

**City of Monroe, Michigan**  
**2011 – 2012 Fiscal Year**  
**Financial Statements**



# **City of Monroe, Michigan**

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## **Comprehensive Annual Financial Report with Supplemental Information June 30, 2012**

**Mayor**

**Robert E. Clark**

**City Manager**

**George A. Brown**

**City Council**

**Jeffery A. Hensley**

**Jerry McKart**

**Christopher M. Bica**

**Jeremy J. Molenda**

**James R. Kansier**

**Brian P. Benetau**

**Prepared by:**

**Finance Director**

**Edward J. Sell Jr.**

# City of Monroe, Michigan

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# **Introductory Section**

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# CITY OF MONROE

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December 17, 2012

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, 2012. 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 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 2012.

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 1,600. The average annual unemployment rate for the area has averaged 8.91% over the last ten years. The unemployment rate for Monroe County as of June 30, 2012 was 8.4%. The current state of the economy in the State of Michigan in general and legislation being considered to eliminate personal property taxes on most properties are significant factors relating to the City's future financial position.

Building permits for new construction and alterations were valued at approximately \$53.3 million. This represents an increase of 120 percent over the previous five-year average of \$24.2 million and a 45% increase over the previous year. The increase in value was primarily due to a couple of larger commercial projects that

occurred during the year. A history of building permits over the last ten years follows:

<b>Fiscal Year</b>	<b>Number of Permits</b>	<b>Value</b>
2012	899	\$ 53,334,251
2011	883	36,615,861
2010	883	16,737,251
2009	988	23,699,406
2008	827	23,987,130
2007	996	20,060,217
2006	850	9,301,616
2005	1,104	23,508,318
2004	1,332	23,011,761
2003	1,389	29,572,263

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 167 full-time employees. These actions have enabled the City to meet Mayor and Council objectives to sustain capital improvement funding levels, maintain adequate fund reserves and right-size operational overhead.

In recent years, a forecasting process has begun for the General Fund. When a budget is adopted for the upcoming fiscal year, a forecast is done for the following fiscal year. A financial forecast was completed in August 2012 that projected revenues and expenditures through June 30, 2014. The primary factor in completing these forecasts is the accuracy of the projected change in property tax revenues. If property tax revenues remain flat or increase, the City should be able to achieve a balanced budget for the years covered in the forecast. The forecast includes full funding for the City's retiree healthcare liability. Additional information regarding this liability can be found in the Management Discussion and Analysis letter and the Notes to the Financial Statements.

Property taxes represent 73% 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 2011 tax year, covering fiscal 2011-12, the overall taxable value was approximately \$160 million below state equalized value reducing potential tax revenue by approximately \$2.61 million due to the cap, with \$2.23 million of that amount being attributed to general operating purposes. The gap

between taxable value and state equalized valuation increased for the 2011 tax year. The gap was approximately \$100 million for the 2010 tax year covering fiscal year 2010-11.

State shared revenue accounted for approximately 12 percent of the City's General Fund revenue. This revenue was down 1.9 percent from the previous year due to a reduction 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 2011-2012 budget. The following projects were active in 2011-2012:

Local Streets:

- Maple Avenue Resurfacing – Elm to Scottwood
- Reisig Reconstruction – 4th to 7th
- Almyra Resurfacing – 3rd to 1st

Major Streets:

- Elm/Dixie/Winchester Intersection
- Elm East Resurfacing – Monroe to Dixie
- W. Front Resurfacing-Harrison to Monroe

General Capital Projects

- Riverfront Park and Parking Lot Development
- Macomb Street Bridge Reconstruction
- Macomb Street Parking Lot Reconstruction
- River Raisin Dam Removal & Fish Passage Development
- Sterling Island Shoreline Erosion Protection

Water System:

- Water Distribution System Improvements-Phase 2 and 3(Bonded Projects)
- Gee Drive/Glendale Court Water Main
- Head House Gate Valve Replacement
- SCBS service area upgrades

Wastewater System

- Treatment Plant Improvements (Bonded Project)
- Wet Weather Improvements

- Sanitary Sewer Rehabilitations

Major planned projects for fiscal 2012-2013:

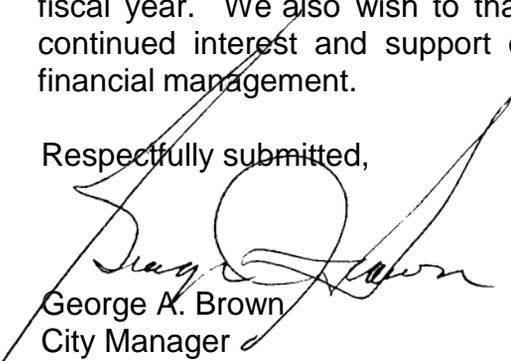
- Arthur Lesow Community Center Building Renovations
- LED Lighting Upgrade for City Hall
- Munson Park Entrance Resurfacing
- MMSC Lighting Upgrade
- Detroit Avenue Reconstruction- Mill to N. Dixie
- N. Dixie Resurfacing- Elm to Spaulding
- Franklin Reconstruction – Kentucky to Winchester
- Noble Reconstruction- Theodore to Telegraph
- Cass Resurfacing – City line to Third
- O'Brien Reconstruction -full length
- Sidewalk Replacement Program
- Alley Reconstruction -Various locations
- Wastewater Plant Wet Weather Improvements
- Sanitary Sewer Rehabilitations
- Water Main Rehabilitations
- 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, 2011. 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.

Lastly, 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

# 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, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



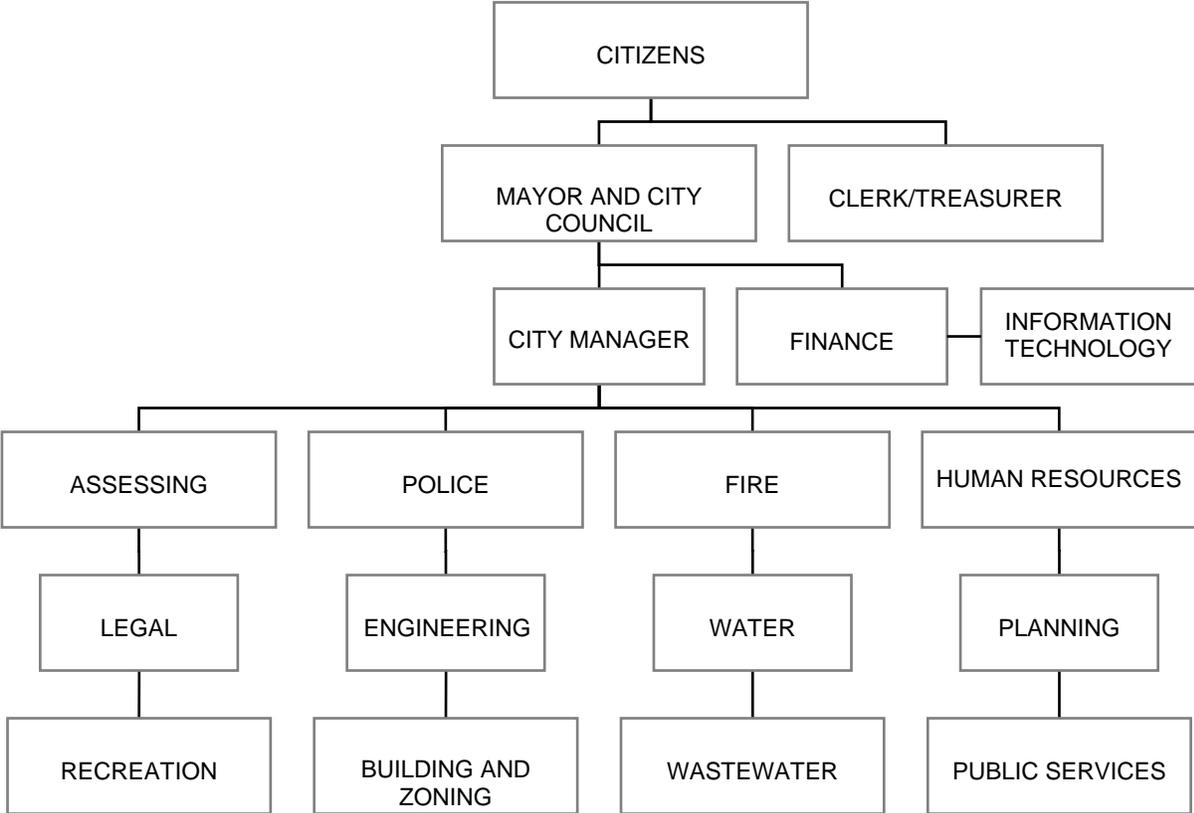
*Linda C. Dandison*

President

*Jeffrey R. Emer*

Executive Director

**CITY OF MONROE, MICHIGAN ORGANIZATIONAL CHART**



**CITY OF MONROE, MICHIGAN**  
List of Principal Officials

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

## **Facts About Monroe**

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

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

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

## **Financial Section**

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## Independent Auditor's Report

To the City Council  
City of Monroe, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Monroe, Michigan (the "City") as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Monroe, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Port of Monroe (a discretely presented proprietary component unit), which reflect total assets of \$5,361,648 at June 30, 2012 and total revenue of \$2,004,529 for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us and, our opinion, insofar as it relates to the amounts included for the Port of Monroe, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Port of Monroe were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, retirement system schedules of funding progress, 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.

To the City Council  
City of Monroe, Michigan

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

The introductory section and statistical section, as identified in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2012 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, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Plante & Moran, PLLC*

December 3, 2012

# 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, 2012:

- Property tax revenue, our largest revenue source, remained level at \$14.0 million. Residential property values have continued to decline, but there have been offsetting industrial and commercial property value increases that caused property tax revenue to remain at the prior year level.
- The shared sales tax portion of state-shared revenue, our second largest revenue source, was reduced by 1.9 percent, or \$33,152 to \$1,752,988. The reduction was primarily due to a reduction in the statutory portion of state revenue sharing. The State of Michigan eliminated statutory revenue sharing and replaced it with the Economic Vitality Incentive Program (EVIP). In the process of doing that, the City's allocation was reduced by 31 percent. The State of Michigan pays revenue sharing to local governments based on its fiscal year, which ends on September 30. The following table displays the revenue sharing paid by the State of Michigan to the City of Monroe, Michigan for the last three State of Michigan fiscal years:

<u>Fiscal Year End</u>	<u>Amount</u>
September 30, 2012	\$1,737,412
September 30, 2011	\$1,770,374
September 30, 2010	\$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 \$168,774 to \$5,639,716. The budget as originally adopted called for a use of fund balance in the amount of \$112,782. A majority of this increase was due to expenditures being less than the amended budget by \$275,719. A significant portion of that amount was due to personnel vacancies in the Police and Fire Department that have not been filled as quickly as planned during the fiscal year. In addition, \$56,348 of that increase amount will be used in the fiscal year ending June 30, 2013 for items encumbered at fiscal year end.
- The value of the land reported as inventory by the General Fund was reduced by \$374,091 due to the continued decline in its market value. It is now reported with a value of \$1,691,625.
- The City has reduced the number of approved full-time positions to 167 from its peak of 258 in fiscal year 2002.

# City of Monroe, Michigan

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## Management's Discussion and Analysis (Continued)

- The City refunded \$1.78 million of a 2005 water fund bond issue by issuing \$1.85 million in refunding bonds at a net interest cost of 2.675 percent and a net present value savings of \$137,413.
- Expenditures related to capital projects totaled \$13.9 million.
- Investment income continued to be weak at \$138,747, declining \$62,294 from the prior fiscal year.
- Total net assets related to the City's governmental activities decreased by \$2,274,035.

### Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

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

# City of Monroe, Michigan

## Management's Discussion and Analysis (Continued)

### The City as a Whole

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

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Assets</b>						
Current assets	\$ 30,518,987	\$ 29,441,019	\$ 10,439,441	\$ 11,076,462	\$ 40,958,428	\$ 40,517,481
Equity in joint ventures	-	-	3,858,955	3,857,759	3,858,955	3,857,759
Restricted assets	3,119,287	717,414	438,751	2,048,222	3,558,038	2,765,636
Capital assets	68,319,640	69,382,626	88,285,088	80,725,248	156,604,728	150,107,874
Total assets	101,957,914	99,541,059	103,022,235	97,707,691	204,980,149	197,248,750
<b>Liabilities</b>						
Current liabilities	19,395,122	18,884,209	4,532,822	3,746,563	23,927,944	22,630,772
Long-term liabilities	17,211,974	13,031,997	31,604,609	27,693,969	48,816,583	40,725,966
Total liabilities	36,607,096	31,916,206	36,137,431	31,440,532	72,744,527	63,356,738
<b>Net Assets</b>						
Invested in capital assets -						
Net of related debt	60,908,779	62,616,606	57,363,383	55,296,917	118,272,162	117,913,523
Restricted	2,074,059	2,017,723	-	-	2,074,059	2,017,723
Unrestricted	2,367,980	2,990,524	9,521,421	10,970,242	11,889,401	13,960,766
Total net assets	<u>\$ 65,350,818</u>	<u>\$ 67,624,853</u>	<u>\$ 66,884,804</u>	<u>\$ 66,267,159</u>	<u>\$ 132,235,622</u>	<u>\$ 133,892,012</u>

The City's combined net assets decreased by 1.2 percent from a year ago - decreasing from \$133.9 million to \$132.2 million. The decrease is minimal but can be attributed to a decrease in the net assets of the City's governmental activities. This is primarily due to a decrease in the amount invested in capital assets. This means that the City reinvested in its capital assets at a level less than the depreciation on them for the year.

As we look at the governmental activities separately from the business-type activities, we can see that unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, decreased by \$622,544 for governmental activities. This represents a decrease of approximately 21 percent. The current level of unrestricted net assets for governmental activities stands at \$2.367 million, or about 10 percent of expenditures. The decrease is primarily due to the increase in the liability for other postemployment benefits (OPEB). The unrestricted portion of the business-type activities net assets also decreased \$1,448,821, or 13.2 percent, due to the increase in the liability for OPEB, due to the use of unrestricted assets for the procurement of capital assets, and due to the recognition of a contingent liability.

# City of Monroe, Michigan

## Management's Discussion and Analysis (Continued)

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

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Net Assets - Beginning</b>						
of year	\$ 67,624,853	\$ 67,947,122	\$ 66,267,159	\$ 64,996,227	\$ 133,892,012	\$ 132,943,349
<b>Revenue</b>						
Program revenue:						
Charges for services	2,165,507	2,039,173	14,466,580	14,260,014	16,632,087	16,299,187
Operating grants and contributions	1,496,086	1,661,693	153,575	146,493	1,649,661	1,808,186
Capital grants and contributions	1,615,645	2,642,646	610,905	336,478	2,226,550	2,979,124
General revenue:						
Property taxes	13,997,518	13,997,910	-	-	13,997,518	13,997,910
State-shared revenue	1,752,988	1,786,140	-	-	1,752,988	1,786,140
Investment income	87,494	127,503	51,253	73,538	138,747	201,041
Cable franchise fees	307,837	303,680	-	-	307,837	303,680
Other miscellaneous income	487,789	604,249	63,896	-	551,685	604,249
Total revenue	21,910,864	23,162,994	15,346,209	14,816,523	37,257,073	37,979,517
<b>Program Expenses</b>						
General government	2,398,403	2,361,273	-	-	2,398,403	2,361,273
Public safety	9,654,009	9,572,617	-	-	9,654,009	9,572,617
Public works	9,825,018	9,131,409	-	-	9,825,018	9,131,409
Community development	601,433	543,634	-	-	601,433	543,634
Culture and recreation	1,406,611	1,534,257	-	-	1,406,611	1,534,257
Interest on long-term debt	299,425	342,073	-	-	299,425	342,073
Water and wastewater	-	-	14,728,564	13,545,591	14,728,564	13,545,591
Total program expenses	24,184,899	23,485,263	14,728,564	13,545,591	38,913,463	37,030,854
<b>Change in Net Assets</b>	(2,274,035)	(322,269)	617,645	1,270,932	(1,656,390)	948,663
<b>Net Assets - End of year</b>	<b>\$ 65,350,818</b>	<b>\$ 67,624,853</b>	<b>\$ 66,884,804</b>	<b>\$ 66,267,159</b>	<b>\$ 132,235,622</b>	<b>\$ 133,892,012</b>

# City of Monroe, Michigan

## Management's Discussion and Analysis (Continued)

Revenue for the City as a whole decreased \$722,444 (1.9 percent). Percentage changes from the prior year in the individual revenue categories were as follows:

Revenue Category	Total		Change +/-	% Change
	2012	2011		
Charges for services	\$ 16,632,087	\$ 16,299,187	\$ 332,900	2.04%
Operating grants and contributions	1,649,661	1,808,186	(158,525)	-8.77%
Capital grants and contributions	2,226,550	2,979,124	(752,574)	-25.26%
Property taxes	13,997,518	13,997,910	(392)	0.00%
State-shared revenue	1,752,988	1,786,140	(33,152)	-1.86%
Investment income	138,747	201,041	(62,294)	-30.99%
Cable franchise fees	307,837	303,680	4,157	1.37%
Other miscellaneous income	551,685	604,249	(52,564)	-8.70%
<b>Total</b>	<b>\$ 37,257,073</b>	<b>\$ 37,979,517</b>	<b>\$ (722,444)</b>	<b>-1.90%</b>

Charges for services revenue increased in governmental activities due to increases in building permit revenue, airport fuel sales, and other miscellaneous increases. Business-type charges for services revenue also increased due to increases in water and sewer rates. Operating grants and contributions decreased primarily due to receipt of a final payment on a CDBG grant that funded downtown improvements in the prior year that did not reoccur. Capital grants and contributions decreased due to the use of over \$1.0 million in federal and state funding for airport improvements that did not reoccur in the 2012 fiscal year. Investment income decreased substantially due to the continued depression of interest rates available for investing.

Program expenses for the City as a whole increased by \$1.883 million (5.08 percent) primarily due to increases in public works and water and wastewater program expenses. Program expenses increased for public works by \$693,609 (7.6 percent). The increase was primarily due to an increased internal service fund allocation. Water and wastewater expenses increased \$1,182,973 (8.7 percent) with the primary reason for the increase being the reversal of bond debt forgiveness that was recorded in the prior year and the recognition of a contingent liability.

The City's total governmental revenue decreased by \$1.252 million (5.4 percent) primarily due to a decrease in capital grant funding that has previously been discussed from the government-wide perspective. Governmental program expenses increased \$699,636 (3.0 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 assets of \$617,645 in the business-type funds. The income was primarily due to increased revenue from water and wastewater services and a focus on reducing costs where possible. The revenue increased due to fee increases implemented July 1, 2011.

The analysis of the City's major funds begins on page 18, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as street maintenance. The City's major funds for the year ended June 30, 2012 were the General Fund, Capital Projects Fund, Wastewater Fund, and the Water Fund.

The General Fund pays for most of the City's governmental services. The most significant are police and fire services, which incurred expenses of approximately \$8.35 million, or 53 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 \$16,757,643, or 1.6 percent, below budget. In addition to this amount, certain items that were budgeted will be expended in future years. A total of \$56,348 was encumbered at the fiscal year end and the budget amount will be transferred to the 2013 fiscal year. A report of the General Fund expenditures follows:

Department	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
City Council	\$ 119,643	\$ 115,498	\$ 112,827	\$ 2,671
City manager	272,783	264,970	262,422	2,548
Finance	419,339	398,056	394,713	3,343
Clerk-Treasurer	453,452	521,271	516,634	4,637
Assessor	360,649	347,645	344,859	2,786
City hall grounds	265,809	234,609	220,873	13,736
Attorney	137,425	136,225	134,044	2,181
Human resources	281,400	322,321	322,299	22
Engineering	286,738	266,580	266,174	406
Police	5,820,531	5,347,562	5,199,727	147,835
Fire	2,903,367	3,173,468	3,132,329	41,139
Zoning/Ordinance enforcement	136,571	136,214	115,109	21,105
Public works - Department of Public Services	1,965,600	1,973,796	1,973,407	389
Community and economic development	246,341	222,872	217,098	5,774
Library	57,500	57,500	57,500	-
Recreation	1,479,836	1,489,466	1,463,381	26,085
Public access T.V.	150,000	154,000	153,918	82
Historic District Commission	2,000	1,300	322	978
Social services	140,000	140,000	140,000	-
Debt service - Principal	111,372	343,595	343,594	1
Debt service - Interest on long-term debt	33,630	33,631	33,630	1
Contingencies	150,000	-	-	-
Other uses - Transfers out	976,649	978,692	978,692	-
Other uses - Loss in fair value of inventory	-	374,091	374,091	-
<b>Total</b>	<b>\$ 16,770,635</b>	<b>\$ 17,033,362</b>	<b>\$ 16,757,643</b>	<b>\$ 275,719</b>

The original budget of \$16,770,635 was increased to \$17,033,362 by fiscal year end. The increase was minimal and was primarily due to increased principal payments on debt due to the early payoff of a loan and the decrease in value of land held as inventory that was greater than anticipated.

# City of Monroe, Michigan

## Management's Discussion and Analysis (Continued)

Revenue was originally budgeted at \$16,657,853. It was amended to \$17,007,374. The increase was primarily due to state-shared revenue being higher than expected. The original budget assumed elimination of the statutory revenue-sharing program. It was ultimately replaced in a smaller amount by the Economic Vitality Incentive Program (EVIP).

Revenue came in under budget by \$80,957, or 0.47 percent. This decrease was primarily due to overestimates on property tax revenue, charges for services, and interest income. All of the overestimates were minor in nature.

