	5.65%	6.67%	5.35%	4.36%

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								
Tax Year	Real Property					IFT	Personal Property	Total Value
	Residential	Commercial	Industrial	Agricultural and Other				
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	
2013	274,641,980	107,271,380	405,140,100	843,160	20,949,155	90,430,020	899,275,795	

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	Value as a Percentage of Actual
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
16.6017	1,955,582,280	45.99

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								
2013	13.7260	0.4200	2.4407	16.5867	5.5972	2.1794	4.7541	1.0000
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
Jefferson School District								
2013	13.7260	0.4200	2.4407	16.5867	5.5972	2.1794	4.7541	1.0000
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

Note: 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
2013	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 - Nonhomestead	Homestead	Non- homestead
0.7310	6.0000	1.0000	19.0000	37.8484	55.8484
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
0.7310	6.0000	0.5000	18.0000	37.3484	55.3484
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

City of Monroe, Michigan

Revenue Capacity Principal Property Taxpayers

	Tax Year 2013			Tax Year 2004		
	Taxable Value	Rank	Percentage of Total	Taxable Value	Rank	Percentage of Total
Detroit Edison	\$ 408,385,360	1	45.41	\$ 333,967,950	1	35.64
Gerdau Macsteel	53,553,860	2	5.96	34,603,210	3	3.69
International Transmission Company	11,110,930	3	1.24	5,953,460	5	0.64
Great Lakes Towers, LLC	6,617,890	4	0.74			
Howard Ternes Packing Company	6,108,220	5	0.68	6,618,270	4	0.71
Ford Motor Company	5,200,730	6	0.58			
Headwaters Resources, Inc.	4,857,750	7	0.54			
National Galvanizing	4,703,980	8	0.52	4,577,330	8	0.49
Monroe Bank & Trust	4,445,500	9	0.49			
Oak Forest APT Investors, LLC	3,012,290	10	0.33			
Lear Corporation				4,335,750	9	0.46
Visteon Corporation				78,737,310	2	8.40
Delta USA Corporation				5,129,295	5	0.56
Thompson McCully Company				5,041,490	7	0.54
Benchmark Homes				3,448,540	10	0.37
Riverbend Commons, LLC				5,256,400	6	0.56

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
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
2013	2014	14,545,101	14,238,835	97.89	283,173	14,522,008	99.84

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

	2005	2006	2007	2008	2009
Governmental Activities					
General obligation bonds	\$ 6,179	\$ 5,930	\$ 5,705	\$ 5,470	\$ 5,225
Installment purchase agreements	-	-	607	699	617
State of Michigan loans	999	898	1,535	2,213	2,127
Sewer bonds	-	-	-	-	-
Revenue bonds	-	-	-	-	-
Capital leases	657	528	394	255	111
Total	7,835	7,356	8,241	8,637	8,080
Business-type Activities					
General obligation bonds	900	3,020	2,755	8,855	17,278
Installment purchase agreements	-	-	-	-	-
Special assessment bonds	-	-	-	-	-
Revenue bonds	-	-	-	-	-
Capital leases	-	-	-	-	-
Total	900	3,020	2,755	8,855	17,278
Total debt of the government	\$ 8,735	\$ 10,376	\$ 10,996	\$ 17,492	\$ 25,358
Total residential personal income*	\$ 493,243	\$ 510,027	\$ 525,328	\$ 542,139	\$ 563,662
Ratio of total debt to personal income	1.71%	1.98%	2.03%	3.10%	4.50%
Total population (actual)	21,791	21,791	21,840	21,528	21,374
Total debt per capita	\$ 401	\$ 476	\$ 503	\$ 813	\$ 1,186

