

City of Dearborn, Michigan Comprehensive Annual Financial Report For the Year Ended June 30, 2008



Photograph of City Hall

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CITY OF DEARBORN, MICHIGAN

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2008

MAYOR

John B. O'Reilly, Jr.

CITY COUNCIL

Council President

Thomas P. Tafelski

Council President Pro-Tem

Nancy A. Hubbard

Council Members

Douglas B. Thomas

Suzanne Sareini

Mark Shooshanian

Robert A. Abraham

George T. Darany

James J. O'Connor
Finance Director/Treasurer

Sharon J. Schwab
Assistant Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Dearborn
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

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.



Oliver S. Cox

President

Jeffrey R. Emer

Executive Director

City of Dearborn, Michigan

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City of Dearborn, Michigan

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CITY OF DEARBORN

Home Town of Henry Ford

JOHN B. O'REILLY, JR.
MAYOR

DEPARTMENT OF FINANCE ACCOUNTING DIVISION

JAMES J. O'CONNOR
Finance Director/Treasurer

SHARON J. SCHWAB
Asst. Finance Director

November 17, 2008

Honorable Mayor, John B. O'Reilly Jr.,
Members of the City Council, and
Citizens of the City of Dearborn:

The Comprehensive Annual Financial Report (CAFR) of the City of Dearborn, for the fiscal year ended June 30, 2008, is submitted with this letter. The City's Finance Department prepared this report pursuant to requirements of both the City Charter and Michigan law.

This letter is designed to complement the Management Discussion & Analysis (MD&A) as required by Generally Accepted Accounting Principles and GASB 34 and should be read in conjunction with it. The MD&A can be found on pages 3-18 of the CAFR.

MANAGEMENT REPRESENTATIONS

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City.

We believe that the financial information, as presented:

- ◆ is accurate in all material aspects;
- ◆ is presented in a manner designed to set forth fairly the financial position and results of operations of the City as measured by the financial activity of its various funds;
- ◆ includes all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs

ACCOUNTING SYSTEM INTERNAL CONTROL STRUCTURE

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:

- ◆ the safeguarding of assets against loss from unauthorized use or disposition;
- ◆ the reliability of financial records for preparing financial statements and maintaining accountability for assets

The concept of reasonable assurance recognizes that:

- ◆ the cost of a control should not exceed the benefits likely to be derived;
- ◆ the evaluation of costs and benefits requires estimates and judgments by management

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

Transmittal Letter
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INDEPENDENT AUDIT

State of Michigan statutes and City Charter require that an independent audit be made of the City's financial statements. In addition, 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 States, Local Governments and Non-Profit Organizations*. Plante & Moran, PLLC whose reports are included, has performed the audit for fiscal year 2008.

FORM OF GOVERNMENT/CITY PROFILE

The City of Dearborn is located in southeast Michigan and borders the City of Detroit to the east. The 2000 census reported a population of 97,775, and current estimates indicate the population is declining. However, prior to the last census estimates projected population declines and the census reported population gains. The superior public services and facilities, a well-established employment base, proximity to Detroit and other affluent suburbs, Detroit Metropolitan Airport, and transportation systems, make Dearborn a desirable community in southeast Michigan for families and businesses.

The present City of Dearborn was incorporated in 1929 consolidating the former cities of Fordson and Dearborn. The City operates under a strong mayor, weak council form of government. Its most recent charter was adopted November 6, 2007 and was effective January 1, 2008. The City is incorporated under Michigan law as a home rule city.

Elected officials are composed of the Mayor, City Clerk and seven Council members who are elected at large. All terms of office are four years. Department Directors and the Chief of Staff are appointed by and serve at the pleasure of the Mayor with the exception of the Human Resource (Civil Service) Director, City Planner, City Librarian and Curator of the Historical Museum who are appointed by their respective commissions. Corporation Counsel is appointed by the Mayor, subject to confirmation by the City Council. The Mayor is responsible for administration of all departments and functions of the City government not under the jurisdiction of any other elected official or the Civil Service Commission. The City Clerk has duties related to keeping the public records. City Council is headed by a Council President who is the member receiving the highest number of votes in the last general election. The Council is responsible for all legislative matters including adoption of the City budget.

Mayor John B. O'Reilly, Jr. and the Council of the City of Dearborn are responsive to the community. Challenges are identified, openly communicated and action is planned and taken. In February 2007, Mayor O'Reilly was elected to succeed Mayor Michael Guido who had passed away during a term. Mayor O'Reilly served as Council President and was on the City Council for seventeen years. He is very knowledgeable about the internal operations and the community in general. He was clearly the natural and best choice for the position and received 94% of the votes. The citizens showed a clear preference for continuity in leadership that enables Dearborn to build and maintain a level of public services second to none.