The amended budget estimated that fund balance would decline slightly by \$25,988 to \$5,444,954. The actual fund balance increased by \$168,774 to \$5,639,716. The increase will partially be spent in the future on encumbered items. Of the fund balance amount, \$56,348 is assigned for encumbered items, \$181,000 is committed for future funding of police personnel costs when the federal COPS grant funding ends, 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 \$876,267 and prepaid assets which are nonspendable in the amount of \$15,077. When these items are subtracted from the ending fund balance, the amount of the fund balance available for appropriation is \$2,511,024. That amount represents about 14.6 percent of the General Fund budget for fiscal year 2013, which is very close to the level of what is recommended for a financially sound community. The City's goal is to keep fund balance at a level of 15 percent of budgeted expenditures.

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

At the end of 2012, the City had net capital assets of \$156,604,728 invested in a broad range of capital assets, including buildings, roads, police and fire equipment, and water and sewer lines. Debt amounted to \$43,482,017. Capital projects completed or in progress during fiscal year 2012 include continuation of the repaving portions of Elm Street, West Front Street, Detroit Avenue, Reisig Street, Maple Avenue, Riverside Drive, Riverside Court, and others, paving and raising of the Dixie/Elm intersection, Laurel Finzel parking light improvements and renovations, water distribution system improvements, continued sanitary sewer rehabilitation, a facility rehabilitation for the wastewater treatment plant, replacement of various water mains, and many others.

# City of Monroe, Michigan

## Management's Discussion and Analysis (Continued)

The City of Monroe, Michigan had one new debt issue during the 2012 fiscal year and one debt refunding. A capital improvement bond was issued in February 2012 in the face amount of \$4.05 million. A total of \$1.9 million of the bond issue was used for the upgrade and enhancement of the Laurel Finzel Parking Lot. The project was initiated by the Downtown Development Authority (DDA) and that portion of the bond will be repaid by the DDA. The remaining \$2.15 million was issued for the replacement of the Macomb Street Bridge and for the engineering services for the Roessler Street Bridge rehabilitation project. The net interest cost on this issue was 3.103 percent and it is a 20-year repayment schedule. The City refunded a 2005 bond issue that was for water department building improvements. A total of \$1.85 million in bonds was issued to refinance \$1.78 million in prior bonds. The refunded bond had a net interest cost of 2.675 percent and a net present value savings of \$137,413.

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

The City is currently using 44.38 percent of its available debt margin of \$95,923,482. Debt service made up 2.25 percent of total General Fund expenditures for fiscal year 2012. This includes an early payoff of an installment purchase agreement. Without this payoff, the percentage would have been .82 percent. Bonded debt and other long-term obligations were increased by \$6,772,150 during the year due to the new bond issue and the new wastewater SRF bond issue though Monroe County had begun to see drawdowns during the year.

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

# City of Monroe, Michigan

## Management's Discussion and Analysis (Continued)

### Other Significant Matters

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

Year Ended	County	Michigan
<u>June 30</u>	<u>County</u>	<u>Michigan</u>
2012	8.40%	9.20%
2011	10.40%	11.00%
2010	12.90%	13.10%
2009	17.00%	15.40%
2008	8.30%	8.70%
2007	6.50%	7.40%
2006	5.90%	6.50%
2005	5.90%	6.90%
2004	6.90%	7.30%

The county unemployment rate had decreased to 7.1 percent at the end of September 2012.

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 began its first year of operation. River Raisin Battlefield property has recently been transferred to the United States of America and is now an official national park. Gerdau MacSteel has announced plans for significant expansion. Plans are being developed to relocate the La-Z-Boy world headquarters to a different site within the City.

The City's fiscal year 2012-2013 General Fund budget increased slightly when compared to the 2011-2012 budget. The adopted revenue and expenditures for each fiscal year's budget are as follows:

	<u>Originally Adopted General Fund Budget Totals</u>			
	<u>June 30, 2012</u>	<u>June 30, 2013</u>	<u>Increase</u>	<u>% Change</u>
Revenue	\$ 16,657,853	\$ 17,223,840	\$ 565,987	3.40%
Expenditures	16,770,627	17,223,840	453,213	2.70%

# City of Monroe, Michigan

## Management's Discussion and Analysis (Continued)

The 2013 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 2.7 percent primarily due to the City's added funding for postretirement healthcare liability. The City Council approved levying the remaining City operating millage of .5634 mills and dedicated it to funding the liability. If this expenditure was not added into the budget, the expenditure budget would have actually decreased by .20 percent.

The first quarterly review indicates that the budget will need to be amended to account for budget variances in fire department overtime cost and multi-sports complex revenue. The budget primarily funded operations at the same level as 2012. 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 increased to \$3.998 million. The annual required contribution (ARC) for the 2013 fiscal year as calculated by the retiree healthcare systems actuary is \$3.871 million. The City will fully fund the ARC for the first time.

The budget currently funds 167 full-time employees. This is the same as the previous year. Previous full-time employment numbers had exceeded 250. The initial General Fund budget included over \$840,000 budgeted for capital projects. This is an increase from the \$636,000 funded in the prior year when the amount was reduced from previous years due to funding constraints. The 2008 General Fund budget was originally adopted at \$20.5 million. Funding reductions over the years have resulted in budget reductions of almost \$4.0 million.

Due to the general economic downturn, residential property values have continued to decline. For fiscal year 2013, residential taxable values declined another 6.3 percent. Fortunately, commercial and industrial taxable values increased in excess of that amount causing total taxable value to increase by .25 percent. The same thing happened for fiscal year 2012 with a taxable value increase of .41 percent overall. Taxable value decreased 4.3 percent for the 2010 fiscal year and 7.3 percent for fiscal year 2011. Taxable value in the residential sector is expected to remain flat or decline very slightly for fiscal year 2014. 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. The City's pension system contribution for fiscal year 2013 is \$1,351,541 and it will increase to \$1,488,154 for fiscal year 2014. The contribution amount has increased approximately 25 percent since the 2011 fiscal year when the contribution amount was \$1,191,553.

# **City of Monroe, Michigan**

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

The City received an actuarial valuation report for the retiree healthcare system which calculated the annual required contribution (ARC) for fiscal year 2013 at \$3,871,234. The City increased its funding level for the 2013 budget as was previously discussed and currently has \$3,998,189 budgeted toward the ARC for fiscal year 2013. The City has made changes to retiree healthcare benefits that have reduced the overall estimated liability. The present value of future benefit payments was estimated at \$56.1 million in the December 31, 2010 actuarial study. This was reduced from \$78.5 million as calculated in the December 31, 2006 study. The system was 24.1 percent funded as of December 31, 2010, an increase from 15.7 percent in the December 31, 2008 actuarial study. A new actuarial study for the retiree healthcare system will be completed as of December 31, 2012.

As previously mentioned, the National Park Service has accepted the River Raisin Battlefield as a national park. The future development of the park is still in question. The City began rehabilitating the second of three major bridges in the City in 2012 due to a successful millage election. The first bridge was completed in 2011. The other bridge will be rehabilitated over the next two to three years. The bridges are estimated to cost in excess of \$5.0 million to rehabilitate. The first bridge came in under budget by approximately \$500,000 and the millage rate levied for fiscal year 2013 was reduced to .42 mills from the approved amount of .52 mills.

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

### **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 Assets June 30, 2012

	Primary Government		Total	Component Units
	Governmental Activities	Business-type Activities		
<b>Assets</b>				
Cash and investments (Note 3)	\$ 24,569,423	\$ 4,838,600	\$ 29,408,023	\$ 2,593,308
Receivables - Net:				
Property taxes receivable	1,718,365	15,923	1,734,288	25,380
Customer receivables	38,546	2,904,139	2,942,685	18,894
Accrued interest receivable	11,087	2,266	13,353	2,117
Other receivables	581,239	170,321	751,560	-
Due from other governmental units	750,062	109,256	859,318	143,716
Economic development loans	25,000	-	25,000	-
Special assessments receivable	65,566	98,355	163,921	-
Internal balances (Note 6)	(814,278)	814,278	-	-
Inventory	1,755,920	828,767	2,584,687	-
Prepaid expenses and other assets	287,788	194,852	482,640	11,490
Restricted assets (Note 1)	3,119,287	438,751	3,558,038	2,207,440
Investment in joint ventures (Note 11)	-	3,858,955	3,858,955	-
Advances to component units (Note 6)	1,530,269	462,684	1,992,953	-
Capital assets:				
Assets not subject to depreciation (Note 5)	4,938,566	5,606,001	10,544,567	2,612,580
Assets subject to depreciation (Note 5)	63,381,074	82,679,087	146,060,161	714,826
<b>Total assets</b>	<b>101,957,914</b>	<b>103,022,235</b>	<b>204,980,149</b>	<b>8,329,751</b>
<b>Liabilities</b>				
Accounts payable	1,318,166	1,969,576	3,287,742	427,388
Due to other governmental units	1,471	179,688	181,159	-
Refundable deposits, bonds, etc.	-	35,563	35,563	-
Accrued liabilities and other	950,050	382,376	1,332,426	2,914
Deferred revenue (Note 4)	16,181,243	488,741	16,669,984	343,004
Advances from primary government (Note 6)	-	-	-	1,992,953
Noncurrent liabilities:				
Due within one year:				
Compensated absences	154,980	326,878	481,858	-
Current portion of long-term debt (Note 7)	789,212	1,150,000	1,939,212	154,058
Due in more than one year:				
Compensated absences	560,756	-	560,756	-
Environmental liabilities	-	-	-	1,085,039
Net OPEB obligation	5,318,869	1,394,153	6,713,022	-
Long-term debt (Note 7)	11,332,349	30,210,456	41,542,805	2,012,758
<b>Total liabilities</b>	<b>36,607,096</b>	<b>36,137,431</b>	<b>72,744,527</b>	<b>6,018,114</b>
<b>Net Assets</b>				
Invested in capital assets - Net of related debt	60,908,779	57,363,383	118,272,162	3,173,348
Restricted for:				
Streets and highways	1,168,298	-	1,168,298	-
Debt service	62,232	-	62,232	-
Rubbish	255,431	-	255,431	-
Grants	205,391	-	205,391	-
Drug forfeiture	121,920	-	121,920	-
Code enforcement	260,787	-	260,787	-
Restricted land	-	-	-	1,516,041
Unrestricted	2,367,980	9,521,421	11,889,401	(2,377,752)
<b>Total net assets</b>	<b>\$ 65,350,818</b>	<b>\$ 66,884,804</b>	<b>\$ 132,235,622</b>	<b>\$ 2,311,637</b>

# City of Monroe, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 2,398,403	\$ 90,204	\$ -	\$ 5,321
Public safety	9,654,009	336,814	168,344	22,118
Public works	9,825,018	1,103,911	1,327,742	989,962
Community and economic development	601,433	-	-	598,244
Recreation and culture	1,406,611	634,578	-	-
Interest on long-term debt	299,425	-	-	-
Total governmental activities	24,184,899	2,165,507	1,496,086	1,615,645
Business-type activities:				
Water	7,291,792	7,214,309	153,575	421,027
Wastewater	7,436,772	7,252,271	-	189,878
Building Authority	-	-	-	-
Total business-type activities	14,728,564	14,466,580	153,575	610,905
Total primary government	<u>\$ 38,913,463</u>	<u>\$ 16,632,087</u>	<u>\$ 1,649,661</u>	<u>\$ 2,226,550</u>
Component units:				
Downtown Development Authority	\$ 78,350	\$ -	\$ -	\$ -
Brownfield Redevelopment Authority	640,144	-	-	-
Port of Monroe	518,747	105,075	-	1,516,041
Total component units	<u>\$ 1,237,241</u>	<u>\$ 105,075</u>	<u>\$ -</u>	<u>\$ 1,516,041</u>
General revenue:				
Property taxes				
State-shared revenue				
Investment income				
Cable franchise fees				
Other miscellaneous income				
Total general revenue				
<b>Change in Net Assets</b>				
<b>Net Assets - Beginning of year</b>				
<b>Net Assets - End of year</b>				

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (2,302,878)	\$ -	\$ (2,302,878)	\$ -
(9,126,733)	-	(9,126,733)	-
(6,403,403)	-	(6,403,403)	-
(3,189)	-	(3,189)	-
(772,033)	-	(772,033)	-
(299,425)	-	(299,425)	-
(18,907,661)	-	(18,907,661)	-
-	497,119	497,119	-
-	5,377	5,377	-
-	-	-	-
-	502,496	502,496	-
(18,907,661)	502,496	(18,405,165)	-
-	-	-	(78,350)
-	-	-	(640,144)
-	-	-	1,102,369
-	-	-	383,875
13,997,518	-	13,997,518	1,267,277
1,752,988	-	1,752,988	-
87,494	51,253	138,747	26,310
307,837	-	307,837	-
487,789	63,896	551,685	59,202
16,633,626	115,149	16,748,775	1,352,789
(2,274,035)	617,645	(1,656,390)	1,736,664
67,624,853	66,267,159	133,892,012	574,973
<b>\$ 65,350,818</b>	<b>\$ 66,884,804</b>	<b>\$ 132,235,622</b>	<b>\$ 2,311,637</b>

# City of Monroe, Michigan

## Governmental Funds Balance Sheet June 30, 2012

	General Fund	Capital Projects Fund	Nonmajor Funds	Total
<b>Assets</b>				
Cash and investments	\$ 16,470,520	\$ 1,460,860	\$ 4,349,174	\$ 22,280,554
Receivables:				
Property taxes receivable	1,524,615	-	193,750	1,718,365
Special assessments receivable	-	65,566	-	65,566
Customer receivables	10,414	-	28,132	38,546
Accrued interest receivable	7,603	1,175	1,469	10,247
Other receivables	148,442	-	195,074	343,516
Due from other governmental units	337,071	143,403	269,588	750,062
Economic development loans	-	-	25,000	25,000
Due from other funds (Note 6)	-	14,752	38,888	53,640
Real estate inventory	1,691,625	-	-	1,691,625
Prepaid expenses and other assets	15,077	9,140	43,057	67,274
Advance to component unit (Note 6)	-	-	1,530,269	1,530,269
Restricted assets (Note 1)	-	3,119,287	-	3,119,287
	<b>\$20,205,367</b>	<b>\$ 4,814,183</b>	<b>\$ 6,674,401</b>	<b>\$31,693,951</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 348,558	\$ 424,315	\$ 312,743	\$ 1,085,616
Due to other governmental units	-	-	1,471	1,471
Due to other funds (Note 6)	2,703	-	53,768	56,471
Advances from other funds (Note 6)	815,358	-	-	815,358
Accrued liabilities and other	355,336	-	25,807	381,143
Deferred revenue (Note 4)	13,043,696	48,936	3,490,144	16,582,776
	14,565,651	473,251	3,883,933	18,922,835
<b>Fund Balances</b>				
Nonspendable (Note 15)	891,344	9,140	43,057	943,541
Restricted (Note 15)	-	3,119,287	2,074,059	5,193,346
Committed (Note 15)	2,181,000	1,212,505	599,507	3,993,012
Assigned (Note 15)	56,348	-	73,845	130,193
Unassigned (Note 15)	2,511,024	-	-	2,511,024
	5,639,716	4,340,932	2,790,468	12,771,116
Total liabilities and fund balances	<b>\$20,205,367</b>	<b>\$ 4,814,183</b>	<b>\$ 6,674,401</b>	<b>\$31,693,951</b>

# City of Monroe, Michigan

## Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Assets June 30, 2012

<b>Fund Balance Reported in Governmental Funds</b>	\$ 12,771,116
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	67,024,644
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	376,416
Grants and other receivables that are collected after year end, such that they are not available to pay bills outstanding as of year end, are not recognized in the funds	25,566
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(12,017,107)
Accrued interest is not due and payable in the current period and is not reported in the funds	(78,133)
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	(700,945)
Net retiree healthcare obligations do not present a claim on current financial resources and are not reported as fund liabilities	(5,199,705)
Internal service funds are included as part of governmental activities	<u>3,148,966</u>
<b>Net Assets of Governmental Activities</b>	<b><u>\$ 65,350,818</u></b>

# City of Monroe, Michigan

## Governmental Funds

### Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2012

	General Fund	Capital Projects Fund	Nonmajor Funds	Total
<b>Revenue</b>				
Property taxes	\$ 12,288,197	\$ -	\$ 1,685,638	\$ 13,973,835
Licenses and permits	338,152	-	563,978	902,130
Federal grants	162,492	399,331	814,804	1,376,627
State-shared revenue and grants	2,121,689	-	1,873,003	3,994,692
Charges for services	861,435	-	421,613	1,283,048
Fines and forfeitures	64,455	-	15,693	80,148
Investment income	66,450	6,075	12,435	84,960
Rental income	53,060	-	576,310	629,370
Other revenue	68,765	48,534	53,171	170,470
Total revenue	<u>16,024,695</u>	<u>453,940</u>	<u>6,016,645</u>	<u>22,495,280</u>
<b>Expenditures</b>				
Current:				
General government	2,462,672	-	-	2,462,672
Public safety	8,355,139	-	159,964	8,515,103
Public works	1,973,407	2,066,877	4,461,221	8,501,505
Community and economic development	217,098	-	366,631	583,729
Recreation and culture	1,815,121	-	-	1,815,121
Capital outlay	-	306,782	33,202	339,984
Debt service	377,224	-	936,406	1,313,630
Total expenditures	<u>15,200,661</u>	<u>2,373,659</u>	<u>5,957,424</u>	<u>23,531,744</u>
<b>Excess of Revenue Over (Under)</b>				
<b>Expenditures</b>	824,034	(1,919,719)	59,221	(1,036,464)
<b>Other Financing Sources (Uses)</b>				
Face value of debt issue	-	4,050,000	-	4,050,000
Debt premium or discount	-	53,575	-	53,575
Transfers in (Note 6)	-	587,582	846,814	1,434,396
Transfers out (Note 6)	(655,260)	-	(779,136)	(1,434,396)
Total other financing (uses) sources	<u>(655,260)</u>	<u>4,691,157</u>	<u>67,678</u>	<u>4,103,575</u>
<b>Net Change in Fund Balances</b>	168,774	2,771,438	126,899	3,067,111
<b>Fund Balances - Beginning of year</b>	<u>5,470,942</u>	<u>1,569,494</u>	<u>2,663,569</u>	<u>9,704,005</u>
<b>Fund Balances - End of year</b>	<u>\$ 5,639,716</u>	<u>\$ 4,340,932</u>	<u>\$ 2,790,468</u>	<u>\$12,771,116</u>

# City of Monroe, Michigan

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

**Net Change in Fund Balances - Total Governmental Funds** \$ 3,067,111

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	3,836,071
Depreciation expense	(4,877,985)
Special assessment revenue is recorded in the statement of activities when the assessment is set; it is not reported in the funds until collected or collectible within 60 days of year end	35,689
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	(453,850)
Bond proceeds provide financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets	(4,050,000)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	1,147,062
Increase 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	(1,153,361)
Change in accrued interest payable and other	(22,580)
Decrease in accumulated employee sick and vacation pay, as well as estimated general liability claims, are recorded when incurred in the statement of activities	11,158
Internal service funds are included as part of governmental activities	186,650
<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$ (2,274,035)</u></b>

# City of Monroe, Michigan

## Proprietary Funds Statement of Net Assets June 30, 2012

	Enterprise Funds				
	Major Funds		Building Authority - Nonmajor Enterprise	Total	Internal Service Funds
	Wastewater	Water			
<b>Assets</b>					
Current assets:					
Cash and investments	\$ 2,032,967	\$ 2,198,785	\$ 606,848	\$ 4,838,600	\$ 2,288,869
Receivables:					
Property taxes receivable	10,575	5,348	-	15,923	-
Special assessments receivable	-	98,355	-	98,355	-
Customer receivables	1,582,800	1,321,339	-	2,904,139	-
Accrued interest receivable	1,013	632	621	2,266	840
Other receivables	161,834	8,487	-	170,321	237,723
Due from other governmental units	18,988	90,268	-	109,256	-
Due from other funds (Note 6)	-	-	-	-	4,035
Inventory	-	828,767	-	828,767	64,295
Prepaid expenses and other assets	206	194,646	-	194,852	220,514
<b>Total current assets</b>	<b>3,808,383</b>	<b>4,746,627</b>	<b>607,469</b>	<b>9,162,479</b>	<b>2,816,276</b>
Noncurrent assets:					
Restricted assets (Note 1)	-	438,751	-	438,751	-
Advances to other funds (Note 6)	-	815,358	-	815,358	-
Advances to component units (Note 6)	-	462,684	-	462,684	-
Investment in joint ventures (Note 11)	-	3,858,955	-	3,858,955	-
Capital assets (Note 5)	36,386,667	51,544,130	354,291	88,285,088	1,294,996
<b>Total noncurrent assets</b>	<b>36,386,667</b>	<b>57,119,878</b>	<b>354,291</b>	<b>93,860,836</b>	<b>1,294,996</b>
<b>Total assets</b>	<b>40,195,050</b>	<b>61,866,505</b>	<b>961,760</b>	<b>103,023,315</b>	<b>4,111,272</b>
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	1,469,570	500,006	-	1,969,576	232,550
Due to other governmental units	-	179,688	-	179,688	-
Due to other funds (Note 6)	511	569	-	1,080	124
Refundable deposits, bonds, etc.	-	35,563	-	35,563	-
Accrued liabilities and other	150,875	231,501	-	382,376	490,774
Deferred revenue (Note 4)	-	3,585	485,156	488,741	449
Compensated absences	171,887	154,991	-	326,878	14,791
Current portion of long-term debt (Note 7)	495,000	655,000	-	1,150,000	15,407
<b>Total current liabilities</b>	<b>2,287,843</b>	<b>1,760,903</b>	<b>485,156</b>	<b>4,533,902</b>	<b>754,095</b>
Noncurrent liabilities:					
Net OPEB obligation	685,465	708,688	-	1,394,153	119,164
Long-term debt - Net of current portion (Note 7)	15,557,673	14,652,783	-	30,210,456	89,047
<b>Total noncurrent liabilities</b>	<b>16,243,138</b>	<b>15,361,471</b>	<b>-</b>	<b>31,604,609</b>	<b>208,211</b>
<b>Total liabilities</b>	<b>18,530,981</b>	<b>17,122,374</b>	<b>485,156</b>	<b>36,138,511</b>	<b>962,306</b>
<b>Net Assets</b>					
Invested in capital assets - Net of related debt	20,333,994	36,675,098	354,291	57,363,383	1,190,542
Unrestricted	1,330,075	8,069,033	122,313	9,521,421	1,958,424
<b>Total net assets</b>	<b>\$ 21,664,069</b>	<b>\$ 44,744,131</b>	<b>\$ 476,604</b>	<b>\$ 66,884,804</b>	<b>\$ 3,148,966</b>