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

* Personal income trended based on Monroe County percentage change

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

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

2010	2011	2012	2013	2014
\$ 7,470	\$ 6,810	\$ 10,215	\$ 9,760	\$ 9,215
784	673	315	278	238
2,038	1,750	1,591	1,367	618
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
10,292	9,233	12,121	11,405	10,071
26,592	27,477	31,360	42,413	65,200
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>26,592</u>	<u>27,477</u>	<u>31,360</u>	<u>42,413</u>	<u>65,200</u>
<u>\$ 36,884</u>	<u>\$ 36,710</u>	<u>\$ 43,481</u>	<u>\$ 53,818</u>	<u>\$ 75,271</u>
\$ 575,330	\$ 558,415	\$ 570,309	\$ 606,238	\$ 640,187
6.41%	6.57%	7.62%	8.88%	11.76%
21,323	20,733	20,672	20,535	20,405
\$ 1,730	\$ 1,771	\$ 2,103	\$ 2,621	\$ 3,689

City of Monroe, Michigan

Fiscal Year	Tax-limited General Obligation Bonds (LTGO)	Tax- supported Bonds (UTGO)	Less Pledged Debt Service Funds	Net General Bonded Debt	Estimated Actual Value of Taxable Property
2005	\$ 7,040,000	\$ -	\$ 177,132	\$ 6,862,868	\$ 2,163,634,080
2006	8,950,000	-	203,430	8,746,570	2,197,095,020
2007	8,460,000	-	180,748	8,279,252	2,227,183,960
2008	14,325,000	-	165,735	14,159,265	2,288,397,220
2009	13,770,000	-	119,492	13,650,508	2,193,922,680
2010	22,062,221	-	105,704	21,956,517	2,008,528,830
2011	22,070,980	-	20,869	22,050,111	1,961,907,580
2012	25,522,783	-	62,233	25,460,550	1,918,469,640
2013	24,437,783	-	93,684	24,344,099	1,911,160,396
2014	29,787,783	-	186,263	29,601,520	1,955,582,280

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

Debt as a Percentage of Estimated Actual Value	Population	Debt per Capita
0.32	21,791	\$ 351
0.40	21,791	328
0.37	21,840	369
0.62	21,528	394
0.62	21,374	639
1.09	21,323	1,030
1.12	20,733	1,064
1.33	20,672	1,232
1.27	20,535	1,185
1.51	20,405	1,451

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	\$ 32,259,304	15.76%	\$ 5,084,066
Jefferson School District	-	2.81%	-
Monroe School District	-	49.90%	-
Monroe Intermediate School District	-	16.35%	-
Monroe County Community College	-	15.79%	-
			5,084,066
Total overlapping debt			5,084,066
Direct City debt			10,070,933
Total direct and overlapping debt			\$ 15,154,999

Source: Michigan Municipal Advisory Council

City of Monroe, Michigan

	2005	2006	2007	2008
Calculation of Debt Limit				
State equalized valuation	\$ 1,081,817,040	\$ 1,098,547,510	\$ 1,113,591,980	\$ 1,144,198,610
10% of SEV	108,181,704	109,854,751	111,359,198	114,419,861
Calculation of Debt Subject to Limit				
Total debt	8,735,128	10,376,188	11,056,659	17,533,950
Less debt not subject to limit:				
County Agency Bonds	39,589	-	-	-
Installment Purchase Agreements	656,894	528,680	1,002,113	955,723
State Direct Loans	998,645	897,508	1,594,546	2,253,227
Net debt subject to limit	<u>7,040,000</u>	<u>8,950,000</u>	<u>8,460,000</u>	<u>14,325,000</u>
Legal Debt Margin	<u>\$ 101,141,704</u>	<u>\$ 100,904,751</u>	<u>\$ 102,899,198</u>	<u>\$ 100,094,861</u>
Net Debt Subject to Limit as				
Percent of Debt Limit	6.51%	8.15%	7.60%	12.52%