GENERAL GOVERNMENT

The City of Dearborn is a full-service government. The Mayor, the City Clerk and City Council have department designations. Public Safety departments include Police, Fire and Rescue and Building & Safety. The Department of Public Works manages the sanitation division, infrastructure projects and general cleaning and maintenance of City property. Culture and Recreation encompasses a main library and three branch libraries, a Historical Museum and a robust Recreation Department including neighborhood parks, a major park, a dual ice surface arena and the Ford Community & Performing Arts Center. The City also operates a part-time Health department. The City has separate Planning, Economic & Community Development and Housing departments. Legal, Finance, Human Resources, Assessment and Public Information function as support-type departments. The City of Dearborn is a medium sized community, but in many respects operates like a large community due to the presence of Ford Motor Company and the corresponding business environment.

PROPRIETARY TYPE OPERATIONS

The City operates the water and sewer utilities. The City relies on and compensates the City of Detroit for providing clean water and for treating sewage. The Recreation Department operates an 18-hole golf course and the Housing Department manages five retirement buildings within the City and one building in Clearwater, Florida. The November 2007 election also included a ballot proposal that authorized the sale of the building in Clearwater. The City has the authority to sell the property when economic conditions make sense and is not required to sell within a certain time period. The Parking System fund accounts for the construction, maintenance and operation of City-owned parking decks and lots. A group of internal service funds are operated to support the primary government.

FIDUCIARY FUND TYPE OPERATIONS

The City operates three pension trust funds, including two for police and fire personnel (one open, one closed) and third (closed) for substantially all other full time personnel. Effective July 1, 2005, the open revised police and fire pension trust fund was closed to newly hired police officers. All full-time personnel not covered by one of these pension plans participate in the defined contribution plan.

COMPONENT UNITS

The City currently has four components included in this section of the report. The East and West Dearborn Downtown Development Authorities (EDDDA and WDDDA) account for monies from tax increment financing districts under each authority's jurisdiction. These resources are being accumulated to fund future redevelopment of both the East and West Dearborn Business Districts.

The Economic Development Corporation of Dearborn was created to encourage economic development primarily through the issuance of tax-exempt financing.

The Brownfield Redevelopment Authority (BRA) is a component unit established for the redevelopment of environmentally contaminated property. The State of Michigan provides grants and loans in support of approved projects. The BRA is actively involved in supporting a \$36 to \$50 million dollar private development by constructing a 429 space parking deck. This project is in the East Dearborn downtown and involves the demolition of the vacant Montgomery Wards department store and the development of a medical facility, retail and office space facility. There

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is also a senior housing component contemplated in the project. The project will be constructed in phases as financing is available.

BUDGET CONTROLS

The City's budget is prepared in compliance with uniform budgeting provisions of Michigan law for all governmental fund types and in conformity with generally accepted accounting principles (modified accrual basis of accounting). The proposed annual budget is delivered to City Council no later than April 15th and must be adopted no later than June 13th. Budgets are adopted for all governmental and proprietary funds. Appropriations are controlled at the department level (General fund), project level (Capital Projects fund), or fund level (all other funds), as appropriate. Encumbrances, which are reservations of fund balance and not expenditures, are used as an extension of formal budgetary control. Appropriations lapse at fiscal year-end except for the portion related to encumbered amounts, project life appropriations and those amounts approved for carry-forward by the City Council.

ECONOMIC CONDITION AND OUTLOOK

The Michigan economy is faring slightly worse than the U.S. economy which is reported to be heading into a recession. The sub-prime mortgage issues combined with the downsizing activities of the auto industry are impacting home values by creating excess supply in the market. Growth and development is continuing but at a much slower pace.

The State of Michigan has experienced a decline in revenues which resulted in the Governor and Legislature reducing state shared revenue distributions to local governments including the City of Dearborn. The City continues to look for ways to recover from the lost revenue while also maintaining the high level of services Dearborn is known for.

The automotive industry has a major effect on the economy of the State of Michigan. Alan Mullaly, President and Chief Executive Officer of Ford Motor Company, is promoting his "ONE Ford" plan to unify and align the organization. The components of the plan include one team, one plan and one goal. The four points of the plan are restructure, accelerate new product development, finance the plan and develop a world wide focused team. The one goal establishes the single target of profitable growth. Mr. Mullaly shared that the company is transforming to position for the small and medium sized vehicle market. He shared that the fuel supply/demand economics – prices at the pump - will continue to drive consumers to pursue more fuel efficient products. He expects 3% to 5% annual gains in quality and productivity. Ford has downsized staff levels substantially and continues to consolidate operations in Dearborn.