# City of Monroe, Michigan

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

	Enterprise Funds				
	Major Funds		Building Authority - Nonmajor Enterprise	Total	Internal Service Funds
	Wastewater	Water			
<b>Operating Revenue</b>					
Sale of water	\$ -	\$ 6,516,364	\$ -	\$ 6,516,364	\$ -
Sewage disposal charges	6,772,504	-	-	6,772,504	-
Other charges for services	479,767	697,945	-	1,177,712	231,350
Charges to other funds	-	-	-	-	3,792,443
Total operating revenue	7,252,271	7,214,309	-	14,466,580	4,023,793
<b>Operating Expenses</b>					
Operations and maintenance	1,760,890	1,104,328	-	2,865,218	3,628,217
Direct cost of providing service	4,371,261	4,037,940	-	8,409,201	-
Depreciation	1,025,246	1,304,169	-	2,329,415	208,644
Total operating expenses	7,157,397	6,446,437	-	13,603,834	3,836,861
<b>Operating Income</b>	94,874	767,872	-	862,746	186,932
<b>Nonoperating Revenue (Expenses)</b>					
Investment income	7,016	41,527	2,710	51,253	5,103
Income from joint venture	-	1,196	-	1,196	-
Interest expense	(279,375)	(468,407)	-	(747,782)	(5,385)
Other nonoperating expenses	-	(378,144)	-	(378,144)	-
Federal revenue	-	153,575	-	153,575	-
Other nonoperating general revenue	63,896	-	-	63,896	-
Total nonoperating (expenses) revenue	(208,463)	(650,253)	2,710	(856,006)	(282)
<b>(Loss) Income - Before contributions</b>	(113,589)	117,619	2,710	6,740	186,650
<b>Capital Contributions</b>					
Capital grants	189,878	-	-	189,878	-
Lines donated by developers	-	421,027	-	421,027	-
Total capital contributions	189,878	421,027	-	610,905	-
<b>Change in Net Assets</b>	76,289	538,646	2,710	617,645	186,650
<b>Net Assets - Beginning of year</b>	21,587,780	44,205,485	473,894	66,267,159	2,962,316
<b>Net Assets - End of year</b>	<u>\$ 21,664,069</u>	<u>\$ 44,744,131</u>	<u>\$ 476,604</u>	<u>\$ 66,884,804</u>	<u>\$ 3,148,966</u>

# City of Monroe, Michigan

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

	Enterprise Funds				
	Major Funds				Proprietary Internal Service Fund
	Wastewater	Water	Building Authority	Total	
<b>Cash Flows from Operating Activities</b>					
Receipts from customers	\$ 7,357,210	\$ 6,638,874	\$ -	\$ 13,996,084	\$ 3,817,660
Receipts from interfund services and reimbursements	-	2,719	-	2,719	-
Payments to suppliers	(2,602,841)	(2,863,965)	-	(5,466,806)	(3,257,899)
Payments to employees	(2,408,259)	(2,725,642)	-	(5,133,901)	(298,450)
Other receipts	479,387	697,945	-	1,177,332	229,001
Net cash provided by operating activities	2,825,497	1,749,931	-	4,575,428	490,312
<b>Cash Flows from Noncapital Financing Activities</b>					
Federal revenue	-	153,575	-	153,575	-
Other receipts	63,896	-	-	63,896	-
Net cash provided by noncapital financing activities	63,896	153,575	-	217,471	-
<b>Cash Flows from Capital and Related Financing Activities</b>					
Issuance of bonds	-	2,063,659	-	2,063,659	-
Receipt of capital grants	189,878	-	-	189,878	22,778
Special assessment collections	-	14,483	-	14,483	-
Purchase of capital assets	(2,308,737)	(2,842,391)	-	(5,151,128)	(187,572)
Principal and interest paid on capital debt	(737,483)	(2,882,731)	-	(3,620,214)	(20,076)
Net cash used in capital and related financing activities	(2,856,342)	(3,646,980)	-	(6,503,322)	(184,870)
<b>Cash Flows from Investing Activities</b>					
Interest received on investments	6,433	41,350	2,089	49,872	4,995
Purchase of investment securities	(1,106,735)	(37,488)	-	(1,144,223)	(416,000)
Net cash (used in) provided by investing activities	(1,100,302)	3,862	2,089	(1,094,351)	(411,005)
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	(1,067,251)	(1,739,612)	2,089	(2,804,774)	(105,563)
<b>Cash and Cash Equivalents - Beginning of year</b>	1,451,337	3,740,369	604,759	5,796,465	1,368,432
<b>Cash and Cash Equivalents - End of year</b>	<u>\$ 384,086</u>	<u>\$ 2,000,757</u>	<u>\$ 606,848</u>	<u>\$ 2,991,691</u>	<u>\$ 1,262,869</u>
<b>Balance Sheet Classification of Cash and Cash Equivalents</b>					
Cash and investments	\$ 2,032,967	\$ 2,198,785	\$ 606,848	\$ 4,838,600	\$ 2,288,869
Restricted cash - Unspent bond proceeds	-	438,751	-	438,751	-
Less amounts classified as investments	(1,648,881)	(636,779)	-	(2,285,660)	(1,026,000)
Total cash and cash equivalents	<u>\$ 384,086</u>	<u>\$ 2,000,757</u>	<u>\$ 606,848</u>	<u>\$ 2,991,691</u>	<u>\$ 1,262,869</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, 2012

	Enterprise Funds				
	Major Funds				Proprietary Internal Service Fund
	Wastewater	Water	Building Authority	Total	
<b>Reconciliation of Operating Income to Net Cash from Operating Activities</b>					
Operating income	\$ 94,874	\$ 767,872	\$ -	\$ 862,746	\$ 186,932
Adjustments to reconcile operating income to net cash from operating activities:					
Depreciation and amortization	1,025,246	1,304,169	-	2,329,415	208,644
Changes in assets and liabilities:					
Receivables	584,706	122,510	-	707,216	22,419
Due from others	-	2,719	-	2,719	-
Inventories	-	(73,314)	-	(73,314)	(8,299)
Prepaid and other assets	(206)	(61,331)	-	(61,537)	11,121
Accounts payable	1,077,501	(380,276)	-	697,225	37,214
Due to others	277	315	-	592	-
Accrued and other liabilities	19,260	9,369	-	28,629	33,674
Net OPEB obligation	23,839	57,898	-	81,737	(1,393)
Net cash provided by operating activities	<u>\$ 2,825,497</u>	<u>\$ 1,749,931</u>	<u>\$ -</u>	<u>\$ 4,575,428</u>	<u>\$ 490,312</u>

**Noncash Activity** - During the current year, Monroe County issued bonds for wastewater system improvements on behalf of the City. The City recorded \$4,317,100 as debt and as wastewater capital assets at June 30, 2012. There was an adjustment to the City's Michigan Municipal Bond Authority Drinking Water Revolving Funds debt by \$378,144. There was also \$421,027 in customer water main installations that were recorded as water capital assets and a capital contribution at June 30, 2012.

# City of Monroe, Michigan

## Fiduciary Funds Statement of Fiduciary Net Assets June 30, 2012

	Pension and Other Employee Benefit Trust Funds	Private Purpose Trust Fund - Cemetery	<u>Agency Funds</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 729,369	\$ 371,731	\$ 3,081,956
Investments:			
U.S. government securities	19,240,678	-	-
Stocks	37,130,051	-	-
Foreign stocks	9,139,745	-	-
Bonds	29,187,150	-	-
Mutual funds	32,321,376	-	-
Other investments	3,166,298	-	-
Securities lending - Mutual funds	3,483,704	-	-
Receivables:			
Interest	377,185	-	-
Other receivables	-	7,985	-
Due from other governmental units	33,360	-	-
Other assets	-	-	1,523,836
	<u>134,808,916</u>	<u>379,716</u>	<u>\$ 4,605,792</u>
<b>Liabilities</b>			
Accounts payable	658,757	3,212	\$ 102,409
Due to other governmental units	-	-	4,487,650
Accrued liabilities and other	-	-	15,733
Obligations under securities lending agreements	3,639,541	-	-
	<u>4,298,298</u>	<u>3,212</u>	<u>\$ 4,605,792</u>
<b>Net Assets</b> - Held in trust for pension, other employee benefits, and cemetery operations	<u>\$ 130,510,618</u>	<u>\$ 376,504</u>	

# City of Monroe, Michigan

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

	Pension and Other Employee Benefit Trust Funds	Private Purpose Trust Fund - Cemetery
<b>Additions</b>		
Investment income (loss):		
Interest and dividends	\$ 2,760,763	\$ 37
Net decrease in fair value of investments	(1,565,849)	(3,379)
Investment-related expenses	(759,318)	-
Net investment income (loss)	435,596	(3,342)
Securities lending income	13,495	-
Contributions:		
Employer	4,776,494	-
Employee	465,718	-
Total contributions	5,242,212	-
General Fund contribution	-	25,000
Charges for services	-	16,848
Total additions	5,691,303	38,506
<b>Deductions</b>		
Benefit payments	10,645,765	-
Refunds of contributions	258,443	-
Administrative expenses	138,145	38,237
Total deductions	11,042,353	38,237
<b>Net (Decrease) Increase in Net Assets Held in Trust</b>	(5,351,050)	269
<b>Net Assets - Beginning of year</b>	135,861,668	376,235
<b>Net Assets - End of year</b>	<b>\$ 130,510,618</b>	<b>\$ 376,504</b>

# City of Monroe, Michigan

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

	Port of Monroe	Downtown Development Authority	Brownfield Redevelopment Authority	Total
<b>Assets</b>				
Cash and investments	\$ 319,554	\$ 519,202	\$ 1,754,552	\$ 2,593,308
Receivables:				
Property taxes receivable	25,380	-	-	25,380
Customer receivables	18,894	-	-	18,894
Accrued interest receivable	-	408	1,709	2,117
Due from other governmental units	143,716	-	-	143,716
Prepaid expenses and other assets	10,657	833	-	11,490
Restricted assets	1,516,041	-	691,399	2,207,440
Capital assets	3,327,406	-	-	3,327,406
Total assets	5,361,648	520,443	2,447,660	8,329,751
<b>Liabilities</b>				
Accounts payable	45,307	1,219	380,862	427,388
Accrued liabilities and other	2,914	-	-	2,914
Deferred revenue	342,355	-	649	343,004
Advances from primary government	-	-	1,992,953	1,992,953
Noncurrent liabilities:				
Due within one year -				
Current portion of long-term debt	154,058	-	-	154,058
Due in more than one year:				
Environmental liabilities	1,085,039	-	-	1,085,039
Long-term debt	-	-	2,012,758	2,012,758
Total liabilities	1,629,673	1,219	4,387,222	6,018,114
<b>Net Assets (Deficit)</b>				
Invested in capital assets - Net of related debt	3,173,348	-	-	3,173,348
Restricted land	1,516,041	-	-	1,516,041
Unrestricted	(957,414)	519,224	(1,939,562)	(2,377,752)
Total net assets (deficit)	<u>\$ 3,731,975</u>	<u>\$ 519,224</u>	<u>\$ (1,939,562)</u>	<u>\$ 2,311,637</u>

# City of Monroe, Michigan

Functions/Programs	Expenses	Program Revenue	
		Charges for Services	Capital Grants and Contributions
Governmental activities:			
Downtown Development Authority - Public Works	\$ 78,350	\$ -	\$ -
Brownfield Redevelopment Authority:			
Public works	458,649	-	-
Debt service	181,495	-	-
Total Brownfield Redevelopment Authority	640,144	-	-
Business-type activities - Port of Monroe - Public Works	518,747	105,075	1,516,041
Total component units	<b>\$ 1,237,241</b>	<b>\$ 105,075</b>	<b>\$ 1,516,041</b>
General revenue:			
Property taxes			
Investment income			
Other miscellaneous income			
Total general revenue			
<b>Change in Net Assets</b>			
<b>Net Assets (Deficit) - Beginning of year</b>			
<b>Net Assets (Deficit) - End of year</b>			

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

Net (Expense) Revenue and Changes in Net Assets			
Downtown Development Authority	Brownfield Redevelopment Authority	Port of Monroe	Total
\$ (78,350)	\$ -	\$ -	\$ (78,350)
-	(458,649)	-	(458,649)
-	(181,495)	-	(181,495)
-	(640,144)	-	(640,144)
-	-	1,102,369	1,102,369
(78,350)	(640,144)	1,102,369	383,875
230,414	712,678	324,185	1,267,277
19,763	6,521	26	26,310
-	-	59,202	59,202
250,177	719,199	383,413	1,352,789
171,827	79,055	1,485,782	1,736,664
347,397	(2,018,617)	2,246,193	574,973
<b>\$ 519,224</b>	<b>\$ (1,939,562)</b>	<b>\$ 3,731,975</b>	<b>\$ 2,311,637</b>

### Note I - Nature of Business and Significant Accounting Policies

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

#### **Reporting Entity**

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

#### **Blended Component Units**

The City Building Authority (not associated with the Building Authority enterprise fund) is governed by a board that is appointed by the mayor and City Council. Although it is legally separate from the City, it is reported as if it were part of the primary government because its primary purpose is to finance and construct the City's public buildings.

#### **Discretely Presented Component Units**

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

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

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

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

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

#### **Government-wide and Fund Financial Statements**

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

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

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

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

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes susceptible to accrual - that is, when it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Revenue susceptible to accrual includes property taxes, intergovernmental revenue, special assessments, licenses, charges for services, and interest. All other revenue items are considered to be available only when cash is received by the City. The August state-shared revenue payment, which relates to May and June sales tax receipts, has historically been recorded as deferred revenue as it was not received within 60 days of year end. Recent history has been that the payment is now received within 60 days of year end, so the City recorded this as revenue in the General Fund at June 30, 2012, and will use this accounting practice going forward. This resulted in one additional state-shared revenue payment recorded as revenue in the General Fund in 2012.

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

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

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

#### **Fund Descriptions**

The City reports the following major governmental funds:

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

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

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

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

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

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

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

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

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

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

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

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

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

#### **Assets, Liabilities, and Net Assets or Equity**

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

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

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

Property taxes billed each May will be used to finance the following year's operations. As such, these taxes are recorded as deferred revenue in each respective fund at June 30, 2012. The 2011 taxable valuation of the City totaled \$876,078,390, on which ad valorem taxes levied consisted of 13.726 mills for the City's operating purposes, 1.448 mills for refuse, and .520 mills for bridge repairs and rehabilitation. The ad valorem taxes raised \$11,625,000 for operations, \$1,226,000 for refuse, and \$440,000 for bridge repairs and rehabilitation. These amounts are recognized in the General Fund, Rubbish, Garbage, and Recycling Fund, and Debt Service Fund, respectively, as tax revenue.

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

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

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

**Restricted Assets** - Restricted assets in the capital projects fund represent cash from unspent bond proceeds from the 2010 and 2012 Capital Improvement Bonds. The cash is restricted for specific capital improvements.

Restricted assets in the Water Fund represent cash from unspent bond proceeds from the 2010 Capital Improvement Bonds. The cash is restricted for specific capital improvements.

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

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

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

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

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

**Compensated Absences (Vacation and Sick Leave)** - It is the City's policy to permit employees to accumulate earned but unused vacation pay benefits. The City also pays out one-half of an employee's unused sick leave on an annual basis. There is a liability for a portion of the unpaid accumulated sick leave since the City has a policy to pay one-half of an employee's unused sick leave when the employee retires, although this benefit was phased out for all employee groups during the year ended June 30, 2011. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

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

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

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

- **Nonspendable:** Amounts that are not in spendable form or are legally or contractually required to be maintained intact
- **Restricted:** Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose

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

- Committed: Amounts that have been formally set aside by the City Council for use for specific purposes. Commitments are made and can be rescinded only via resolution of the City Council.
- Assigned: Intent to spend resources on specific purposes expressed by the City Council
- Unassigned: Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

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

**Reclassifications** - Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

### **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.

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

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.

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, 2012 was \$56,348 in the General Fund and \$199,789 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.

**Excess of Expenditures Over Appropriations in Budgeted Funds** - During the year, the City incurred expenditures in excess of amounts budgeted in the Airport Fund in the amount of \$34,025.

# City of Monroe, Michigan

## Notes to Financial Statements June 30, 2012

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

**Fund Deficits** - For the year ended June 30, 2012, the Brownfield Redevelopment Authority Fund has a deficit in unrestricted net assets of \$1,939,562 on a full accrual basis but has a fund balance of \$2,065,211 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, 2012, the Port of Monroe has an unrestricted net asset deficit of \$957,414. 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 Assets of Internal Service Funds** - Certain net assets of internal service funds have been assigned by management for the following purposes:

Insurance	\$ 676,432
Employee benefits	600,373

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

### Note 3 - Deposits and Investments

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

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

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

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.

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, 2012 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, 2012, 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, 2012 were \$3,483,702 and \$3,617,418, respectively.

# City of Monroe, Michigan

## Notes to Financial Statements June 30, 2012

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

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

**Custodial Credit Risk of Bank Deposits** - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$15,961,000 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 \$13,346,265 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	\$ 22,203,581	\$ 12,961,881	\$ 5,525,917	\$ 3,715,783
Foreign bonds	3,042,334	1,629,893	1,412,441	-
Corporate bonds	26,144,815	11,848,396	10,361,952	3,934,467

# City of Monroe, Michigan

## Notes to Financial Statements June 30, 2012

### 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	\$ 4,951,304	S&P	AAA
Bank investment pool	3,114,040	N/A	N/R
Corporate bonds	2,184,167	S&P	AAA
Corporate bonds	238,085	S&P	AA+
Corporate bonds	3,897,067	S&P	AA
Corporate bonds	284,682	S&P	AA-
Corporate bonds	189,005	S&P	A+
Corporate bonds	7,501,193	S&P	A
Corporate bonds	764,032	S&P	A-
Corporate bonds	93,993	S&P	BBB+
Corporate bonds	7,756,490	S&P	BBB
Corporate bonds	364,938	S&P	BB
Corporate bonds	2,871,163	S&P	NR
Foreign bonds	116,197	S&P	AAA
Foreign bonds	524,605	S&P	AA
Foreign bonds	190,781	S&P	AA-
Foreign bonds	1,334,222	S&P	A
Foreign bonds	95,525	S&P	A-
Foreign bonds	579,154	S&P	BBB
Foreign bonds	94,747	S&P	BBB-
Foreign bonds	107,104	S&P	BB

**Foreign Currency Risk** - Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. The Pension System and Retiree Healthcare Fund restrict the amount of investments in foreign currency-denominated investments to 5 percent of total investments. At June 30, 2012, the Pension System and Retiree Healthcare Fund had \$3,042,334 invested in foreign bonds and \$9,139,745 invested in foreign stock that were not denominated in U.S. currency.

# City of Monroe, Michigan

## Notes to Financial Statements June 30, 2012

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

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

### Note 4 - Deferred Revenue

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

	Governmental Funds		Business-type Unearned
	Unavailable	Unearned	
Unspent grant proceeds	\$ -	\$ -	\$ 488,741
Property taxes for subsequent year's operations	-	14,560,053	-
Revolving loan	-	1,620,741	-
Grants receivable	25,566	-	-
Special assessments and delinquent property taxes	376,416	-	-
Total deferred revenue	<u>\$ 401,982</u>	<u>\$ 16,180,794</u>	<u>\$ 488,741</u>

In addition, the Port of Monroe, a component unit of the City, has \$342,355 of deferred revenue related to unearned property taxes and rental income.