Source: City of Monroe Assessor

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

	2009	2010	2011	2012	2013	2014
\$	1,096,961,340	\$ 1,004,264,415	\$ 980,953,790	\$ 959,234,820	\$ 955,580,198	\$ 977,791,140
	109,696,134	100,426,442	98,095,379	95,923,482	95,558,020	97,779,114
	25,378,075	36,884,315	36,709,967	43,482,017	53,815,607	75,580,952
	8,732,784	12,000,000	12,215,573	16,052,673	17,186,035	35,627,090
	728,801	784,293	673,434	315,148	277,558	238,143
	2,146,490	2,037,801	1,749,880	1,591,413	1,364,791	927,936
	<u>24,629,274</u>	<u>36,100,022</u>	<u>22,071,080</u>	<u>25,522,783</u>	<u>34,987,223</u>	<u>38,787,783</u>
\$	<u>85,066,860</u>	<u>64,326,420</u>	<u>76,024,299</u>	<u>70,400,699</u>	<u>60,570,797</u>	<u>58,991,331</u>
	22.45%	35.95%	22.50%	26.61%	36.61%	39.67%

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
2005	21,791	\$ 493,243	\$ 22,635	6.0
2006	21,791	510,027	23,405	5.9
2007	21,840	525,328	24,053	6.5
2008	21,528	542,139	25,183	8.5
2009	21,375	563,662	26,370	17.0
2010	21,323	575,330	26,982	12.9
2011	20,733	558,415	26,934	10.4
2012	20,672	570,309	27,588	8.4
2013	20,535	606,238	29,522	8.8
2014	20,405	640,187	31,374	6.8

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	2014 Employees	Percentage of Total	2006 Employees	Percentage of Total	2006 Rank
1 Mercy Memorial Hospital	1,738	2.56	1,246	1.63	2
2 DTE Energy	501	0.74	530	0.70	4
3 Gerdau MacSteel	510	0.75	385	0.50	7
4 La-Z-Boy Incorporated	491	0.72	522	0.68	5
5 Monroe Bank & Trust	450	0.66	401	0.53	6
6 County of Monroe	427	0.63	750	0.98	3
7 Backyard Products	210	0.31			
8 City of Monroe	167	0.25	257	0.34	9
9 Pioneer Metal Finishing	150	0.22			
10 SYGMA Network	119	0.18			
Sisters, Servants of the Immaculate Heart of Mary	-	-	265	0.35	8
Monroe Publishing Company	-	-	200	0.26	10
Visteon			1,954	2.56	1

Source: Monroe County Business Development Corporation and Michigan Department of Labor and Economic Growth

City of Monroe, Michigan

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

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	2014
2.00	2.00	2.00	2.00	2.00	2.00
5.00	5.00	5.00	4.00	5.00	4.00
3.00	3.00	3.00	3.00	3.00	3.00
2.00	-	-	-	-	-
3.90	3.90	3.90	3.90	3.90	3.50
2.00	2.00	1.50	1.50	1.50	1.50
9.00	6.50	6.50	6.50	6.50	6.50
1.35	1.35	1.35	1.35	1.35	1.35
2.10	0.10	0.10	0.10	0.10	0.10
38.00	39.00	37.00	40.00	40.00	42.00
6.00	5.00	5.00	5.00	6.00	6.00
31.00	27.00	19.00	16.00	16.00	13.00
-	-	-	-	-	-
2.25	1.25	0.63	0.63	0.63	1.13
4.15	3.90	4.15	4.15	4.15	3.65
27.00	22.50	20.50	19.50	19.50	19.50
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
3.00	2.25	2.75	2.75	2.75	2.75
2.25	2.25	2.13	2.13	2.13	2.13
30.00	28.50	28.50	28.50	28.50	28.50
31.00	26.50	26.50	26.00	26.00	26.00
<u>205.00</u>	<u>182.00</u>	<u>169.50</u>	<u>167.00</u>	<u>169.00</u>	<u>166.60</u>