In 2004, Severstal North America, Inc. made a \$250 million investment in Dearborn when it purchased the assets of Rouge Steel from bankruptcy. Following the acquisition, Severstal has invested \$580 million in rebuilding and upgrading steel producing facilities. The company is now considering investing up to an additional \$900 million to make the facility a world-class steel manufacturing operation.

The City is experiencing flat revenues compounded by escalating legacy costs for pensions and retiree health care plus significant increases in other operating costs including health insurance, gasoline and heating fuel costs. Although a structural budget deficit exists for the General fund, the budgeted use of reserves in the fiscal year 2009 budget was limited to only \$137,036. The City has reduced 137 full-time positions since fiscal year 2001. Dearborn must continue to reduce costs, taxes must go up, or a combination of the two. In November, 2007 the voters

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approved a reinstatement of the 15 mill tax millage rate that had been rolled back by the Headlee Amendment formula to 13.6275 mills. The elected officials are reluctant to increase the tax rate, but the public has expressed confidence in the City's government by supporting the authorization to allow for a millage increase. Dearborn is fortunate to have a superior program and service mix with good quality, quantity and levels of programs and services. Dearborn is a great place to live, work, play and raise a family.

CASH MANAGEMENT

The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its investment portfolio. Cash temporarily idle during the year was invested in certificates of deposit, U. S. government securities and top rated commercial paper. Cash is internally pooled for investment purposes using two separate pools distinguished by the investment needs of participating funds. One pool is strictly for short-term operating cash, while the other pool is comprised of money that can be safely invested for periods of one to seven years. Funds in the latter pool consist mainly of self-insurance reserves and some monies designated for future financial needs. Earnings are allocated based on time and dollar weighted participation in each pool. A formal investment policy was adopted by the City Council in November 1998.

RISK MANAGEMENT

The City employs a full-time attorney to serve as a risk manager to focus on loss control in the areas of civil and fleet liability. The risk manager also assists with the administration of the workers' compensation program. All City programs undergo a periodic risk analysis.

Loss control services of the City's insurers are used regularly to reduce exposures. The City also maintains a sidewalk inspection and replacement program to help reduce the number of "trip and fall" claims. In addition, high level training for police officers continues to be emphasized.

DEBT ADMINISTRATION

Debt is paid for in one of three ways. The general operating millage will pay for debt related to governmental facilities. Debt issued prior to fiscal year 2005 for business-type activities will be retired with user fees. Bonds issued in conjunction with the Ford Community and Performing Arts Center as well as business-type activities debt issued beginning in fiscal year 2005 will be funded by voter approved debt millages and/or user fees.

A ballot proposal was approved in August 2004 authorizing the City to issue debt (bonds and low interest State Revolving Fund (SRF) loans) in an amount not to exceed \$314.12 million to fund the federally mandated Combined Sewer Overflow (CSO) project. Construction of more than half of the project is underway and the balance of the project is currently in various stages of design or procurement. SRF funding received to date totals almost \$241 million. In addition, \$24.5 million in open market bonds were issued for phase one construction. The City will pursue all grant opportunities and will continue to apply for low interest loans from the State of Michigan to fund this project.

In addition to bonded debt, the City has used installment purchase agreements from time to time as a means of financing the acquisition of selected equipment. The expected useful life of financed equipment generally exceeds five years, which exceeds the typical financing term of four years.

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MAJOR INITIATIVES

The City of Dearborn's personnel continue to strive for constant improvements to provide the highest level of customer service possible within revenue constraints. Satisfaction of our citizens, customers and partners is the organization's driving force. All of the services provided are evaluated on the basis of the benefits they provide both to individual users and to the community as a whole.

Master Plan and Zoning Update

The Mayor is assembling a group of residents and business owners from the community to participate in a review of the Master Plan and a zoning update. The goal is to update these documents so that Dearborn is positioned for the market demands of tomorrow and aligned with the expectations of the community. The intent is for Dearborn to be viewed favorably from a development and re-development standpoint and to make business experiences positive and rewarding.

Improved Building and Safety Operations

The Mayor plans to enhance performance of the Building and Safety operation. The building permits and inspection programs are being restructured to make investing and doing business in Dearborn more desirable.

Neighborhood Stabilization Program

Home foreclosures continue at unprecedented rates and the City is taking an active role to stem the negative impact on neighborhoods. The City is purchasing low-cost homes from lenders, HUD and private owners. The focus is on removing housing stock that is deteriorating and past its useful life. The homes are demolished and the vacant property is sold to private developers that construct new modern homes. The result is an upgrade to the housing stock that protects the neighborhood.