# City of Monroe, Michigan

## Notes to Financial Statements June 30, 2012

### Note 5 - Capital Assets

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

	Balance July 1, 2011	Additions	Disposals	Balance June 30, 2012
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 3,094,015	\$ 53,278	\$ -	\$ 3,147,293
Construction in progress	-	1,791,273	-	1,791,273
Subtotal	3,094,015	1,844,551	-	4,938,566
Capital assets being depreciated:				
Roads and sidewalks	123,985,573	1,648,380	-	125,633,953
Buildings and improvements	15,902,952	261,931	-	16,164,883
Equipment	8,588,901	227,302	(46,148)	8,770,055
Land improvements	3,021,039	41,479	-	3,062,518
Subtotal	151,498,465	2,179,092	(46,148)	153,631,409
Accumulated depreciation:				
Infrastructure	70,861,954	4,176,233	-	75,038,187
Buildings and improvements	5,988,187	344,454	-	6,332,641
Equipment	7,162,902	422,552	(46,148)	7,539,306
Land improvements	1,196,811	143,390	-	1,340,201
Subtotal	85,209,854	5,086,629	(46,148)	90,250,335
Net capital assets being depreciated	66,288,611	(2,907,537)	-	63,381,074
Net capital assets	<u>\$ 69,382,626</u>	<u>\$ (1,062,986)</u>	<u>\$ -</u>	<u>\$ 68,319,640</u>

# City of Monroe, Michigan

## Notes to Financial Statements June 30, 2012

### Note 5 - Capital Assets (Continued)

	Balance July 1, 2011	Additions	Disposals	Balance June 30, 2012
<b>Business-type Activities</b>				
Capital assets not being depreciated:				
Land	\$ 367,931	\$ -	\$ -	\$ 367,931
Construction in progress	-	5,238,070	-	5,238,070
Subtotal	367,931	5,238,070	-	5,606,001
Capital assets being depreciated:				
Water and sewer distribution systems	69,294,233	4,355,161	-	73,649,394
Buildings and improvements	37,184,965	37,726	-	37,222,691
Machinery and equipment	18,418,015	258,298	-	18,676,313
Vehicles	1,384,488	-	-	1,384,488
Land improvements	467,626	-	-	467,626
Subtotal	126,749,327	4,651,185	-	131,400,512
Accumulated depreciation:				
Water and sewer distribution systems	14,823,703	1,101,951	-	15,925,654
Buildings and improvements	14,451,575	738,112	-	15,189,687
Machinery and equipment	15,923,491	349,096	-	16,272,587
Vehicles	835,099	132,137	-	967,236
Land improvements	358,142	8,119	-	366,261
Subtotal	46,392,010	2,329,415	-	48,721,425
Net capital assets being depreciated	80,357,317	2,321,770	-	82,679,087
Net capital assets	\$ 80,725,248	\$ 7,559,840	\$ -	\$ 88,285,088

# City of Monroe, Michigan

## Notes to Financial Statements June 30, 2012

### Note 5 - Capital Assets (Continued)

	Balance July 1, 2011	Additions	Disposals	Balance June 30, 2012
<b>Component Units</b>				
Capital assets not being depreciated:				
Land	\$ 1,639,813	\$ -	\$ -	\$ 1,639,813
Site improvements	363,697	-	-	363,697
Earthen dikes	321,061	-	-	321,061
Rental buildings	235,739	-	-	235,739
Construction in progress	37,120	48,923	(33,773)	52,270
Subtotal	2,597,430	48,923	(33,773)	2,612,580
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	92,508	3,365	-	95,873
Subtotal	2,764,335	3,365	-	2,767,700
Accumulated depreciation:				
Road and site improvement	465,991	28,925	-	494,916
Railroad siding	171,686	5,706	-	177,392
Wharf	219,934	2,335	-	222,269
Dredging	374,445	-	-	374,445
Leachate collection system	27,467	2,308	-	29,775
Rental buildings	286,089	1,914	-	288,003
Office building	367,582	10,389	-	377,971
Furniture and equipment	84,997	3,106	-	88,103
Subtotal	1,998,191	54,683	-	2,052,874
Net capital assets being depreciated	766,144	(51,318)	-	714,826
Net capital assets	\$ 3,363,574	\$ (2,395)	\$ (33,773)	\$ 3,327,406

# City of Monroe, Michigan

## Notes to Financial Statements June 30, 2012

### Note 5 - Capital Assets (Continued)

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

Governmental activities:

General government	\$ 154,604
Public safety	199,981
Public works	4,189,749
Recreation and culture	333,651
Internal service fund depreciation is charged to the various functions based on their usage of the asset	<u>208,644</u>

Total governmental activities \$ 5,086,629

Business-type activities:

Water	\$ 1,304,169
Wastewater	<u>1,025,246</u>

Total business-type activities \$ 2,329,415

Component unit activities - Port of Monroe \$ 54,683

# City of Monroe, Michigan

## Notes to Financial Statements June 30, 2012

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

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
<b>Due to/from Other Funds</b>		
Capital Projects Fund	Nonmajor governmental fund - Grants Fund	\$ 14,752
Nonmajor governmental Fund - Local Streets Fund	Nonmajor governmental fund - Major Streets Fund	38,888
Internal service fund - Employee Benefit Fund	General Fund	2,703
	Nonmajor governmental funds:	
	Parking Meter Fund	18
	Building Safety Fund	98
	Airport Fund	12
	Business-type funds:	
	Wastewater Fund	511
	Water Fund	569
	Internal service funds:	
	Information System Fund	4
	Stores and Equipment Fund	120
	Total internal service fund - Employee Benefit Fund	4,035
	Total interfund activity	\$ 57,675
Receivable Fund	Payable Fund	Amount
<b>Advances from/to Other Funds</b>		
Water Fund	General Fund	\$ 815,358

# City of Monroe, Michigan

## Notes to Financial Statements June 30, 2012

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

Receivable Fund	Payable Fund	Amount
<b>Advances Due to/from Primary Government and Component Units</b>		
Nonmajor governmental fund - Economic Development Fund	Component unit - Brownfield Redevelopment Authority	\$ 1,530,269
Business-type fund - Water Fund	Component unit - Brownfield Redevelopment Authority	<u>462,684</u>
	Total	<u>\$ 1,992,953</u>

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

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

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

Fund Transferred From	Fund Transferred To	Amount
General Fund	Capital Projects Fund	\$ 143,100
	Nonmajor governmental funds (1)	493,000
	Nonmajor governmental funds (2)	<u>19,160</u>
	Total General Fund	655,260
Nonmajor governmental funds	Capital Projects Fund	444,482
	Nonmajor governmental funds (1)	<u>334,654</u>
	Total nonmajor governmental funds	<u>779,136</u>
	Total transfers	<u>\$ 1,434,396</u>

(1) Transfer for capital improvements

(2) Transfer for debt service

### 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
<b>Governmental Activities</b>							
General obligation bonds:							
MDEQ Site Revitalization Loan - \$1,000,000 - Maturing through 2015	2.25%	\$94,811 - \$101,356	\$ 383,607	\$ -	\$ 92,725	\$ 290,882	\$ 94,811
MDEQ Site Revitalization Loan - Mason Run - \$800,000 - Maturing through 2021	2%	\$67,057 - \$78,568	719,860	-	65,742	654,118	67,057
MDEQ Brownfield Development Loan - Battlefield - \$763,510 - Maturing through 2023	2%	\$53,121 - \$64,754	646,413	-	-	646,413	64,754
2005 Monroe Building Authority Refunding Bonds - \$5,400,000 - Maturing through 2024	3.25% - 4.375%	\$285,000 - \$450,000	4,705,000	-	280,000	4,425,000	285,000
2010 Capital Improvement Bonds - \$2,500,000 - Maturing through 2030	1.60% - 5.40%	\$150,000 - \$395,000	2,105,000	-	365,000	1,740,000	150,000
2012 Capital Improvement Bonds - \$4,050,000 - Maturing through 2032	2.25% - 3.5%	\$90,000 - \$330,000	-	4,050,000	-	4,050,000	90,000
Total bond obligations			8,559,880	4,050,000	803,467	11,806,413	751,622
Installment purchase obligations:							
HVAC installment purchase - \$439,400 - Maturing through 2017	4.44%		286,131	-	286,131	-	-
Pumper truck installment purchase - \$167,510 - Maturing through 2012	4.19%		36,307	-	36,307	-	-
Equipment installment purchase - \$159,230 - Maturing through 2018	4.90%	\$15,407 - \$19,542	119,145	-	14,691	104,454	15,407
Various City facility improvements - \$253,005 - Maturing through 2020	4.85%	\$22,183 - \$30,903	231,851	-	21,157	210,694	22,183
Total installment purchase obligations			673,434	-	358,286	315,148	37,590
Compensated absences			727,040	146,053	157,357	715,736	154,980
Total governmental activities			\$ 9,960,354	\$ 4,196,053	\$ 1,319,110	\$ 12,837,297	\$ 944,192

# City of Monroe, Michigan

## Notes to Financial Statements June 30, 2012

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

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-type Activities</b>							
2005 General Obligation Unlimited Capital Improvement Bonds - \$2,385,000 - Maturing through 2025			\$ 1,875,000	\$ -	\$ 1,875,000	\$ -	\$ -
2008 General Obligation Water Meter Shop Bonds - \$6,360,000 - Maturing through 2028	3.25%- 4.5%	\$255,000- \$505,000	6,030,000	-	245,000	5,785,000	255,000
MDEQ Clean Water State Revolving Funds (through County of Monroe) - \$12,000,000 - Maturing through 2030	2.50%	\$495,000- \$550,000	11,535,000	-	480,000	11,055,000	495,000
Michigan Municipal Bond Authority Drinking Water Revolving Funds - \$3,051,000 - Maturing through 2030	2.50%	\$125,000- \$190,000	1,770,980	591,803	125,000	2,237,783	125,000
2010 Capital Improvement Bonds - \$5,735,000 - Maturing through 2030	1.60%- 5.40%	\$155,000- \$705,000	5,585,000	-	150,000	5,435,000	155,000
MDEQ Sewage Disposal System Bonds (through County of Monroe) - \$9,115,000 - Maturing through 2033	2.50%	\$341,767 - \$545,000	680,573	4,317,100	-	4,997,673	-
2012 General Obligation Limited Tax Refunding Bonds - \$1,850,000 - Maturing through 2025	.55% - 3.50%	\$120,000 - \$165,000	-	1,850,000	-	1,850,000	120,000
<b>Total</b>			<b>\$ 27,476,553</b>	<b>\$ 6,758,903</b>	<b>\$ 2,875,000</b>	<b>\$ 31,360,456</b>	<b>\$ 1,150,000</b>

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

Years Ending June 30	Governmental Activities			Business-type Activities		
	Principal	Interest - Net of Subsidy	Total	Principal	Interest - Net of Subsidy	Total
2013	\$ 789,212	\$ 412,134	\$ 1,201,346	\$ 1,150,000	\$ 1,078,545	\$ 2,228,545
2014	767,880	376,878	1,144,758	1,521,767	1,039,118	2,560,885
2015	774,406	353,480	1,127,886	1,560,000	995,058	2,555,058
2016	699,767	329,685	1,029,452	1,600,000	945,614	2,545,614
2017	729,402	306,761	1,036,163	1,650,000	896,787	2,546,787
2018-2022	3,987,411	1,139,766	5,127,177	8,960,000	3,672,737	12,632,737
2023-2027	2,768,484	490,578	3,259,062	9,713,689	2,096,988	11,810,677
2028-2037	1,604,999	142,358	1,747,357	5,205,000	575,587	5,780,587
<b>Total</b>	<b>\$ 12,121,561</b>	<b>\$ 3,551,640</b>	<b>\$ 15,673,201</b>	<b>\$ 31,360,456</b>	<b>\$ 11,300,434</b>	<b>\$ 42,660,890</b>

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 2012 was \$446,043 and the subsidy received was \$200,719, bringing the interest, net of subsidy, to \$245,324.

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

The Brownfield Redevelopment Authority has committed to repaying the Downriver Community Conference the principal of \$1,250,000 without interest related to a Brownfield Cleanup Revolving Loan advance that the Authority received for rehabilitation of a contaminated site. The advance will be repaid over a period of 15 years. No payments are due in the first five years. The advance will be repaid with tax captures. The balance on the advance at June 30, 2012 is \$1,012,758, with the advance projected to be completely repaid by February 28, 2023. The remaining \$237,242 of the total \$1,250,000 is not expected to be drawn down as the project is completed.

The Brownfield Redevelopment Authority has committed to repaying the State of Michigan Department of Environmental Quality the principal of \$1,000,000 with 1.5 percent interest related to a Clean Michigan Initiative Brownfield Redevelopment Loan that the Authority received for redevelopment of a contaminated site. The loan will be repaid over a period of 11 years. No payments are due in the first four years. The loan will be repaid with tax captures. The balance on the loan at June 30, 2012 is \$1,000,000.

In June 2012, the Port of Monroe renewed a promissory note in the amount of \$154,058. The note provides for monthly principal and interest payments of \$963 and matures on June 20, 2013 and for one final balloon payment for the unpaid principal and interest.

#### **Defeased Debt**

During the year, the City issued \$1,850,000 in general obligation limited tax refunding bonds with an interest rate ranging from .55 percent to 3.5 percent. The proceeds of these bonds were used to refund \$1,780,000 of outstanding general obligation unlimited capital improvement bonds with an interest rate ranging from 3.75 percent to 4.25 percent. The net proceeds of \$1,815,932 (after payment of \$34,068 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent and were used to pay off the original bonds during the fiscal year. The current refunding reduced total debt service payments over the next 13 years by \$157,143, which represents an economic gain of \$137,413.

### **Note 8 - Risk Management**

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City participates in the Michigan Municipal League risk pool for claims related to general liability; the City is self-insured for workers' compensation and medical benefits and limits its risk with excess insurance for workers' compensation and stop-loss insurance for medical benefits.

### Note 8 - Risk Management (Continued)

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

The City estimates the liability for workers' compensation and medical benefits that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported, which includes estimates of both future payments of losses and related claim adjustment expense, both allocated and unallocated. The liability is based on individual claims and management's evaluation of experience with respect to the probable number and nature of claims. Any adjustments resulting from the settlement of losses will be reflected in earnings at the time the adjustments are determined. These liabilities are all considered to be current and are recorded in the Employee Benefit Internal Service Funds and within the Retiree Health Care Employee Benefit Trust Fund. Changes in the estimated liability for the past two fiscal years were as follows:

	<u>2012</u>	<u>2011</u>
Unpaid claims - Beginning of year	\$ 652,077	\$ 704,003
Incurred claims, including claims incurred but not reported	4,763,138	4,932,174
Claim payments	<u>(4,726,301)</u>	<u>(4,984,100)</u>
Unpaid claims - End of year	<u>\$ 688,914</u>	<u>\$ 652,077</u>

### Note 9 - Defined Benefit Pension Plan

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

At December 31, 2011, the date of the most recent actuarial valuation, membership consisted of 263 retirees and beneficiaries currently receiving benefits, 17 terminated employees entitled to benefits but not yet receiving them, and 157 current active employees. The plan does not issue a separate financial report.

### Note 9 - Defined Benefit Pension Plan (Continued)

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

All plan investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price on June 30, 2012. Securities without an established market are reported at estimated fair value.

**Annual Pension Cost** - The annual contribution for the year ended June 30, 2012 was \$1,274,568. The annual required contribution was determined based on the actuarial valuation at December 31, 2009 using the entry actuarial age cost method. Significant actuarial assumptions used include (a) a 7.5 percent investment rate of return, (b) projected salary increases of 3.5 percent per year, (c) additional salary increases of 0 percent to 3 percent related to merit and/or longevity, and (d) 2 percent to 3 percent per year cost-of-living adjustments (depending on bargaining unit). Both (a) and (b) are determined using techniques that smooth the effects of short-term volatility over a seven-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three-year trend information as of June 30 follows:

	Fiscal Year Ended June 30		
	2012	2011	2010
Annual pension cost (APC)	\$ 1,274,568	\$ 1,191,553	\$ 1,483,539
Percentage of APC contributed	100.0 %	100.0 %	100.0 %
Net pension obligation	\$ -	\$ -	\$ -

### Note 9 - Defined Benefit Pension Plan (Continued)

**Funded Status and Funding Progress** - As of December 31, 2011, the most recent actuarial valuation date, the plan was 101.7 percent funded. The actuarial accrued liability for benefits was \$128,991,000 and the actuarial value of assets was \$131,234,000, resulting in an overfunded actuarial accrued liability of \$2,243,000. The covered payroll (annual payroll for active employees covered by the plan) was \$9,637,000 and the ratio of the overfunded actuarial accrued liability to the covered payroll was 23.3 percent.

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

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

Reserve for employees' contributions	\$ 9,293,569
Reserve for retired benefit payments	90,370,043

### Note 10 - Other Postemployment Benefits

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

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

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

# City of Monroe, Michigan

## Notes to Financial Statements June 30, 2012

### Note 10 - Other Postemployment Benefits (Continued)

**Funding Progress** - For the year ended June 30, 2012, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2008. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 4,698,863
Interest on the prior year's net OPEB obligation	382,178
Less adjustment to the annual required contribution	<u>(325,794)</u>
Annual OPEB cost	4,755,247
Amounts contributed:	
Payments of current premiums	(2,982,424)
Advance funding	<u>(519,502)</u>
Increase in net OPEB obligation	1,253,321
OPEB obligation - Beginning of year	<u>5,459,701</u>
OPEB obligation - End of year	<u><u>\$ 6,713,022</u></u>

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

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

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

### Note 10 - Other Postemployment Benefits (Continued)

**Actuarial Methods and Assumptions** - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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

**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, 2012, there were 16 members in the plan (13 active participants and three terminated employees with balances), and the City made contributions of \$10,976 and the plan members contributed \$10,976 to the plan.

# City of Monroe, Michigan

## Notes to Financial Statements June 30, 2012

### Note 11 - Joint Venture

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

The City has an 18/26 interest and the Township has an 8/26 interest in the Partnership. Each partner's governing body has an equal vote in managing the affairs of the Partnership. The operation and maintenance costs are split based on actual water consumption. In addition, the Township pays the City an administrative fee of 12.5 percent of its share of operating and maintenance costs. The following financial information of the Partnership was obtained from its audited financial statements for the year ended June 30, 2012:

Total assets	\$	5,626,691
Total liabilities		45,736
Total equity		5,580,955
Total revenue		416,134
Total operating expenses		408,324
Increase in equity		7,810

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 \$3,858,955 is recorded in the Water Fund.

### Note 12 - Economic Dependency

Three taxpayers account for approximately 46 percent of the City's tax revenue and 11 percent of the water and sewage disposal revenue.

# City of Monroe, Michigan

## Notes to Financial Statements June 30, 2012

### Note 13 - Pension and Other Employee Benefit Trust Funds

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

	Pension Trust Fund	Retiree Health Care Fund	Total
<b>Statement of Net Assets</b>			
Cash and investments	\$ 121,014,161	\$ 13,384,210	\$ 134,398,371
Other assets	377,185	33,360	410,545
Liabilities	3,790,039	508,259	4,298,298
Net assets	<u>\$ 117,601,307</u>	<u>\$ 12,909,311</u>	<u>\$ 130,510,618</u>
<b>Statement of Changes in Net Assets</b>			
Investment income	\$ 631,136	\$ (182,045)	\$ 449,091
Contributions	1,740,286	3,501,926	5,242,212
Benefit payments	7,663,341	2,982,424	10,645,765
Other decreases	284,852	111,736	396,588
Net change in net assets	<u>\$ (5,576,771)</u>	<u>\$ 225,721</u>	<u>\$ (5,351,050)</u>

### Note 14 - Contingent Liabilities

#### Basement Sewer Backups

The City and the Monroe Metropolitan Water Pollution Control System have been named as defendants in a class action suit for damages to real and personal property related to basement sewer backups occurring during 2009. Subsequent to year end, it was determined that a settlement in the amount of \$760,000 was probable. This amount has been recorded as a liability within the Wastewater Fund.

#### Environmental Liability

As of June 30, 2012, the Port of Monroe owned approximately 279 acres (the "Property") of a 480-acre tract of land formerly used as an industrial landfill that has been identified by the Michigan Department of Environment Quality (MDEQ) as a site of environmental contamination as defined by the Natural Resources and Environmental Protection Act (NREPA), Michigan PA 451 of 1994, as amended. The MDEQ has identified the Port of Monroe along with more than 70 other individual and corporate entities as potentially responsible parties (PRPs). The land is divided roughly in half by I-75 with the west site being west of I-75 and the east site being east of I-75. An Interim Remedial Action Plan (IRAP) was prepared for the east site in 2002.

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

### **Note 14 - Contingent Liabilities (Continued)**

Based upon available information, in June 2012, 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) preparation of an interim response designed to meet criteria (IRDC) for the west site, (4) annual monitoring of perimeter wells, (5) filling the ponds, (6) developing a municipal ordinance that prohibits the use of groundwater for drinking, (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, 2012. 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.

# City of Monroe, Michigan

## Notes to Financial Statements June 30, 2012

### Note 15 - Fund Balance Constraints

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

	General Fund	Capital Projects Fund	Nonmajor Funds	Total
<b>Fund Balances</b>				
Nonspendable:				
Real estate inventories - Net of related advances	\$ 876,267	\$ -	\$ -	\$ 876,267
Prepays	15,077	9,140	43,057	67,274
Total nonspendable	891,344	9,140	43,057	943,541
Restricted:				
Roads	-	-	1,168,298	1,168,298
Police	-	-	121,920	121,920
Debt service	-	-	62,232	62,232
Grants	-	-	205,391	205,391
Capital projects (unspent bond proceeds)	-	3,119,287	-	3,119,287
Rubbish, garbage, and recycling	-	-	255,431	255,431
Code enforcement	-	-	260,787	260,787
Total restricted	-	3,119,287	2,074,059	5,193,346
Committed:				
Budget stabilization	2,000,000	-	-	2,000,000
Airport operations	-	-	36,665	36,665
Parking enforcement and parking lot maintenance	-	-	137,157	137,157
Donation purpose	-	-	79,665	79,665
Capital outlay projects	-	1,212,505	-	1,212,505
Future COPS grant costs	181,000	-	-	181,000
Economic development activities	-	-	346,020	346,020
Total committed	2,181,000	1,212,505	599,507	3,993,012
Assigned:				
Subsequent year's budget	56,348	-	-	56,348
Debt service	-	-	73,845	73,845
Total assigned	56,348	-	73,845	130,193
Unassigned	2,511,024	-	-	2,511,024
Total fund balance	<u>\$ 5,639,716</u>	<u>\$ 4,340,932</u>	<u>\$ 2,790,468</u>	<u>\$ 12,771,116</u>

### Note 16 - Upcoming Accounting Pronouncements

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

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

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

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

### **Note 16 - Upcoming Accounting Pronouncements (Continued)**

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

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

### **Note 17 - Subsequent Events**

Refunding bonds in the amount of \$4,275,000 were issued in August 2012 and the proceeds were used to refund the 2005 Monroe Building Authority Bonds which had an ending balance of \$4,425,000 at June 30, 2012.