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	2005	2006	2007	2008
Police:				
Physical arrests	1,406	1,352	1,186	1,101
Traffic citations and warnings	8,185	5,947	5,407	4,562
Original complaints	25,188	23,280	22,273	19,858
Fire:				
Fire incidents	2,837	2,849	3,168	3,165
EMS incidents	2,221	2,220	2,481	2,498
Inspections	460	448	508	470
Code enforcement/administration:				
Building inspections	3,398	3,251	2,635	2,452
Plumbing/Mechanical inspections	964	924	709	1,011
Electrical inspections	862	893	730	1,263
Zoning inspections	1,621	1,609	876	280
Blight violations	290	474	552	197
Rental inspections	N/A	1,017	1,204	1,053
Public works:				
Miles of street resurfaced	1.67	1.98	1.81	1.61
Trees trimmed	2,700	3,200	3,300	600
Trees removed	305	320	275	250
Trees planted	275	300	350	100
Street sweeping curb miles	2,400	2,400	2,400	2,400
Storm sewers replaced (miles)	0.03	0.07	0.02	0.06
Storm sewers installed (miles)	0.10	0.05	-	0.04
Storm sewer miles cleaned	70.00	70.00	75.00	8.00
City property mowing hours	2,950	2,900	2,900	300
Parks and recreation:				
Recreation program attendance	9,319	8,930	5,608	9,844
Park/Shelter reservations	212	259	187	168
Pool admission	2,770	3,112	3,830	3,807
Water:				
Number of customers billed	58,884	59,091	61,394	61,435
New services	335	171	126	110
Average daily consumption (thousands of gallons per day)	6,773	6,998	6,287	6,207
Wastewater - Average daily sewage treatment (thousands of gallons)	11,233	13,999	13,720	15,304

N/A - Not available

**Operating Information
Operating Indicators
Last Ten Fiscal Years**

2009	2010	2011	2012	2013	2014
998	1,039	1,032	1,045	1,089	1,335
3,685	3,471	3,148	2,571	3,549	4,744
19,611	19,075	19,656	17,100	19,581	24,857
781	766	784	697	735	817
2,407	2,360	2,272	2,590	2,533	2,584
200	222	337	300	193	458
2,538	2,186	2,096	2,280	2,376	2,217
751	750	600	585	485	577
607	424	616	516	364	128
152	437	416	486	326	373
159	73	307	1,178	759	968
1,075	1,425	1,096	1,052	1,348	1,327
1.66	2.60	2.16	1.98	1.57	2.65
650	2,000	1,500	1,200	600	250
250	288	215	220	145	130
125	130	125	140	120	120
2,400	2,400	2,400	2,400	2,400	2,400
0.10	0.11	-	0.17	-	-
-	0.01	-	0.05	-	-
10.00	7.00	2.50	1.00	0.50	1
150	290	210	170	150	100
16,393	17,149	20,703	13,388	12,181	18,746
117	82	92	101	85	85
3,613	-	-	3,011	2,465	-
61,595	61,779	61,709	62,202	62,067	63,866
112	35	73	115	121	72
5,978	6,983	7,206	7,197	7,328	7,283
14,081	8,568	12,130	14,094	10,192	7,279

City of Monroe, Michigan

Function/Program	2005	2006	2007	2008	2009
Police:					
Stations	1	1	1	1	1
Patrol units	15	15	15	15	15
Fire:					
Stations	3	3	3	3	2
Fire response vehicles	5	5	5	5	5
Emergency response vehicles	3	3	3	2	2
Public works:					
Streets (miles):					
Major streets	27.58	27.58	28.77	28.77	28.77
Local streets	52.89	53.01	53.33	53.33	53.33
Sidewalks	170.74	170.74	170.74	170.86	170.86
Streetlights	1,564	1,564	1,564	1,564	1,564
Traffic signals	12	13	12	10	10
Parks and recreation:					
Acreage	280	280	280	280	280
Developed parks/playgrounds	32	32	32	32	32
Developed fields (soccer, baseball, etc.)	21	21	21	21	21
Libraries - Branches	2	2	2	2	2
Water:					
Mains (miles)	250	260	262	281	282
Fire hydrants	2,328	2,373	2,373	2,494	2,541
Storage capacity	6.81	6.81	6.81	6.81	6.81
Sewer:					
Miles of sanitary sewers	290	300	303	303	303
Miles of storm sewers	60.81	60.81	60.81	60.81	60.81
Treatment capacity (millions of gallons/day)	32	32	32	32	32