Sewage Disposal System bonds in the amount of \$17,950,000 were issued by the County of Monroe, Michigan on behalf of the City in September 2012. The bonds will be repaid by the City's Wastewater Fund.

## **Required Supplemental Information**

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# City of Monroe, Michigan

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

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 12,332,775	\$ 12,318,729	\$ 12,288,197	\$ (30,532)
Licenses and permits	322,900	331,600	338,152	6,552
Federal grants	165,331	165,331	162,492	(2,839)
State-shared revenue and grants	1,538,500	2,040,980	2,121,689	80,709
Charges for services	1,016,767	909,954	861,435	(48,519)
Fines and forfeitures	73,500	72,000	64,455	(7,545)
Investment income	150,000	90,000	66,450	(23,550)
Rental income	50,858	55,558	53,060	(2,498)
Other revenue:				
Administrative fees	901,722	901,722	901,722	-
Other miscellaneous income	105,500	121,500	68,765	(52,735)
Total revenue	16,657,853	17,007,374	16,926,417	(80,957)
<b>Expenditures</b>				
General government:				
City Council	119,643	115,498	112,827	2,671
City manager	272,783	264,970	262,422	2,548
Finance	419,339	398,056	394,713	3,343
Clerk-Treasurer	453,452	521,271	516,634	4,637
Assessor	360,649	347,645	344,859	2,786
City hall grounds	265,809	234,609	220,873	13,736
Attorney	137,425	136,225	134,044	2,181
Human resources	281,400	322,321	322,299	22
Engineering	286,738	266,580	266,174	406
Total general government	2,597,238	2,607,175	2,574,845	32,330
Public safety:				
Police	5,820,531	5,347,562	5,199,727	147,835
Fire	2,903,367	3,173,468	3,132,329	41,139
Zoning/Ordinance enforcement	136,571	136,214	115,109	21,105
Total public safety	8,860,469	8,657,244	8,447,165	210,079
Public works - Department of Public Services				
Community and economic development	1,965,600	1,973,796	1,973,407	389
development	246,341	222,872	217,098	5,774

# City of Monroe, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2012

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Expenditures (Continued)</b>				
Recreation and culture:				
Library	\$ 57,500	\$ 57,500	\$ 57,500	\$ -
Recreation	1,479,836	1,489,466	1,463,381	26,085
Public access TV	150,000	154,000	153,918	82
Historic District Commission	2,000	1,300	322	978
Social services	140,000	140,000	140,000	-
	<u>1,829,336</u>	<u>1,842,266</u>	<u>1,815,121</u>	<u>27,145</u>
Total recreation and culture				
	1,829,336	1,842,266	1,815,121	27,145
Debt service:				
Principal	111,372	343,595	343,594	1
Interest on long-term debt	33,630	33,631	33,630	1
Contingencies	150,000	-	-	-
Other uses - Transfers out	976,649	978,692	978,692	-
Other uses - Loss in fair value of inventory	-	374,091	374,091	-
	<u>-</u>	<u>374,091</u>	<u>374,091</u>	<u>-</u>
Total expenditures				
	<u>16,770,635</u>	<u>17,033,362</u>	<u>16,757,643</u>	<u>275,719</u>
<b>Net Change in Fund Balance</b>	(112,782)	(25,988)	168,774	194,762
<b>Fund Balance - Beginning of year</b>	<u>5,470,942</u>	<u>5,470,942</u>	<u>5,470,942</u>	<u>-</u>
<b>Fund Balance - End of year</b>	<u><b>\$ 5,358,160</b></u>	<u><b>\$ 5,444,954</b></u>	<u><b>\$ 5,639,716</b></u>	<u><b>\$ 194,762</b></u>

# **City of Monroe, Michigan**

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## **Note to Required Supplemental Information Year Ended June 30, 2012**

### **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, 2012

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
12/31/06	\$ 124,033	\$ 105,394	\$ (18,639)	117.7	\$ 13,007	(143.3)
12/31/07	130,366	110,753	(19,613)	117.7	13,372	(146.7)
12/31/08	130,512	117,030	(13,482)	111.5	11,289	(119.4)
12/31/09	131,184	120,828	(10,356)	108.6	11,062	(93.6)
12/31/10	132,119	124,415	(7,704)	106.2	10,758	(71.6)
12/31/11	131,234	128,991	(2,243)	101.7	9,637	(23.3)

(Dollar amounts in thousands)

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution *	Percentage Contributed
6/30/07	12/31/04**	\$ 487,016	100.0
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	12/31/10	1,274,568	100.0

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

\*\* Through the year ended June 30, 2006, the City's annual required contribution was determined by the actuarial valuation dated 18 months prior. Beginning with the fiscal year ended June 30, 2007, the City's annual required contribution was determined by the actuarial valuation 30 months prior.

\*\*\* 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

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

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2011, the latest actuarial valuation, follows:

Amortization method	Level percent
Amortization period	28 years
Asset valuation method	7-year smoothed market
Actuarial assumptions:	
Investment rate of return**	7.5%
**Includes inflation at	3.5%
Seniority/Merit	0%-3%
Cost of living adjustments	2%-3%

## **Other Supplemental Information**

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# City of Monroe, Michigan

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## Other Supplemental Information Nonmajor Governmental Funds Fund Descriptions

### Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

### Debt Service Funds

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

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

# City of Monroe, Michigan

	Special Revenue Funds				
	Major Streets	Local Streets	Rubbish, Garbage, and Recycling	Parking Meter	Economic Development
<b>Assets</b>					
Cash and investments	\$ 448,234	\$ 599,655	\$ 1,500,605	\$ 139,864	\$ 424,082
Receivables:					
Property taxes receivable	-	-	148,384	-	-
Customer receivables	-	-	-	-	-
Accrued interest receivable	208	130	367	74	306
Other receivables	-	-	-	186,090	-
Due from other governmental units	170,802	54,307	-	-	3,947
Economic development loans receivable	-	-	-	-	25,000
Due from other funds	-	38,888	-	-	-
Prepaid expenses and other assets	-	-	-	-	-
Advance to component unit	-	-	-	-	1,530,269
<b>Total assets</b>	<b>\$ 619,244</b>	<b>\$ 692,980</b>	<b>\$ 1,649,356</b>	<b>\$ 326,028</b>	<b>\$ 1,983,604</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 68,672	\$ 36,366	\$ 98,055	\$ 860	\$ 3,948
Due to other governmental units	-	-	-	-	-
Due to other funds	38,888	-	-	18	-
Accrued liabilities and other	-	-	-	1,903	-
Deferred revenue	-	-	1,295,870	186,090	1,633,636
<b>Total liabilities</b>	<b>107,560</b>	<b>36,366</b>	<b>1,393,925</b>	<b>188,871</b>	<b>1,637,584</b>
<b>Fund Balances</b>					
Nonspendable	-	-	-	-	-
Restricted:					
Roads	511,684	656,614	-	-	-
Police	-	-	-	-	-
Debt service	-	-	-	-	-
Grants	-	-	-	-	-
Rubbish, garbage, and recycling	-	-	255,431	-	-
Code enforcement	-	-	-	-	-
Committed:					
Airport operations	-	-	-	-	-
Parking enforcement and parking lot maintenance	-	-	-	137,157	-
Donation purpose	-	-	-	-	-
Economic development activities	-	-	-	-	346,020
Assigned - Debt service	-	-	-	-	-
<b>Total fund balances</b>	<b>511,684</b>	<b>656,614</b>	<b>255,431</b>	<b>137,157</b>	<b>346,020</b>
<b>Total liabilities and fund balances</b>	<b>\$ 619,244</b>	<b>\$ 692,980</b>	<b>\$ 1,649,356</b>	<b>\$ 326,028</b>	<b>\$ 1,983,604</b>

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

Special Revenue Funds					Debt Service Funds		Total Nonmajor Governmental Funds
Grants	Drug Forfeiture	Airport	Building Safety	Expendable Trust	Debt Service	Building Authority	
\$ 189,562	\$ 121,837	\$ 16,450	\$ 279,194	\$ 80,000	\$ 475,910	\$ 73,781	\$ 4,349,174
-	-	-	3,600	-	41,766	-	193,750
-	-	28,132	-	-	-	-	28,132
80	83	-	73	-	84	64	1,469
-	-	-	-	8,984	-	-	195,074
40,532	-	-	-	-	-	-	269,588
-	-	-	-	-	-	-	25,000
-	-	-	-	-	-	-	38,888
-	-	43,057	-	-	-	-	43,057
-	-	-	-	-	-	-	1,530,269
<b>\$ 230,174</b>	<b>\$ 121,920</b>	<b>\$ 87,639</b>	<b>\$ 282,867</b>	<b>\$ 88,984</b>	<b>\$ 517,760</b>	<b>\$ 73,845</b>	<b>\$ 6,674,401</b>
\$ 10,031	\$ -	\$ 3,887	\$ 625	\$ 9,319	\$ 80,980	\$ -	\$ 312,743
-	-	1,471	-	-	-	-	1,471
14,752	-	12	98	-	-	-	53,768
-	-	2,547	21,357	-	-	-	25,807
-	-	-	-	-	374,548	-	3,490,144
24,783	-	7,917	22,080	9,319	455,528	-	3,883,933
-	-	43,057	-	-	-	-	43,057
-	-	-	-	-	-	-	1,168,298
-	121,920	-	-	-	-	-	121,920
-	-	-	-	-	62,232	-	62,232
205,391	-	-	-	-	-	-	205,391
-	-	-	-	-	-	-	255,431
-	-	-	260,787	-	-	-	260,787
-	-	36,665	-	-	-	-	36,665
-	-	-	-	-	-	-	137,157
-	-	-	-	79,665	-	-	79,665
-	-	-	-	-	-	-	346,020
-	-	-	-	-	-	73,845	73,845
205,391	121,920	79,722	260,787	79,665	62,232	73,845	2,790,468
<b>\$ 230,174</b>	<b>\$ 121,920</b>	<b>\$ 87,639</b>	<b>\$ 282,867</b>	<b>\$ 88,984</b>	<b>\$ 517,760</b>	<b>\$ 73,845</b>	<b>\$ 6,674,401</b>

# City of Monroe, Michigan

	Special Revenue Funds					
	Major Streets	Local Streets	Rubbish, Garbage, and Recycling	Parking Meter	Economic Development	Grants
<b>Revenue</b>						
Property taxes	\$ -	\$ -	\$ 1,241,975	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Federal grants	13,950	-	-	-	55,762	690,760
State-shared revenue and grants	1,442,738	339,895	-	-	90,370	-
Charges for services	-	-	4,557	143,564	-	-
Fines and forfeitures	-	-	-	-	-	-
Investment income	1,223	771	4,273	353	2,345	658
Rental income	-	-	-	-	-	-
Other revenue	4,949	627	-	-	10,532	-
<b>Total revenue</b>	<b>1,462,860</b>	<b>341,293</b>	<b>1,250,805</b>	<b>143,917</b>	<b>159,009</b>	<b>691,418</b>
<b>Expenditures</b>						
Current:						
Public safety	-	-	-	148,994	-	-
Public works	1,127,847	1,187,067	1,350,706	-	-	-
Community and economic development	-	-	-	-	59,708	306,923
Capital outlay	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
<b>Total expenditures</b>	<b>1,127,847</b>	<b>1,187,067</b>	<b>1,350,706</b>	<b>148,994</b>	<b>59,708</b>	<b>306,923</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>335,013</b>	<b>(845,774)</b>	<b>(99,901)</b>	<b>(5,077)</b>	<b>99,301</b>	<b>384,495</b>
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	827,654	-	-	-	-
Transfers out	(249,330)	-	-	-	(139,263)	(383,549)
<b>Total other financing (uses) sources</b>	<b>(249,330)</b>	<b>827,654</b>	<b>-</b>	<b>-</b>	<b>(139,263)</b>	<b>(383,549)</b>
<b>Net Change in Fund Balances</b>	<b>85,683</b>	<b>(18,120)</b>	<b>(99,901)</b>	<b>(5,077)</b>	<b>(39,962)</b>	<b>946</b>
<b>Fund Balances - Beginning of year</b>	<b>426,001</b>	<b>674,734</b>	<b>355,332</b>	<b>142,234</b>	<b>385,982</b>	<b>204,445</b>
<b>Fund Balances - End of year</b>	<b>\$ 511,684</b>	<b>\$ 656,614</b>	<b>\$ 255,431</b>	<b>\$ 137,157</b>	<b>\$ 346,020</b>	<b>\$ 205,391</b>

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

Special Revenue Funds				Debt Service Funds		Total Nonmajor Governmental Funds
Drug Forfeiture	Airport	Building Safety	Expendable Trust	Debt Service	Building Authority	
\$ -	\$ -	\$ -	\$ -	\$ 443,663	\$ -	\$ 1,685,638
-	-	563,978	-	-	-	563,978
7,188	-	-	-	47,144	-	814,804
-	-	-	-	-	-	1,873,003
-	273,492	-	-	-	-	421,613
15,693	-	-	-	-	-	15,693
441	19	387	-	1,498	467	12,435
-	109,781	-	-	-	466,529	576,310
-	999	-	36,064	-	-	53,171
23,322	384,291	564,365	36,064	492,305	466,996	6,016,645
10,970	-	-	-	-	-	159,964
-	351,947	405,150	38,504	-	-	4,461,221
-	-	-	-	-	-	366,631
-	-	-	-	-	33,202	33,202
-	-	-	-	470,102	466,304	936,406
10,970	351,947	405,150	38,504	470,102	499,506	5,957,424
12,352	32,344	159,215	(2,440)	22,203	(32,510)	59,221
-	-	-	-	19,160	-	846,814
-	(6,994)	-	-	-	-	(779,136)
-	(6,994)	-	-	19,160	-	67,678
12,352	25,350	159,215	(2,440)	41,363	(32,510)	126,899
109,568	54,372	101,572	82,105	20,869	106,355	2,663,569
<b>\$ 121,920</b>	<b>\$ 79,722</b>	<b>\$ 260,787</b>	<b>\$ 79,665</b>	<b>\$ 62,232</b>	<b>\$ 73,845</b>	<b>\$ 2,790,468</b>

# City of Monroe, Michigan

## Other Supplemental Information Budgetary Comparison - Nonmajor Governmental Funds Year Ended June 30, 2012

### Special Revenue Fund - Major Streets

	Original Budget (unaudited)	Amended Budget (unaudited)	Actual	Variance with Amended Budget
<b>Revenue</b>				
Federal grants	\$ -	\$ 125,085	\$ 13,950	\$ (111,135)
State-shared revenue and grants	1,451,000	1,504,299	1,442,738	(61,561)
Investment income	2,300	2,050	1,223	(827)
Special assessments	-	4,870	4,949	79
Total revenue	<u>1,453,300</u>	<u>1,636,304</u>	<u>1,462,860</u>	<u>(173,444)</u>
<b>Expenditures and Other Uses</b>				
Public works	1,112,200	1,445,559	1,127,847	317,712
Other uses - Transfers out	245,000	247,500	249,330	(1,830)
Total expenditures and other uses	<u>1,357,200</u>	<u>1,693,059</u>	<u>1,377,177</u>	<u>315,882</u>
<b>Net Change in Fund Balance</b>	<u><b>\$ 96,100</b></u>	<u><b>\$ (56,755)</b></u>	<u><b>\$ 85,683</b></u>	<u><b>\$ 142,438</b></u>

### Special Revenue Fund - Local Streets

	Original Budget (unaudited)	Amended Budget (unaudited)	Actual	Variance with Amended Budget
<b>Revenue and Other Sources</b>				
Federal grants	\$ -	\$ 7,500	\$ -	\$ (7,500)
State-shared revenue and grants	328,000	485,000	339,895	(145,105)
Investment income	500	500	771	271
Other revenue	-	10,587	627	(9,960)
Other sources - Transfers in	833,000	824,721	827,654	2,933
Total revenue and other sources	<u>1,161,500</u>	<u>1,328,308</u>	<u>1,168,947</u>	<u>(159,361)</u>
<b>Expenditures - Public works</b>	<u>1,275,720</u>	<u>1,384,918</u>	<u>1,187,067</u>	<u>197,851</u>
<b>Net Change in Fund Balance</b>	<u><b>\$ (114,220)</b></u>	<u><b>\$ (56,610)</b></u>	<u><b>\$ (18,120)</b></u>	<u><b>\$ 38,490</b></u>

# City of Monroe, Michigan

## Other Supplemental Information Budgetary Comparison - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2012

### Special Revenue Funds - Rubbish, Garbage, and Recycling

	Original Budget (unaudited)	Amended Budget (unaudited)	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 1,258,532	\$ 1,247,350	\$ 1,241,975	\$ (5,375)
Charges for services	4,500	4,500	4,557	57
Investment income	-	4,000	4,273	273
Total revenue	1,263,032	1,255,850	1,250,805	(5,045)
<b>Expenditures - Public works</b>	1,317,500	1,363,329	1,350,706	12,623
<b>Net Change in Fund Balance</b>	<b>\$ (54,468)</b>	<b>\$ (107,479)</b>	<b>\$ (99,901)</b>	<b>\$ 7,578</b>

### Special Revenue Fund - Parking Meter

	Original Budget (unaudited)	Amended Budget (unaudited)	Actual	Variance with Amended Budget
<b>Revenue</b>				
Charges for services	\$ 160,000	\$ 160,000	\$ 143,564	\$ (16,436)
Investment income	400	350	353	3
Total revenue	160,400	160,350	143,917	(16,433)
<b>Expenditures - Public safety</b>	158,995	160,987	148,994	11,993
<b>Net Change in Fund Balance</b>	<b>\$ 1,405</b>	<b>\$ (637)</b>	<b>\$ (5,077)</b>	<b>\$ (4,440)</b>

# City of Monroe, Michigan

## Other Supplemental Information Budgetary Comparison - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2012

### Special Revenue Fund - Economic Development

	Original Budget (unaudited)	Amended Budget (unaudited)	Actual	Variance with Amended Budget
<b>Revenue</b>				
Federal grants	\$ -	\$ 500,000	\$ 55,762	\$ (444,238)
State-shared revenue and grants	-	90,370	90,370	-
Investment income	2,110	2,000	2,345	345
Other miscellaneous income	11,500	10,532	10,532	-
Total revenue	13,610	602,902	159,009	(443,893)
<b>Expenditures and Other Uses</b>				
Community and economic development	10,000	510,000	59,708	450,292
Other uses - Transfers out	-	139,263	139,263	-
Total expenditures and other uses	10,000	649,263	198,971	450,292
<b>Net Change in Fund Balance</b>	<b>\$ 3,610</b>	<b>\$ (46,361)</b>	<b>\$ (39,962)</b>	<b>\$ 6,399</b>

### Special Revenue Fund - Grants

	Original Budget (unaudited)	Amended Budget (unaudited)	Actual	Variance with Amended Budget
<b>Revenue</b>				
Federal grants	\$ 535,957	\$ 1,007,321	\$ 690,760	\$ (316,561)
Investment income	1,000	600	658	58
Total revenue	536,957	1,007,921	691,418	(316,503)
<b>Expenditures and Other Uses</b>				
Community and economic development	264,000	530,836	306,923	223,913
Other uses - Transfers out	193,900	467,965	383,549	84,416
Total expenditures and other uses	457,900	998,801	690,472	308,329
<b>Net Change in Fund Balance</b>	<b>\$ 79,057</b>	<b>\$ 9,120</b>	<b>\$ 946</b>	<b>\$ (8,174)</b>

# City of Monroe, Michigan

## Other Supplemental Information Budgetary Comparison - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2012

### Special Revenue Fund - Drug Forfeiture

	Original Budget (unaudited)	Amended Budget (unaudited)	Actual	Variance with Amended Budget
<b>Revenue</b>				
Federal grants	\$ -	\$ 7,188	\$ 7,188	\$ -
Fines and forfeitures	15,000	15,000	15,693	693
Investment income	300	300	441	141
Total revenue	<u>15,300</u>	<u>22,488</u>	<u>23,322</u>	<u>834</u>
<b>Expenditures - Public safety</b>	<u>14,545</u>	<u>20,135</u>	<u>10,970</u>	<u>9,165</u>
<b>Net Change in Fund Balance</b>	<u><u>\$ 755</u></u>	<u><u>\$ 2,353</u></u>	<u><u>\$ 12,352</u></u>	<u><u>\$ 9,999</u></u>

### Special Revenue Fund - Airport

	Original Budget (unaudited)	Amended Budget (unaudited)	Actual	Variance with Amended Budget
<b>Revenue and Other Sources</b>				
Charges for services	\$ 212,000	\$ 211,800	\$ 273,492	\$ 61,692
Investment income	-	50	19	(31)
Rental income	112,400	111,200	109,781	(1,419)
Other miscellaneous income	2,000	2,000	999	(1,001)
Other sources - Transfers in	11,500	12,000	-	(12,000)
Total revenue and other sources	<u>337,900</u>	<u>337,050</u>	<u>384,291</u>	<u>47,241</u>
<b>Expenditures and Other Uses</b>				
Public works	315,670	317,915	351,947	(34,032)
Other uses - Transfers out	6,500	7,001	6,994	7
Total expenditures and other uses	<u>322,170</u>	<u>324,916</u>	<u>358,941</u>	<u>(34,025)</u>
<b>Net Change in Fund Balance</b>	<u><u>\$ 15,730</u></u>	<u><u>\$ 12,134</u></u>	<u><u>\$ 25,350</u></u>	<u><u>\$ 13,216</u></u>

# City of Monroe, Michigan

## Other Supplemental Information Budgetary Comparison - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2012

### Special Revenue Fund - Building Safety

	Original Budget (unaudited)	Amended Budget (unaudited)	Actual	Variance with Amended Budget
<b>Revenue</b>				
Licenses and permits	\$ 395,800	\$ 438,300	\$ 563,978	\$ 125,678
Investment income	-	300	387	87
Total revenue	395,800	438,600	564,365	125,765
<b>Expenditures - Public works</b>	401,426	409,063	405,150	3,913
<b>Net Change in Fund Balance</b>	<u>\$ (5,626)</u>	<u>\$ 29,537</u>	<u>\$ 159,215</u>	<u>\$ 129,678</u>

### Special Revenue Fund - Expendable Trust

	Original Budget (unaudited)	Amended Budget (unaudited)	Actual	Variance with Amended Budget
<b>Revenue - Other miscellaneous income</b>	\$ -	\$ 56,530	\$ 36,064	\$ (20,466)
<b>Expenditures - Public works</b>	-	136,954	38,504	98,450
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ (80,424)</u>	<u>\$ (2,440)</u>	<u>\$ 77,984</u>

# City of Monroe, Michigan

## Other Supplemental Information Budgetary Comparison - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2012

### Debt Service Fund - Debt Service

	Original Budget (unaudited)	Amended Budget (unaudited)	Actual	Variance with Amended Budget
<b>Revenue and Other Sources</b>				
Property taxes	\$ 456,866	\$ 446,348	\$ 443,663	\$ (2,685)
Federal grants	47,144	47,144	47,144	-
Investment income	2,000	1,500	1,498	(2)
Other sources - Transfers in	19,160	19,160	19,160	-
Total revenue and other sources	525,170	514,152	511,465	(2,687)
<b>Expenditures - Debt service</b>	470,040	470,102	470,102	-
<b>Net Change in Fund Balance</b>	<b>\$ 55,130</b>	<b>\$ 44,050</b>	<b>\$ 41,363</b>	<b>\$ (2,687)</b>

### Debt Service Fund - Building Authority

	Original Budget (unaudited)	Amended Budget (unaudited)	Actual	Variance with Amended Budget
<b>Revenue</b>				
Investment income	\$ 400	\$ 370	\$ 467	\$ 97
Rental income	466,529	466,529	466,529	-
Total revenue	466,929	466,899	466,996	97
<b>Expenditures</b>				
Capital outlay	30,000	36,600	33,202	3,398
Debt service	466,529	466,304	466,304	-
Total expenditures	496,529	502,904	499,506	3,398
<b>Net Change in Fund Balance</b>	<b>\$ (29,600)</b>	<b>\$ (36,005)</b>	<b>\$ (32,510)</b>	<b>\$ 3,495</b>

# City of Monroe, Michigan

## Other Supplemental Information Budgetary Comparison - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2012

### Capital Projects Fund - Capital Projects

	Original Budget (unaudited)	Amended Budget (unaudited)	Actual	Variance with Amended Budget
<b>Revenue and Other Sources</b>				
Federal grants	\$ 247,000	\$ 3,416,392	\$ 399,331	\$ (3,017,061)
State-shared revenue and grants	6,500	4,749		(4,749)
Investment income		2,800	6,075	3,275
Other revenue:				
Special assessments	55,000	31,522	28,844	(2,678)
Other miscellaneous income	122,400	92,904	19,690	(73,214)
Other sources - Transfers in	342,000	646,318	587,582	(58,736)
	<u>772,900</u>	<u>4,194,685</u>	<u>1,041,522</u>	<u>(3,153,163)</u>
Total revenue and other sources				
<b>Expenditures</b>				
Public works	2,950,500	8,709,099	2,066,877	6,642,222
Capital outlay	48,900	408,148	306,782	101,366
	<u>2,999,400</u>	<u>9,117,247</u>	<u>2,373,659</u>	<u>6,743,588</u>
Total expenditures				
<b>Excess of Expenditures Over Revenue</b>	(2,226,500)	(4,922,562)	(1,332,137)	3,590,425
<b>Other Financing Sources</b>				
Face value of debt issue	2,300,000	4,050,000	4,050,000	-
Debt premium or discount	-	53,575	53,575	-
	<u>2,300,000</u>	<u>4,103,575</u>	<u>4,103,575</u>	<u>-</u>
Total other financing sources				
<b>Net Change in Fund Balance</b>	<u>\$ 73,500</u>	<u>\$ (818,987)</u>	<u>\$ 2,771,438</u>	<u>\$ 3,590,425</u>

# City of Monroe, Michigan

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## 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 Assets Internal Service Funds June 30, 2012

	Stores and Equipment	Information Systems	Insurance	Employee Benefits	Total
<b>Assets</b>					
Current assets:					
Cash and investments	\$ 419,222	\$ 466,941	\$ 518,119	\$ 884,587	\$ 2,288,869
Receivables:					
Interest receivable	133	362	303	42	840
Other receivables	13,505	-	-	224,218	237,723
Due from other funds	-	-	-	4,035	4,035
Inventory	64,295	-	-	-	64,295
Prepaid expenses and other assets	-	-	217,539	2,975	220,514
Total current assets	497,155	467,303	735,961	1,115,857	2,816,276
Noncurrent assets - Capital assets	1,258,327	36,669	-	-	1,294,996
Total assets	1,755,482	503,972	735,961	1,115,857	4,111,272
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	118,614	6,975	59,529	47,432	232,550
Due to other funds	120	4	-	-	124
Accrued liabilities and other	22,353	369	-	468,052	490,774
Deferred revenue	-	449	-	-	449
Compensated absences	13,742	1,049	-	-	14,791
Current portion of long-term debt	15,407	-	-	-	15,407
Total current liabilities	170,236	8,846	59,529	515,484	754,095
Noncurrent liabilities:					
Net OPEB obligation	82,884	36,280	-	-	119,164
Long-term debt - Net of current portion	89,047	-	-	-	89,047
Total noncurrent liabilities	171,931	36,280	-	-	208,211
Total liabilities	342,167	45,126	59,529	515,484	962,306
<b>Net Assets</b>					
Invested in capital assets	1,153,873	36,669	-	-	1,190,542
Unrestricted	259,442	422,177	676,432	600,373	1,958,424
Total net assets	<u>\$ 1,413,315</u>	<u>\$ 458,846</u>	<u>\$ 676,432</u>	<u>\$ 600,373</u>	<u>\$ 3,148,966</u>

# City of Monroe, Michigan

## Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Assets Internal Service Funds Year Ended June 30, 2012

	Stores and Equipment	Information Systems	Insurance	Employee Benefits	Total
<b>Operating Revenue</b>					
Other	\$ 12,088	\$ 20,868	\$ 93,976	\$ 104,418	\$ 231,350
Charges to other funds	935,355	315,288	388,586	2,153,214	3,792,443
Total operating revenue	947,443	336,156	482,562	2,257,632	4,023,793
<b>Operating Expenses</b>					
Other operation and maintenance	721,337	288,381	291,102	2,327,397	3,628,217
Depreciation	200,596	8,048	-	-	208,644
Total operating expenses	921,933	296,429	291,102	2,327,397	3,836,861
<b>Operating Income (Loss)</b>	25,510	39,727	191,460	(69,765)	186,932
<b>Nonoperating Revenue (Expenses)</b>					
Investment income	670	2,181	2,252	-	5,103
Interest expense	(5,385)	-	-	-	(5,385)
<b>Change in Net Assets</b>	20,795	41,908	193,712	(69,765)	186,650
<b>Net Assets - Beginning of year</b>	1,392,520	416,938	482,720	670,138	2,962,316
<b>Net Assets - End of year</b>	<u>\$ 1,413,315</u>	<u>\$ 458,846</u>	<u>\$ 676,432</u>	<u>\$ 600,373</u>	<u>\$ 3,148,966</u>

# City of Monroe, Michigan

## Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2012

	Stores and Equipment	Information Systems	Insurance	Employee Benefits	Total
<b>Cash Flows from Operating Activities</b>					
Receipts from customers	\$ 939,386	\$ 315,663	\$ 388,586	\$ 2,174,025	\$ 3,817,660
Payments to suppliers	(359,194)	(287,337)	(269,174)	(2,342,194)	(3,257,899)
Payments to employees for wages and benefits	(280,125)	(13,813)	-	(4,512)	(298,450)
Other receipts	9,290	21,317	93,976	104,418	229,001
Net cash provided by (used in) operating activities	309,357	35,830	213,388	(68,263)	490,312
<b>Cash Flows from Capital and Related Financing Activities</b>					
Receipt of capital grants	22,778	-	-	-	22,778
Purchase of capital assets	(163,293)	(24,279)	-	-	(187,572)
Principal and interest paid on capital debt	(20,076)	-	-	-	(20,076)
Net cash used in capital and related financing activities	(160,591)	(24,279)	-	-	(184,870)
<b>Cash Flows from Investing Activities</b>					
Interest received on investments	623	2,198	2,130	44	4,995
Purchase of investment securities	(100,000)	(145,000)	(171,000)	-	(416,000)
Net cash (used in) provided by investing activities	(99,377)	(142,802)	(168,870)	44	(411,005)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	49,389	(131,251)	44,518	(68,219)	(105,563)
<b>Cash and Cash Equivalents - Beginning of year</b>	269,833	148,192	(2,399)	952,806	1,368,432
<b>Cash and Cash Equivalents - End of year</b>	<u>\$ 319,222</u>	<u>\$ 16,941</u>	<u>\$ 42,119</u>	<u>\$ 884,587</u>	<u>\$ 1,262,869</u>
<b>Balance Sheet Classification of Cash and Cash Equivalents</b>					
Cash and investments	\$ 419,222	\$ 466,941	\$ 518,119	\$ 884,587	\$ 2,288,869
Less amounts classified as investments	(100,000)	(450,000)	(476,000)	-	(1,026,000)
<b>Total cash and cash equivalents</b>	<u>\$ 319,222</u>	<u>\$ 16,941</u>	<u>\$ 42,119</u>	<u>\$ 884,587</u>	<u>\$ 1,262,869</u>

# City of Monroe, Michigan

## Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds (Continued) Year Ended June 30, 2012

	Stores and Equipment	Information Systems	Insurance	Employee Benefits	Total
<b>Reconciliation of Operating Income to Net Cash from Operating Activities</b>					
Operating income (loss)	\$ 25,510	\$ 39,727	\$ 191,460	\$ (69,765)	\$ 186,932
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation and amortization	200,596	8,048	-	-	208,644
Changes in assets and liabilities:					
Receivables	1,233	375	-	20,811	22,419
Inventories	(8,299)	-	-	-	(8,299)
Prepaid and other assets	-	10,225	3,871	(2,975)	11,121
Accounts payable	58,791	(22,025)	18,057	(17,609)	37,214
Due to others	93	-	-	-	93
Accrued and other liabilities	11,910	873	-	1,275	14,058
Net OPEB obligation	19,523	(1,393)	-	-	18,130
Net cash provided by (used in) operating activities	<u>\$ 309,357</u>	<u>\$ 35,830</u>	<u>\$ 213,388</u>	<u>\$ (68,263)</u>	<u>\$ 490,312</u>

# City of Monroe, Michigan

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## 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 Assets Fiduciary Funds - Pension and Other Employee Benefit Trust Funds June 30, 2012

	Pension Trust	Retiree Health Care	Total
<b>Assets</b>			
Cash and cash equivalents	\$ -	\$ 729,369	\$ 729,369
Investments:			
U.S. government securities	16,917,149	2,323,529	19,240,678
Stocks	30,262,035	6,868,016	37,130,051
Foreign stocks	8,012,830	1,126,915	9,139,745
Corporate bonds	26,855,414	2,331,736	29,187,150
Mutual funds	32,321,376	-	32,321,376
Other investments	3,161,653	4,645	3,166,298
Securities lending - Mutual funds	3,483,704	-	3,483,704
Receivables:			
Interest	377,185	-	377,185
Due from other governmental units	-	33,360	33,360
Total assets	121,391,346	13,417,570	134,808,916
<b>Liabilities</b>			
Accounts payable	150,498	508,259	658,757
Obligations under securities lending agreements	3,639,541	-	3,639,541
Total liabilities	3,790,039	508,259	4,298,298
<b>Net Assets</b> - Held in trust for pension, other employee benefits, and cemetery operations	\$ 117,601,307	\$ 12,909,311	\$ 130,510,618

# City of Monroe, Michigan

## Other Supplemental Information Combining Statement of Changes in Fiduciary Net Assets Fiduciary Funds - Pension and Other Employee Benefit Trust Funds Year Ended June 30, 2012

	Pension Trust	Retiree Health Care	Total
<b>Additions</b>			
Investment income (loss):			
Interest and dividends	\$ 2,490,005	\$ 270,758	\$ 2,760,763
Net decrease in fair value of investments	(1,113,046)	(452,803)	(1,565,849)
Investment-related expenses	(759,318)	-	(759,318)
Net investment income (loss)	617,641	(182,045)	435,596
Securities lending income	13,495	-	13,495
Contributions:			
Employer	1,274,568	3,501,926	4,776,494
Employee	465,718	-	465,718
Net contributions	1,740,286	3,501,926	5,242,212
Total additions	2,371,422	3,319,881	5,691,303
<b>Deductions</b>			
Benefit payments	7,663,341	2,982,424	10,645,765
Refunds of contributions	258,443	-	258,443
Administrative expenses	26,409	111,736	138,145
Total deductions	7,948,193	3,094,160	11,042,353
<b>Net (Decrease) Increase in Net Assets Held in Trust</b>	(5,576,771)	225,721	(5,351,050)
<b>Net Assets - Beginning of year</b>	123,178,078	12,683,590	135,861,668
<b>Net Assets - End of year</b>	<b>\$ 117,601,307</b>	<b>\$ 12,909,311</b>	<b>\$ 130,510,618</b>

# City of Monroe, Michigan

## Other Supplemental Information Schedule of Changes in Assets and Liabilities Agency Fund Year Ended June 30, 2012

Agency Fund	Balance at July 1, 2011	Additions	Reductions	Balance at June 30, 2012
<b>Assets</b>				
Cash and cash equivalents	\$ 2,795,962	\$ 28,871,810	\$ (28,585,816)	\$ 3,081,956
Other assets	1,471,619	29,547,274	(29,495,057)	1,523,836
Total assets	<u>\$ 4,267,581</u>	<u>\$ 58,419,084</u>	<u>\$ (58,080,873)</u>	<u>\$ 4,605,792</u>
<b>Liabilities</b>				
Accounts payable	\$ 102,643	\$ 284,783	\$ (285,017)	\$ 102,409
Due to other governmental units	4,157,078	29,669,649	(29,339,077)	4,487,650
Accrued liabilities and other	7,860	23,558	(15,685)	15,733
Total liabilities	<u>\$ 4,267,581</u>	<u>\$ 29,977,990</u>	<u>\$ (29,639,779)</u>	<u>\$ 4,605,792</u>

## **Statistical Section**

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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**

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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

	2004	2005	2006	2007
<b>Governmental Activities</b>				
Invested in capital assets -				
Net of related debt	\$ 71,362,624	\$ 69,001,428	\$ 68,662,294	\$ 67,326,685
Restricted	3,060,630	2,488,896	1,620,483	1,517,780
Unrestricted	<u>9,021,764</u>	<u>9,393,005</u>	<u>8,104,377</u>	<u>8,522,827</u>
Total net assets	83,445,018	80,883,329	78,387,154	77,367,292
<b>Business-type Activities -</b>				
As restated				
Invested in capital assets -				
Net of related debt	42,499,859	44,939,561	47,466,608	47,466,608
Unrestricted	<u>14,801,823</u>	<u>14,478,292</u>	<u>12,401,910</u>	<u>12,401,910</u>
Total net assets	57,301,682	59,417,853	59,868,518	59,868,518
<b>Primary Government in Total</b>				
Invested in capital assets -				
Net of related debt	113,862,483	113,940,989	116,128,902	114,793,293
Restricted	3,060,630	2,488,896	1,620,483	1,517,780
Unrestricted	<u>23,823,587</u>	<u>23,871,297</u>	<u>20,506,287</u>	<u>20,924,737</u>
Total net assets	<u><b>\$ 140,746,700</b></u>	<u><b>\$ 140,301,182</b></u>	<u><b>\$ 138,255,672</b></u>	<u><b>\$ 137,235,810</b></u>

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

## Financial Trends Net Assets by Component

2008	2009	2010	2011	2012
\$ 65,521,257	\$ 64,233,467	\$ 63,015,687	\$ 62,616,606	\$ 60,908,779
1,568,799	1,583,236	2,345,979	2,017,723	2,074,059
<u>6,474,374</u>	<u>4,799,429</u>	<u>2,585,456</u>	<u>2,873,427</u>	<u>2,367,980</u>
73,564,430	70,616,132	67,947,122	67,507,756	65,350,818
48,598,334	50,741,867	54,471,941	55,296,917	57,363,383
<u>12,142,548</u>	<u>11,275,851</u>	<u>10,524,286</u>	<u>10,970,242</u>	<u>9,521,421</u>
60,740,882	62,017,718	64,996,227	66,267,159	66,884,804
114,119,591	114,975,334	117,487,628	117,913,523	118,272,162
1,568,799	1,583,236	2,345,979	2,017,723	2,074,059
<u>18,616,922</u>	<u>16,075,280</u>	<u>13,109,742</u>	<u>13,843,669</u>	<u>11,889,401</u>
<b><u>\$ 134,305,312</u></b>	<b><u>\$ 132,633,850</u></b>	<b><u>\$ 132,943,349</u></b>	<b><u>\$ 133,774,915</u></b>	<b><u>\$ 132,235,622</u></b>

# City of Monroe, Michigan

	2004	2005	2006*	2007
<b>Expenses</b>				
Governmental activities:				
General government	\$ 2,739,358	\$ 2,797,809	\$ 3,703,272	\$ 3,475,626
Public safety	9,438,673	9,955,878	10,167,563	10,557,003
Public works	8,535,047	10,419,518	8,991,478	8,073,568
Community development	1,856,992	559,559	913,348	1,056,860
Culture and recreation	2,083,546	1,535,537	2,336,309	2,299,055
Interest on long-term debt	428,843	335,422	268,285	290,567
Total governmental activities	25,082,459	25,603,723	26,380,255	25,752,679
Business-type activities - As restated:				
Water	4,204,020	4,793,103	5,284,633	5,772,384
Wastewater	5,447,142	5,641,788	5,787,812	5,849,335
Total business-type activities	9,651,162	10,434,891	11,072,445	11,621,719
Total primary government expenses	34,733,621	36,038,614	37,452,700	37,374,398
<b>Program Revenue</b>				
Governmental activities:				
Charges for services:				
General government	226,571	87,348	116,994	144,448
Public safety	1,181,297	1,238,814	1,280,660	1,251,333
Public works	387,788	407,955	1,169,010	657,196
Community development	5,691	302,682	367,937	902,972
Culture and recreation	1,252,575	1,184,312	1,121,457	975,343
Operating grants and contributions	2,683,511	1,987,274	2,088,844	2,389,324
Capital grants and contributions	24,051	3,918	3,188	5,036
Total governmental activities program revenue	5,761,484	5,212,303	6,148,090	6,325,652
Business-type activities:				
Charges for services:				
Water	4,704,174	5,028,934	4,877,286	4,954,923
Wastewater	5,461,691	5,329,404	5,457,644	6,079,243
Operating grants and contributions	-	-	-	-
Capital grants and contributions	534,856	1,919,510	885,144	268,370
Total business-type activities program revenue	10,700,721	12,277,848	11,220,074	11,302,536
Total primary government program revenue	16,462,205	17,490,151	17,368,164	17,628,188
<b>Net (Expense) Revenue</b>				
Governmental activities	(19,320,975)	(20,391,420)	(20,232,165)	(19,427,027)
Business-type activities	1,049,559	1,842,957	147,629	(319,183)
Total primary government net expense	(18,271,416)	(18,548,463)	(20,084,536)	(19,746,210)

## Financial Trends

### Changes in Governmental and Business-type Net Assets

2008	2009	2010	2011	2012
\$ 2,543,977	\$ 2,591,789	\$ 2,835,598	\$ 1,857,323	\$ 2,398,403
12,093,279	11,431,861	11,048,450	9,572,617	9,654,009
10,697,812	10,374,152	8,971,554	9,635,359	9,825,018
1,383,129	394,366	612,927	660,731	601,433
2,176,732	2,012,925	1,715,213	1,534,257	1,406,611
<u>273,314</u>	<u>257,700</u>	<u>266,778</u>	<u>342,073</u>	<u>299,425</u>
29,168,243	27,062,793	25,450,520	23,602,360	24,184,899
6,028,092	6,295,006	6,494,138	6,931,684	7,291,792
<u>6,159,888</u>	<u>6,182,045</u>	<u>6,117,709</u>	<u>6,611,525</u>	<u>7,436,772</u>
<u>12,187,980</u>	<u>12,477,051</u>	<u>12,611,847</u>	<u>13,543,209</u>	<u>14,728,564</u>
41,356,223	39,539,844	38,062,367	37,145,569	38,913,463
146,008	81,628	120,290	82,397	90,204
1,508,019	1,386,757	1,201,787	397,407	336,814
726,972	479,990	541,438	838,894	1,103,911
1,696,001	1,728,327	161,601	-	-
892,473	852,982	865,636	720,475	634,578
1,515,662	1,717,744	1,447,882	1,661,693	1,496,086
<u>4,942</u>	<u>4,770</u>	<u>1,626,516</u>	<u>2,642,646</u>	<u>1,615,645</u>
6,490,077	6,252,198	5,965,150	6,343,512	5,277,238
5,599,299	6,335,531	6,619,024	7,348,790	7,214,309
6,245,312	6,340,634	6,404,776	6,908,842	7,252,271
-	-	-	146,493	153,575
<u>941,925</u>	<u>926,283</u>	<u>2,364,438</u>	<u>336,478</u>	<u>610,905</u>
<u>12,786,536</u>	<u>13,602,448</u>	<u>15,388,238</u>	<u>14,740,603</u>	<u>15,231,060</u>
19,276,613	19,854,646	21,353,388	21,084,115	20,508,298
(22,678,166)	(20,810,595)	(19,485,370)	(17,258,848)	(18,907,661)
<u>598,556</u>	<u>1,125,397</u>	<u>2,776,391</u>	<u>1,197,394</u>	<u>502,496</u>
(22,079,610)	(19,685,198)	(16,708,979)	(16,061,454)	(18,405,165)

# City of Monroe, Michigan

	2004	2005	2006*	2007
<b>General Revenue and Other Changes in Net Assets</b>				
Governmental activities:				
Property taxes	\$ 13,547,001	\$ 14,288,246	\$ 14,207,450	\$ 14,695,520
State-shared revenue	2,211,290	2,175,483	2,155,107	2,092,605
Investment earnings	321,738	519,669	816,760	1,086,134
Franchise fees	249,297	213,223	224,351	244,743
Gain (loss) on sale of capital assets	431,055	509,664	351	10,423
Miscellaneous	26,719	82,105	179,772	221,219
Transfers	41,835	41,341	152,199	56,521
Total governmental activities	<u>16,828,935</u>	<u>17,829,731</u>	<u>17,735,990</u>	<u>18,407,165</u>
Business-type activities:				
Investment earnings	253,806	308,659	343,595	468,483
Gain on sale of capital assets	21,485	-	12,365	-
Miscellaneous	5,743	5,896	6,496	-
Transfers	<u>(41,835)</u>	<u>(41,341)</u>	<u>(152,199)</u>	<u>(56,521)</u>
Total business-type activities	<u>239,199</u>	<u>273,214</u>	<u>210,257</u>	<u>411,962</u>
Total primary government	17,068,134	18,102,945	17,946,247	18,819,127
<b>Changes in Net Assets</b>				
Governmental activities	(2,492,040)	(2,561,689)	(2,496,175)	(1,019,862)
Business-type activities	<u>1,288,758</u>	<u>2,116,171</u>	<u>357,886</u>	<u>92,779</u>
Total primary government	<u><b>\$ (1,203,282)</b></u>	<u><b>\$ (445,518)</b></u>	<u><b>\$ (2,138,289)</b></u>	<u><b>\$ (927,083)</b></u>

\* 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 assets.