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

2009	2010	2011	2012	2013	2014
1	1	1	1	1	1
15	14	14	14	14	15
2	2	2	2	2	2
5	4	4	4	4	4
2	3	4	4	4	4
28.77	28.6	28.6	28.6	28.6	28.6
53.33	54.12	54.12	54.12	54.12	54.12
170.86	170.86	170.86	170.86	172.25	172.25
1,564	1,564	1,564	1,570	1,582	1,582
10	10	9	9	7	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
282	282	298	298	305	306
2,541	2,640	2,834	2,854	3,295	3,327
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	60.85
32	32	32	32	32	32

City of Monroe, Michigan

**Federal Awards
Supplemental Information
June 30, 2014**

City of Monroe, Michigan

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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 basic 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, 2014 and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated November 18, 2014, which contained an unmodified opinion on the basic financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statement that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited basic financial statements subsequent to November 18, 2014.

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 basic financial statements. The 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plante & Moran, PLLC

Detroit, Michigan
 November 18, 2014



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

We have audited, 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, the basic 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, 2014 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 18, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the basic 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 basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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 City's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

To Management, 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 basic 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*.

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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

Detroit, Michigan
November 18, 2014

Report on Compliance for Each 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 the City of Monroe, Michigan's (the "City") 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, 2014. The 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 the 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, 2014.

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 City'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.

Plant & Moran, PLLC

Detroit, Michigan
November 18, 2014

City of Monroe, Michigan

Schedule of Expenditures of Federal Awards Year Ended June 30, 2014

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-13-MC-26-0041	\$ 565,307
U.S. Department of Justice - Office of Justice Programs: Bulletproof Vest Partnership Program	16.607	None	1,799
Passed through the State of Michigan - Edward Byrne Memorial Justice Grant Program	16.738		<u>329</u>
Total U.S. Department of Justice			2,128
U.S. Department of the Interior - River Raisin National Battlefield Park	15.GA6495-K-0021	GA6495-K-0021	8,948
U.S. Department of Transportation - Rail Line Relocation and Improvement	20.320	FR-LRI-032-12-01-00	247,020
U.S. Environmental Protection Agency: Great Lakes Program:			
Restoring Lake Erie Fish Passage in the River Raisin AOC	66.469	GL-00E00473-0	19,722
Passed through the Michigan Department of Environmental Quality: Restoring Fish Passage in the River Raisin AOC - Phase 2	66.469	100017-11	<u>1,275,355</u>
Total Great Lakes Program			1,295,077
Brownfields Assessment and Cleanup Cooperative Agreements - Passed through the Downriver Community Conference:			
ARRA - Mason Run Property	66.818	2B-00E97201	203,508
Port of Monroe Property	66.818	n/a	<u>327,546</u>
Total Brownfields Assessment and Cleanup Cooperative Agreements			<u>531,054</u>
Total U.S. Environmental Protection Agency			<u>1,826,131</u>
Total federal expenditures			<u>\$ 2,649,534</u>

City of Monroe, Michigan

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2014

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, 2014. 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 the 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 the 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	\$ 23,400

City of Monroe, Michigan

Schedule of Findings and Questioned Costs Year Ended June 30, 2014

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
66.818	Brownfields Assessment and Cleanup Cooperative Agreements

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 (Continued) Year Ended June 30, 2014

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

None