**Financial Trends**

**Changes in Governmental and Business-type Net Assets (Continued)**

2008	2009	2010	2011	2012
\$ 15,221,446	\$ 14,833,080	\$ 14,378,142	\$ 13,997,910	\$ 13,997,518
2,092,805	2,005,975	1,785,843	1,786,140	1,752,988
1,029,899	483,042	176,901	127,503	87,494
253,205	267,655	276,697	303,680	307,837
-	3,526	(31,630)	-	-
204,379	202,889	237,112	604,249	487,789
73,570	66,130	(6,705)	-	-
<u>18,875,304</u>	<u>17,862,297</u>	<u>16,816,360</u>	<u>16,819,482</u>	<u>16,633,626</u>
347,378	216,442	130,413	73,538	51,253
-	1,127	65,000	-	-
-	-	-	-	63,896
<u>(73,570)</u>	<u>(66,130)</u>	<u>6,705</u>	<u>-</u>	<u>-</u>
<u>273,808</u>	<u>151,439</u>	<u>202,118</u>	<u>73,538</u>	<u>115,149</u>
19,149,112	18,013,736	17,018,478	16,893,020	16,748,775
(3,802,862)	(2,948,298)	(2,669,010)	(439,366)	(2,274,035)
<u>872,364</u>	<u>1,276,836</u>	<u>2,978,509</u>	<u>1,270,932</u>	<u>617,645</u>
<u><b>\$ (2,930,498)</b></u>	<u><b>\$ (1,671,462)</b></u>	<u><b>\$ 309,499</b></u>	<u><b>\$ 831,566</b></u>	<u><b>\$ (1,656,390)</b></u>

# City of Monroe, Michigan

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	2003	2004	2005	2006
<b>General Fund</b>				
Reserved	\$ 24,016	\$ 40,989	\$ 24,775	\$ 27,217
Unreserved	2,921,594	2,955,892	3,182,447	2,961,834
Nonspendable	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
<b>Total General Fund</b>	<b><u>\$ 2,945,610</u></b>	<b><u>\$ 2,996,881</u></b>	<b><u>\$ 3,207,222</u></b>	<b><u>\$ 2,989,051</u></b>
<b>All Other Governmental Funds</b>				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:				
Special revenue funds	5,833,155	6,033,496	5,534,777	4,121,530
Capital projects funds	1,344,826	1,699,590	1,800,999	1,510,776
Debt service funds	120,172	149,986	177,132	203,430
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
<b>Total all other governmental funds</b>	<b><u>\$ 7,298,153</u></b>	<b><u>\$ 7,883,072</u></b>	<b><u>\$ 7,512,908</u></b>	<b><u>\$ 5,835,736</u></b>

\* 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**

2007	2008	2009	2010	2011**	2012**
\$ 1,414,153	\$ 1,414,423	\$ 1,415,794	\$ 1,415,856	\$ -	\$ -
1,796,042	1,787,231	1,702,959	1,852,037	-	-
-	-	-	-	1,271,399	891,344
-	-	-	-	2,181,000	2,181,000
-	-	-	-	176,297	56,348
-	-	-	-	1,842,246	2,511,024
<b><u>\$ 3,210,195</u></b>	<b><u>\$ 3,201,654</u></b>	<b><u>\$ 3,118,753</u></b>	<b><u>\$ 3,267,893</u></b>	<b><u>\$ 5,470,942</u></b>	<b><u>\$ 5,639,716</u></b>
				*	
\$ 1,191,050	\$ -	\$ -	\$ -	\$ -	\$ -
3,536,885	4,261,836	4,215,765	4,527,789	-	-
1,922,651	1,214,538	119,492	105,704	-	-
180,748	165,735	565,819	489,223	-	-
-	-	-	-	37,083	52,197
-	-	-	-	2,716,290	5,193,346
-	-	-	-	1,479,690	1,812,012
-	-	-	-	-	73,845
<b><u>\$ 6,831,334</u></b>	<b><u>\$ 5,642,109</u></b>	<b><u>\$ 4,901,076</u></b>	<b><u>\$ 5,122,716</u></b>	<b><u>\$ 4,233,063</u></b>	<b><u>\$ 7,131,400</u></b>

# City of Monroe, Michigan

	Year Ended June 30			
	2003	2004	2005	2006
<b>Revenue</b>				
Property taxes	\$ 13,065,797	\$ 13,563,896	\$ 14,218,480	\$ 14,173,323
Licenses and permits	607,016	637,729	668,905	666,396
Federal grants	45,485	993,458	715,489	1,161,034
State-shared revenue and grants	4,117,679	3,960,290	3,891,595	4,065,658
Charges for services	2,318,962	2,233,263	2,344,394	2,530,856
Fines and forfeitures	129,293	144,332	140,653	122,831
Interest and rent	882,947	789,697	914,299	1,317,782
Special assessment	147,885	148,979	103,708	99,574
Other	978,171	889,444	773,486	412,848
Total revenue	22,293,235	23,361,088	23,771,009	24,550,302
<b>Expenditures</b>				
Current:				
General government	3,220,607	3,296,274	3,253,491	3,601,498
Public safety	8,185,968	8,357,193	9,383,688	9,515,712
Public works	6,015,857	6,586,255	7,394,001	9,669,372
Health and welfare	439,951	398,816	448,739	396,127
Community development	-	215,966	-	-
Recreation and culture	1,969,654	2,594,465	2,073,256	2,210,452
Capital outlay	570,646	376,895	908,326	697,254
Debt service:				
Principal	181,344	192,642	350,719	289,589
Interest	308,497	300,809	224,099	229,370
Other	581,915	262,590	11,285	14,856
Total expenditures	21,474,439	22,581,905	24,047,604	26,624,230
<b>Excess of Revenue Over (Under) Expenditures</b>	818,796	779,183	(276,595)	(2,073,928)
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,242,542	1,474,820	1,489,795	2,506,811
Transfers out	(1,317,468)	(1,617,813)	(1,989,777)	(2,328,226)
Debt issuance	-	-	5,915,250	-
Debt defeasance	-	-	(5,298,496)	-
Total other financing (uses) sources	(74,926)	(142,993)	116,772	178,585
<b>Net Change in Fund Balances</b>	743,870	636,190	(159,823)	(1,895,343)
<b>Fund Balances - Beginning of year</b>	9,499,893	10,243,763	10,879,953	10,720,130
<b>Fund Balances - End of year</b>	<b>\$ 10,243,763</b>	<b>\$ 10,879,953</b>	<b>\$ 10,720,130</b>	<b>\$ 8,824,787</b>
Capital expenditures	*	*	*	\$ 3,838,980
Debt service as a percentage of noncapital expenditures	2.34%	2.22%	2.48%	2.28%

\* 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						
	2007	2008	2009	2010	2011	2012
\$	14,627,273	\$ 15,052,806	\$ 15,042,614	\$ 14,431,373	\$ 13,985,058	\$ 13,973,835
	636,857	876,777	716,195	644,648	828,816	902,130
	1,258,043	1,535,622	916,832	1,663,075	1,668,566	1,376,627
	3,855,401	4,951,014	3,774,663	3,599,265	3,486,364	3,994,692
	2,432,815	1,979,435	1,886,304	1,891,719	1,341,866	1,283,048
	104,389	95,939	79,793	71,485	84,443	80,148
	1,509,709	1,487,861	1,004,197	759,441	721,408	714,330
	67,846	80,501	73,460	81,491	114,233	28,844
	357,454	489,040	771,937	206,877	212,793	141,626
	<u>24,849,787</u>	<u>26,548,995</u>	<u>24,265,995</u>	<u>23,349,374</u>	<u>22,443,547</u>	<u>22,495,280</u>
	3,524,862	2,759,546	2,518,950	2,399,966	2,299,454	2,462,672
	9,758,318	11,101,482	9,980,735	9,304,682	8,666,716	8,515,103
	7,411,954	10,395,898	8,537,976	8,526,350	8,177,280	8,501,505
	352,177	330,636	339,049	275,425	-	-
	-	-	-	-	654,160 **	583,729
	2,536,156	2,452,607	2,238,636	2,054,801	1,807,922	1,815,121
	808,054	628,327	578,341	362,713	515,809	339,984
	265,000	444,548	461,700	479,155	756,850	988,595
	260,879	289,198	270,446	252,648	338,079	325,035
	-	-	-	-	-	-
	<u>24,917,400</u>	<u>28,402,242</u>	<u>24,925,833</u>	<u>23,655,740</u>	<u>23,216,270</u>	<u>23,531,744</u>
	(67,613)	(1,853,247)	(659,838)	(306,366)	(772,723)	(1,036,464)
	1,743,876	1,694,330	1,871,744	1,731,119	1,342,032	1,434,396
	(1,866,431)	(1,802,359)	(2,035,840)	(1,720,859)	(1,342,032)	(1,434,396)
	1,406,910	763,510	-	2,753,005	-	4,103,575
	-	-	-	-	-	-
	<u>1,284,355</u>	<u>655,481</u>	<u>(164,096)</u>	<u>2,763,265</u>	<u>-</u>	<u>4,103,575</u>
	1,216,742	(1,197,766)	(823,934)	2,456,899	(772,723)	3,067,111
	8,824,787	10,041,529	8,843,763	8,019,829	10,476,728	9,704,005
	<u>\$ 10,041,529</u>	<u>\$ 8,843,763</u>	<u>\$ 8,019,829</u>	<u>\$ 10,476,728</u>	<u>\$ 9,704,005</u>	<u>\$ 12,771,116</u>
\$	2,446,104	\$ 3,216,045	\$ 3,175,217	\$ 3,979,564	\$ 3,832,699	\$ 3,836,071
	2.34%	2.91%	3.37%	3.72%	5.65%	6.67%

## **Revenue Capacity**

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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						Personal Property	Total Value
	Residential	Commercial	Industrial	Agricultural and Other	IFT			
2002	\$ 312,909,660	\$ 78,539,070	\$ 342,452,570	\$ 564,450	\$ 19,568,030	\$ 120,261,014	\$ 874,294,794	
2003	327,755,545	81,832,880	363,119,650	471,330	25,625,750	113,617,820	912,422,975	
2004	346,190,730	86,951,110	366,377,490	620,010	28,052,840	108,042,460	936,234,640	
2005	365,730,580	91,437,540	362,735,560	760,530	26,419,080	107,305,420	954,388,710	
2006	388,094,290	94,485,370	360,158,560	614,740	24,187,715	103,392,860	970,933,535	
2007	405,380,660	101,619,590	357,835,380	629,050	27,269,820	109,037,880	1,001,772,380	
2008	406,020,000	111,452,060	354,414,400	842,276	22,464,590	97,919,940	993,113,266	
2009	383,280,185	114,814,150	357,553,390	988,332	13,571,035	79,570,790	949,777,882	
2010	324,249,950	118,658,190	346,012,140	990,790	9,873,830	80,575,270	880,360,170	
2011	302,168,380	116,526,760	365,866,750	993,037	9,239,490	83,255,310	878,049,727	

Source: City of Monroe Assessor

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

Tax Rate (Mills)	Estimated Actual Value	Taxable Value as a Percentage of Actual
15.0030	\$ 2,006,987,448	43.56
15.0030	2,115,321,120	43.13
15.3156	2,163,634,080	43.27
15.3156	2,197,095,020	43.44
15.3790	2,227,183,960	43.59
15.3790	2,288,397,220	43.78
15.5490	2,193,922,680	45.27
15.5490	2,008,528,830	47.29
16.0690	1,961,907,580	44.87
16.5324	1,918,469,640	45.77

# 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
<b>Monroe School District</b>								
2011	13.7260	0.5200	1.8230	16.0690	5.6052	2.1794	4.7541	1.0000
2010	13.7260	0.5200	1.8230	16.0690	5.2952	2.1794	4.7541	1.0000
2009	13.6760	-	1.8730	15.5490	5.2952	2.1794	4.7541	1.0000
2008	13.6390	-	1.9100	15.5490	5.2952	2.1794	4.7541	1.0000
2007	13.6390	-	1.7400	15.3790	5.2952	2.1794	4.7541	1.0000
2006	13.6390	-	1.7400	15.3790	5.2952	2.1794	4.7541	1.0000
2005	13.7156	-	1.6000	15.3156	5.4052	2.1794	4.7541	1.0000
2004	13.9656	-	1.3500	15.3156	5.4046	2.1857	4.7541	1.0000
2003	13.6530	-	1.3500	15.0030	5.3773	2.1785	4.7700	0.8111
2002	13.6530	-	1.3500	15.0030	5.4768	2.1949	4.7924	0.8173

## Jefferson School District

2011	13.7260	0.5200	1.8230	16.0690	5.6052	2.1794	4.7541	1.0000
2010	13.7260	0.5200	1.8230	16.0690	5.2952	2.1794	4.7541	1.0000
2009	13.6760	-	1.8730	15.5490	5.2952	2.1794	4.7541	1.0000
2008	13.6390	-	1.9100	15.5490	5.2952	2.1794	4.7541	1.0000
2007	13.6390	-	1.7400	15.3790	5.2952	2.1794	4.7541	1.0000
2006	13.6390	-	1.7400	15.3790	5.2952	2.1794	4.7541	1.0000
2005	13.7156	-	1.6000	15.3156	5.4052	2.1794	4.7541	1.0000
2004	13.9656	-	1.3500	15.3156	5.4046	2.1857	4.7541	1.0000
2003	13.6530	-	1.3500	15.0030	5.3773	2.1785	4.7700	0.8111
2002	13.6530	-	1.3500	15.0030	5.4768	2.1949	4.7924	0.8173

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

Source: City of Monroe Assessor

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

	General Operating	Debt	Special Purpose
2011	14.6644	-	2.9328

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

Overlapping Rates				Total Tax Rate	
Public Transportation	State Education	School - Homestead	School - Non-homestead	Homestead	Non- homestead
0.6904	6.0000	1.0000	19.0000	37.2981	55.2981
0.6922	6.0000	1.0000	19.0000	36.9899	54.9899
0.6826	6.0000	1.0000	19.0000	36.4603	54.4603
0.6199	6.0000	0.9985	18.9985	36.3961	54.3961
0.4896	6.0000	0.9985	18.9985	36.0958	54.0958
0.4981	6.0000	0.9985	18.9985	36.1043	54.1043
0.4825	6.0000	0.9985	18.9985	36.1353	54.1353
0.3922	6.0000	0.9985	18.9985	36.0507	54.0507
0.3346	5.0000	0.9941	18.9941	34.4686	52.4686
0.3311	6.0000	0.9974	18.9974	35.6129	53.6129
0.6904	6.0000	-	18.0000	36.2981	54.2981
0.6922	6.0000	-	18.0000	35.9899	53.9899
0.6826	6.0000	-	18.0000	35.4603	53.4603
0.6199	6.0000	-	18.0000	35.3976	53.3976
0.4896	6.0000	0.9985	18.9985	36.0958	54.0958
0.4981	6.0000	-	18.0000	35.1058	53.1058
0.4825	6.0000	-	18.0000	35.1368	53.1368
0.3922	6.0000	-	18.0000	35.0522	53.0522
0.3346	5.0000	-	18.0000	33.4745	51.4745
0.3311	6.0000	-	18.0000	34.6155	52.6155

# City of Monroe, Michigan

## Revenue Capacity Principal Property Taxpayers

	Tax Year 2011			Tax Year 2002		
	Taxable Value	Rank	Percentage of Total	Taxable Value	Rank	Percentage of Total
Detroit Edison	\$ 364,292,880	1	41.38	\$ 333,029,690	1	38.01
Gerdau Macsteel	35,420,780	2	4.02			
International Transmission Company	12,063,660	3	1.37			
Howard Ternes Packing Company	6,291,500	4	0.71	5,299,510	5	0.61
Headwaters Resources, Inc.	5,793,500	5	0.66			
Ford Motor Company	5,583,840	6	0.63			
Monroe Bank & Trust	5,439,230	7	0.62			
National Galvanizing	5,049,960	8	0.57	4,910,020	6	0.56
Oak Forest APT Investors, LLC	3,270,670	9	0.37			
Holiday Inn of Monroe	2,616,250	10	0.30			
Visteon Corporation				73,638,500	2	8.40
North Star Steel				29,093,250	3	3.32
Delta USA Corporation				6,494,460	4	0.74
Thompson McCully Company				4,906,790	7	0.56
Benchmark Homes				3,246,530	8	0.37
IKO Monroe				2,997,230	9	0.34
Riverbend Commons, LLC				2,937,150	10	0.34

# 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
2002	2003	\$ 12,710,425	\$ 12,428,201	97.78	\$ 194,358	\$ 12,622,559	99.31
2003	2004	13,692,619	13,478,386	98.44	202,759	13,681,145	99.92
2004	2005	14,291,466	14,012,116	98.05	271,542	14,283,658	99.95
2005	2006	14,562,887	14,236,760	97.76	313,538	14,550,298	99.91
2006	2007	15,088,559	14,605,550	96.80	459,751	15,065,301	99.85
2007	2008	15,494,010	14,975,863	96.66	473,526	15,449,389	99.71
2008	2009	15,614,880	15,099,991	96.70	493,029	15,593,020	99.86
2009	2010	15,310,521	14,721,278	96.15	550,331	15,271,609	99.75
2010	2011	14,709,127	14,250,863	96.88	446,060	14,696,923	99.92
2011	2012	14,227,768	13,843,954	97.30	361,837	14,205,791	99.85

## **Debt Capacity**

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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

	2003	2004	2005	2006	2007
<b>Governmental Activities</b>					
General obligation bonds	\$ 6,036	\$ 5,883	\$ 6,179	\$ 5,930	\$ 5,705
Installment purchase agreements	-	-	-	-	607
State of Michigan loans	1,140	1,120	999	898	1,535
Sewer bonds	-	-	-	-	-
Revenue bonds	-	-	-	-	-
Capital leases	38	174	657	528	394
Total	7,214	7,177	7,835	7,356	8,241
<b>Business-type Activities</b>					
General obligation bonds	1,480	1,285	900	3,020	2,755
Installment purchase agreements	-	-	-	-	-
Special assessment bonds	-	-	-	-	-
Revenue bonds	-	-	-	-	-
Capital leases	-	-	-	-	-
Total	1,480	1,285	900	3,020	2,755
Total debt of the government	<b>\$ 8,694</b>	<b>\$ 8,462</b>	<b>\$ 8,735</b>	<b>\$ 10,376</b>	<b>\$ 10,996</b>
Total residential personal income*	\$ 484,339	\$ 493,243	\$ 510,027	\$ 525,328	\$ 542,139
Ratio of total debt to personal income	1.79%	1.72%	1.71%	1.98%	2.03%
Total population (actual)	21,726	21,764	21,791	21,791	21,840
Total debt per capita	\$ 400	\$ 389	\$ 401	\$ 476	\$ 503

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

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

Source: U.S. Census Bureau - [www.census.gov](http://www.census.gov)

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$	5,510	\$ 5,245	\$ 7,470	\$ 6,810	10,215
	540	470	784	673	315
	2,213	2,127	2,038	1,750	1,591
	-	-	-	-	-
	-	-	-	-	-
	<u>415</u>	<u>258</u>	<u>-</u>	<u>-</u>	<u>-</u>
	8,678	8,100	10,292	9,233	12,121
	8,855	17,278	26,592	27,477	30,769
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>8,855</u>	<u>17,278</u>	<u>26,592</u>	<u>27,477</u>	<u>30,769</u>
<b>\$</b>	<b><u>17,533</u></b>	<b><u>25,378</u></b>	<b><u>36,884</u></b>	<b><u>36,710</u></b>	<b><u>42,890</u></b>
\$	563,662	\$ 575,330	\$ 558,415	\$ 570,309	\$570,309
	3.11%	4.41%	6.61%	6.44%	7.52%
	21,528	21,374	21,323	20,733	20,672
\$	814	\$ 1,187	\$ 1,730	\$ 1,771	\$ 2,075

# City of Monroe, Michigan

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Fiscal Year	Tax-limited General Obligation Bonds (LTGO)	Tax- supported Bonds (UTGO)	Less Pledged Debt Service Funds	Other General Obligation Debt	Net General Bonded Debt	Taxable Value
2003	\$ 7,400,000	\$ -	\$ 120,172	\$ 1,293,637	\$ 8,573,465	\$ 876,196,685
2004	7,090,000	-	149,986	1,293,740	8,233,754	912,793,465
2005	7,040,000	-	177,132	1,695,128	8,557,996	936,954,310
2006	8,950,000	-	203,430	1,425,310	10,171,880	954,388,710
2007	8,460,000	-	179,245	2,535,748	10,816,503	970,933,535
2008	14,325,000	-	163,497	3,167,518	17,329,021	1,001,772,380
2009	13,770,000	-	117,095	2,855,290	16,508,195	993,113,266
2010	22,062,221	-	105,529	2,822,094	24,778,786	949,777,882
2011	22,070,980	-	127,224	2,423,314	24,367,070	880,360,170
2012	25,522,783	-	136,079	1,906,561	27,293,265	878,049,727

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

Debt as a Percentage of Taxable Value	Population	Debt per Capita
0.98	21,726	\$ 395
0.90	21,764	378
0.91	21,791	393
1.07	21,791	467
1.11	21,840	495
1.73	21,528	805
1.66	21,374	772
2.61	21,323	1,162
2.77	20,733	1,175
3.11	20,672	1,320

# 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	\$ 14,367,361	15.42%	\$ 2,215,447
Jefferson School District	-	2.95%	-
Monroe School District	285,000	48.68%	138,738
Monroe Intermediate School District	-	15.99%	-
Monroe County Community College	-	15.42%	-
Total overlapping debt *			2,354,185
Direct City debt			<u>10,215,000</u>
Total direct and overlapping debt			<u><b>\$ 12,569,185</b></u>

Source: Michigan Municipal Advisory Council

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

# City of Monroe, Michigan

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	2003	2004	2005	2006
<b>Calculation of Debt Limit</b>				
State equalized valuation (SEV)	\$ 1,003,493,724	\$ 1,057,660,560	\$ 1,081,817,040	\$ 1,098,547,510
10% of SEV	100,349,372	105,766,056	108,181,704	109,854,751
<b>Calculation of Debt Subject to Limit</b>				
Total debt	8,655,847	8,288,205	8,178,234	9,847,508
Less debt not subject to limit:				
Special assessment bonds	-	-	-	-
Revenue bonds	-	-	-	-
Pollution abatement bonds	-	-	-	-
Water Resources Commission or Court-ordered bonds	-	-	-	-
Net debt subject to limit	<u>8,655,847</u>	<u>8,288,205</u>	<u>8,178,234</u>	<u>9,847,508</u>
<b>Legal Debt Margin</b>	<b><u>\$ 91,693,525</u></b>	<b><u>\$ 97,477,851</u></b>	<b><u>\$ 100,003,470</u></b>	<b><u>\$ 100,007,243</u></b>
<b>Net Debt Subject to Limit as Percent of Debt Limit</b>	8.63%	7.84%	7.56%	8.96%

Source: City of Monroe Assessor

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

2007	2008	2009	2010	2011	2012
\$ 1,113,591,980	\$ 1,144,198,610	\$ 1,096,961,340	\$ 1,004,264,415	\$ 980,953,790	\$ 959,234,820
111,359,198	114,419,861	109,696,134	100,426,442	98,095,379	95,923,482
10,054,546	16,538,227	24,629,274	36,100,022	36,036,433	42,575,066
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>10,054,546</u>	<u>16,538,227</u>	<u>24,629,274</u>	<u>36,100,022</u>	<u>36,036,433</u>	<u>42,575,066</u>
<b><u>\$ 101,304,652</u></b>	<b><u>\$ 97,881,634</u></b>	<b><u>\$ 85,066,860</u></b>	<b><u>\$ 64,326,420</u></b>	<b><u>\$ 62,058,946</u></b>	<b><u>\$ 53,348,416</u></b>
9.03%	14.45%	22.45%	35.95%	36.74%	44.38%

## **Demographic and Economic Information**

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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

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income (in thousands)</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2003	21,726	\$ 484,339	\$ 22,293	6.8
2004	21,764	493,243	22,663	6.7
2005	21,791	510,027	23,405	6.0
2006	21,791	525,328	24,108	5.9
2007	21,840	542,139	24,823	6.5
2008	21,528	563,662	26,183	8.5
2009	21,375	575,330	26,916	17.0
2010	21,323	558,415	26,188	12.9
2011	20,733	570,309	27,507	10.4
2012	20,672	570,309	27,588	8.4

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	2012 Employees	Percentage of Total	2006 Employees	Percentage of Total	2006 Rank
1 Mercy Memorial Hospital	1,600	2.47	1,246	1.63	2
2 County of Monroe	700	1.08	750	0.98	3
3 DTE Energy	530	0.82	530	0.70	4
4 La-Z-Boy Incorporated	522	0.81	522	0.68	5
5 Gerdau MacSteel	450	0.70	385	0.50	7
6 Monroe Bank & Trust	401	0.62	401	0.53	6
7 Sisters, Servants of the Immaculate Heart of Mary	265	0.41	265	0.35	8
8 Monroe Publishing Company	200	0.31	200	0.26	10
9 City of Monroe	167	0.26	257	0.34	9
10 SYGMA Network	162	0.25			
11 Visteon			1,954	2.56	1

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

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

# City of Monroe, Michigan

Function/Program	2003	2004	2005	2006	2007
<b>General government:</b>					
City manager	5.00	5.00	4.00	4.00	4.00
Clerk/Treasurer	6.00	7.00	7.00	7.00	6.00
Assessor	4.00	3.50	3.50	3.60	3.60
City attorney	2.00	2.00	2.00	2.00	2.00
Finance	5.00	5.00	5.00	5.00	5.00
Human resources	2.00	2.00	1.42	2.00	2.00
Engineering	11.00	11.00	11.00	10.00	9.50
City hall and grounds	3.00	2.00	2.50	2.20	2.20
Information systems	3.00	3.00	3.00	3.00	3.00
<b>Public safety:</b>					
<b>Police:</b>					
Officers	46.00	47.00	47.00	47.00	46.00
Civilians	9.00	7.00	7.00	7.00	7.00
<b>Fire and EMS:</b>					
Firefighters and officers	41.00	41.00	41.00	41.00	41.00
Civilians	-	0.50	0.50	0.40	0.40
Zoning/Ordinance enforcement	3.00	3.50	4.40	3.75	3.75
Building inspection	7.00	6.00	4.60	5.90	5.55
<b>Public works - Public service:</b>					
Operations division	30.00	26.00	26.00	25.50	25.00
Forestry division	5.00	5.00	5.00	5.50	5.00
Parks division	3.00	4.00	3.00	3.00	-
Airport	-	-	-	1.00	1.00
Community and economic development	5.00	4.50	4.50	5.15	4.00
Parks and recreation	3.00	3.00	3.00	3.00	6.00
Water	32.00	32.00	32.00	33.00	33.00
Wastewater	31.00	31.00	31.00	31.00	31.00
<b>Total</b>	<b>256.00</b>	<b>251.00</b>	<b>248.42</b>	<b>251.00</b>	<b>246.00</b>

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**

2008	2009	2010	2011	2012
3.00	2.00	2.00	2.00	2.00
6.00	5.00	5.00	5.00	4.00
3.60	3.00	3.00	3.00	3.00
2.00	2.00	-	-	-
5.00	3.90	3.90	3.90	3.90
2.00	2.00	2.00	1.50	1.50
8.50	9.00	6.50	6.50	6.50
2.35	1.35	1.35	1.35	1.35
2.00	2.10	0.10	0.10	0.10
45.00	38.00	39.00	37.00	40.00
7.00	6.00	5.00	5.00	5.00
41.00	31.00	27.00	19.00	16.00
0.40	-	-	-	-
2.75	2.25	1.25	0.63	0.63
5.40	4.15	3.90	4.15	4.15
26.00	27.00	22.50	20.50	19.50
5.00	-	-	-	-
-	-	-	-	-
1.00	-	-	-	-
4.00	3.00	2.25	2.75	2.75
3.00	2.25	2.25	2.13	2.13
32.00	30.00	28.50	28.50	28.50
31.00	31.00	26.50	26.50	26.00
<b><u>238.00</u></b>	<b><u>205.00</u></b>	<b><u>182.00</u></b>	<b><u>169.51</u></b>	<b><u>167.01</u></b>

## **Operating Information**

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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	2003	2004	2005	2006
<b>Police:</b>				
Physical arrests	1,277	1,284	1,406	1,352
Traffic citations and warnings	6,975	7,010	8,185	5,947
Original complaints	26,946	27,081	25,188	23,280
<b>Fire:</b>				
Fire incidents	2,668	2,729	2,837	2,849
EMS incidents	2,292	2,189	2,221	2,220
Inspections	177	329	460	448
<b>Code enforcement/administration:</b>				
Building inspections	3,827	3,186	3,398	3,251
Plumbing/Mechanical inspections	899	876	964	924
Electrical inspections	856	853	862	893
Zoning inspections	2,038	2,147	1,621	1,609
Blight violations	195	130	290	474
Rental inspections	N/A	N/A	N/A	1017
<b>Public works:</b>				
Miles of street resurfaced	1.69	1.59	1.67	1.98
Trees trimmed	2,600	2,625	2,700	3,200
Trees removed	255	270	305	320
Trees planted	245	260	275	300
Street sweeping curb miles	2,200	2,250	2,400	2,400
Storm sewers replaced (miles)	-	-	-	-
Storm sewers installed (miles)	-	-	-	-
Storm sewer miles cleaned	68	70	70	70
City property mowing hours	3,000	2,975	2,950	2,900
<b>Parks and recreation:</b>				
Recreation program attendance	9,060	9,264	9,319	8,930
Park/Shelter reservations	175	192	212	259
Pool admission	3,510	2,651	2,770	3,112
<b>Water:</b>				
Number of customers billed	57,332	58,432	58,884	59,091
New services	383	338	335	171
Average daily consumption (thousands of gallons per day)	5,416	6,342	6,773	6,998
Wastewater - Average daily sewage treatment (thousands of gallons)	14,247	13,425	11,233	13,999

N/A - Not available

Source: City records and department annual reports

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

2007	2008	2009	2010	2011	2012
1,186	1,101	998	1,039	1,032	1,045
5,407	4,562	3,685	3,471	3,148	2,571
22,273	19,858	19,611	19,075	19,656	17,100
3,168	3,165	781	766	784	697
2,481	2,498	2,407	2,360	2,272	2,590
508	470	200	222	337	300
2,635	2,452	2,538	2,186	2,096	2,280
709	1,011	751	750	600	585
730	1,263	607	424	616	516
876	280	152	437	416	486
552	197	159	73	307	1,178
1204	1,053	1,075	1,425	1,096	1,052
1.81	1.61	1.66	2.60	2.16	1.98
3,300	3,250	650	2,000	1,500	1,200
275	300	250	288	215	220
350	275	125	130	125	140
2,400	2,400	2,400	2,400	2,400	2,400
-	-	-	-	-	-
-	-	-	-	-	-
75	50	10	7	3	1
2,900	750	150	290	210	170
5,608	9,844	16,393	17,149	20,703	13,388
187	168	117	82	92	101
3,830	3,807	3,613	-	-	3,011
61,394	61,435	61,595	61,779	61,709	62,202
126	110	112	35	73	115
6,287	6,207	5,978	6,983	7,206	7,197
13,720	15,304	14,081	8,568	12,130	14,094

# City of Monroe, Michigan

Function/Program	2003	2004	2005	2006
Police:				
Stations	1	1	1	1
Patrol units	15	15	15	15
Fire:				
Stations	3	3	3	3
Fire response vehicles	5	5	5	5
Emergency response vehicles	2	3	3	3
Public works:				
Streets (miles):				
Major streets	27.61	27.6	27.58	27.58
Local streets	52.49	52.49	52.89	53.01
Sidewalks	170.49	170.74	170.74	170.74
Streetlights	1,564	1,564	1,564	1,564
Traffic signals	12	12	12	13
Parks and recreation:				
Acreage	281.48	280	280	280
Developed parks/playgrounds	31	32	32	32
Developed fields (soccer, baseball, etc.)	23	23	21	21
Libraries - Branches	2	2	2	2
Water:				
Mains (miles)	222	239	250	260
Fire hydrants	1,998	2,080	2,328	2,373
Storage capacity	6.75	6.56	6.81	6.81
Sewer:				
Miles of sanitary sewers	260	270	290	300
Miles of storm sewers	60.7	60.71	60.81	60.81
Treatment capacity (millions of gallons/day)	32	32	32	32

Source: City records and department annual reports

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

2007	2008	2009	2010	2011	2012
1	1	1	1	1	1
15	15	15	14	14	14
3	3	2	2	2	2
5	5	5	4	4	4
3	2	2	3	4	4
28.77	28.77	28.77	28.6	28.6	28.6
53.33	53.33	53.33	54.12	54.12	54.12
170.74	170.86	170.86	170.86	170.86	170.86
1,564	1,564	1,564	1,564	1,564	1570
12	10	10	10	9	9
280	280	280	280	280	280
32	32	32	32	32	32
21	21	21	21	21	21
2	2	2	2	2	2
262	281	282	282	298	298
2,373	2,494	2,541	2,640	2,834	2854
6.81	6.81	6.81	6.81	6.81	6.81
303	303	303	303	303	303
60.81	60.81	60.81	60.81	60.81	60.81
32	32	32	32	32	32

# **City of Monroe, Michigan**

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**Federal Awards  
Supplemental Information  
June 30, 2012**

# City of Monroe, Michigan

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## Independent Auditor's Report

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Monroe, Michigan as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 3, 2012, which contained unqualified opinions on those financial statements. These basic financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these basic financial statements based on our audit. We have not performed any procedures with respect to the audited financial statements subsequent to December 3, 2012. We did not audit the financial statements of the Port of Monroe (a discretely presented component unit) which represent 64 percent and 67 percent of the assets and revenues of the discretely presented component units, respectively. Those financial statements were audited by other auditors, whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Port of Monroe, is based on the report of the other auditors.

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. The financial statements of the Port of Monroe were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

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

*Plante & Morse, PLLC*

December 3, 2012

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Monroe, Michigan as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 3, 2012. Our report was modified to include reference to other auditors. We have 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. Other auditors audited the financial statements of the Port of Monroe, as described in our report on the City of Monroe, Michigan's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Port of Monroe were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

Management of the City of Monroe, Michigan is responsible for establishing and maintaining an effective internal control over financial reporting. In planning and performing our audit, we considered the City of Monroe, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

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

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

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Monroe, Michigan's financial statements are free of 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*.

We noted certain matters that we have reported to management of the City of Monroe, Michigan in a separate letter dated December 3, 2012.

This report is intended solely for the information and use of management, the Honorable Mayor and Members of the City Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Morse, PLLC*

December 3, 2012

Report on Compliance with Requirements That Could Have a  
Direct and Material Effect on Each Major Program and on  
Internal Control Over Compliance in Accordance With OMB Circular A-133

Independent Auditor's Report

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

**Compliance**

We have audited the compliance of the City of Monroe, Michigan 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, 2012. The major federal programs of the City of Monroe, Michigan are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Monroe, Michigan's management. Our responsibility is to express an opinion on the City of Monroe, Michigan's compliance based on our audit.

The City of Monroe, Michigan's basic financial statements include the operations of the Port of Monroe, which received \$39,202 in federal awards that are not included in the schedule of expenditures of federal awards during the year ended June 30, 2012. Our audit, described below, did not include the operations of the Port of Monroe because it engaged other auditors to perform its audit.

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. Our audit does not provide a legal determination on the City of Monroe, Michigan's compliance with those requirements.

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

In our opinion, the City of Monroe, Michigan complied, in all material respects, with the 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, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Finding 2012-1.

### **Internal Control Over Compliance**

The management of the City of Monroe, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Monroe, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

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

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as Finding 2012-1. 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.

The City of Monroe, Michigan's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Monroe, Michigan's response and, accordingly, we express no opinion on the response.

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

This report is intended solely for the information and use of management, the Honorable Mayor and Members of the City Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Morse, PLLC*

December 3, 2012

# City of Monroe, Michigan

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2012

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-11-MC-26-0041	\$ 675,614
Passed through the Michigan State Housing Development			
Authority (MSHDA) - Home Investment Partnerships Program	14.239	M-2008-0303	<u>105</u>
Total U.S. Department of Housing and Urban Development			675,719
U.S. Department of Justice:			
Office of Justice Programs - Bulletproof Vest Partnership Program			
	16.607	None	3,095
Office of Community Oriented Policing Services - ARRA - Public			
Safety Partnership and Community Policing Grants	16.710	2009RKWX0446	<u>162,492</u>
Total U.S. Department of Justice			165,587
U.S. Department of Transportation - Rail Line Relocation			
and Improvement	20.320	FR-LRI-032-12-01-00	59,709
U.S. Environmental Protection Agency:			
Great Lakes Program:			
Restoring Lake Erie Fish Passage in the River Raisin AOC			
	66.469	GL-00E00473-0	160,206
Passed through the Michigan Department of Environmental Quality:			
Sterling Island Restoration	66.469	100020-11	102,760
Restoring Fish Passage in the River Raisin AOC - Phase 2	66.469	100017-11	<u>136,364</u>
Total Great Lakes Program			399,330
Passed through the State of Michigan Department of			
Environmental Quality - ARRA - Capitalization Grants for			
Drinking Water Revolving Funds	66.468	7227-01	<u>213,659</u>
Total U.S. Environmental Protection Agency			<u>612,989</u>
Total federal expenditures			<u><b>\$ 1,514,004</b></u>

# City of Monroe, Michigan

## Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2012

### 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, 2012. 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 assets, 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	\$ 9,300

# City of Monroe, Michigan

## Schedule of Findings and Questioned Costs Year Ended June 30, 2012

### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued: Unqualified

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: Unqualified

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

Identification of major programs:

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

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

Auditee qualified as low-risk auditee?  Yes  No

### Section II - Financial Statement Audit Findings

None

# City of Monroe, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2012

### Section III - Federal Program Audit Findings

Reference Number	Finding
2012-1	<p><b>Program Name</b> - 66.469 - Great Lakes Program</p> <p><b>Pass-through Entity</b> - Michigan Department of Environmental Quality</p> <p><b>Finding Type</b> - Significant deficiency and material noncompliance with laws and regulations</p> <p><b>Criteria</b> - 2 CFR section 180.300 requires the City verify that an entity is not suspended or debarred or otherwise excluded when entering into a procurement contract for goods or services that exceeds \$25,000 with that entity. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the procurement contract with that entity.</p> <p><b>Condition</b> - As part of our testing, we noted that the City did not verify that a contractor used as part of the Great Lakes Program was suspended or debarred prior to contracting with the entity.</p> <p><b>Questioned Costs</b> - None</p> <p><b>Context</b> - As part of the audit testing, the procurement process was reviewed for one contractor used as part of the Great Lakes Program. For this contractor, the City could not locate any documentation that verification had been performed to ensure the entity was not suspended or debarred. After this was brought to the attention of the City, the EPLS was checked and it was verified that the contractor used was not suspended or debarred, and this documentation was kept in the contractor file. The City generally obtains a certification from the entity stating that the entity is not suspended or debarred prior to contracting with that entity.</p> <p><b>Cause and Effect</b> - Due to the fact that there was no process in place to ensure the suspension and debarment verification was performed prior to contracting with the entity, one contractor had no such documentation in their contractor file.</p> <p><b>Recommendation</b> - We recommend that the City develop a process to ensure that suspension and debarment verifications are obtained and retained prior to contracting with an entity.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - The City concurs with the finding and will review the procedures to ensure verifications are obtained prior to completion of the contracting process.</p>

# City of Monroe, Michigan

## Summary Schedule of Prior Audit Findings Year Ended June 30, 2012

<u>Prior year Finding Number</u>	<u>Federal Program</u>	<u>Original Finding Description</u>	<u>Status</u>	<u>Planned Corrective Action</u>
2011-1	14.218 - Community Development Block Grants/Entitlement Grants	As part of our testing, we noted that the City did not obtain weekly payroll certifications from one of the contractors to ensure that the contractor complied with the Davis- Bacon Act.	Corrected	n/a