Development Initiatives

The long-term strategy for Dearborn's Downtowns and primary commercial areas is to focus on five important areas including the West Downtown District, the East Downtown District, the Fairlane Town Center, Warren Avenue and the Dix-Vernor Business District. The first two are the historical centers of the two communities that merged to create Dearborn. The Fairlane Center is the retail/entertainment hub of Ford's Fairlane community, and the last two represent some of Dearborn's best opportunities to capture authentic ethnic neighborhood districts as both local and regional destinations.

Downtown Redevelopment

The City of Dearborn was designated by the Governor as one of Michigan's "Cool Cities" which allows access to additional resources including grants, loans and tax credits to assist in revitalization and redevelopment projects designed to attract and retain jobs in Dearborn. During fiscal year 2008, the City received the \$100,000 grant that typically accompanies the designation, but which had been previously deferred due to the State's economic constraints. This grant, plus other monies garnered from foundations and the City's two Downtown Development Authorities, will contribute to the implementation of Dearborn's Cool Cities pilot project.

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The Cool Cities pilot project will create a Visitor and Welcome Center in the lower level of Bryant Library in West Dearborn. The Welcome Center will have kiosks and informational brochures describing attractions and events to see and do in Dearborn. The Welcome Center will also house the Dearborn Chamber of Commerce and the facility should be renovated and occupied in the coming year.

West Dearborn has seen a number of significant projects in the last few years, beginning with the development of the "Super Block" and continuing with the development of the former Jacobson's department store site on the south side of Michigan Avenue. The two West Village projects represent an investment of about \$85 million and are a major step toward revitalizing West Dearborn.

On June 15, 2006 the City celebrated the grand opening of West Village Commons, a two-block area that was transformed into commercial retail, dining and office mixed-use functions. The condominiums constructed one block south of West Village Commons were the second phase of the development and most are now occupied. The third phase, located between the two parking structures built by the City on the site, is in the final planning stage to build off-campus, privately owned student housing serving the University of Michigan-Dearborn (UM-D) campus.

The Golden Gateway project, located at Michigan Avenue and Military, is a development of completely new ground floor commercial buildings and with an added second floor of eight residential loft apartments. This project is complete and is being marketed for lease.

Changes are also taking place on the north side of Michigan Avenue in West Dearborn. The Dearborn Village North condominiums and retail space were the beginning of the development of an entire city block. The main floor retail shops have been leased and are now occupied by national chain outlets such as Panera Bread and Buffalo Wild Wings. The upper floors are loft apartments and construction on them is in the final stages with lease and occupancy expected later this year. A larger planned development included retail shops, restaurants, a public plaza, a movie theatre complex, a parking structure and four mid-rise buildings with 256 condominium units. This phase of the development has not moved forward due to the economic climate and is being re-planned to include a revised mix of uses more compatible with current economic conditions. One possibility is a proposal to add a new Hampton Inn to the downtown district within this block. Also under consideration is construction of additional student housing to support UM-D and Henry Ford Community College.

A third potential student housing site is the former Quality Inn motel at the corner of Michigan and Brady. This site is adjacent to the City's Ross McFadden historical museum and is located directly on the greenway pedestrian route that follows the Rouge River to the UM-D campus. The university's market study for adding student housing shows a demand for over 2,000 beds on and off campus which would transform this former commuter campus into a complete college experience.

Across the street from the Quality Inn is the site of the planned Dearborn Intermodal Rail Passenger facility, a new multi-modal hub providing passenger service by Amtrak trains, buses, shuttles and the new Ann Arbor to Detroit regional commuter trains planned to begin running in the fall of 2010. This new intermodal site will replace the City's current station and provide convenient access to the West Downtown District, the Henry Ford (America's Greatest History Attraction) and the UM-D campus. It also provides a well-situated link to Detroit Metro Airport and their plans for intermodal connections.

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Redevelopment efforts in East Dearborn are focused on the City-owned property located at the southeast corner of Michigan Avenue and Schaefer across from City Hall. The City acquired the former Montgomery Wards site after private developers could not secure an appropriate project for the business district. Development of this five acre parcel is expected to be the catalyst for redevelopment in East Dearborn. The demolition of the Wards building is underway with construction of the new Dearborn Town Center facility scheduled to start in the spring of 2009. This development will include a centerpiece three story 153,000 square foot building with retail on the main floor and medical offices above. Other elements of the project include a two story 22,000 square foot building with main floor retail and private offices above, a 96 unit senior housing facility and a 530 space parking structure. This project is expected to bring in over \$70 million in investment and retain or create 500 jobs in the East Downtown District.

Central Dearborn Development

Central Dearborn is following the Ford Motor Land master plan known as the Fairlane Community that was launched in 1970. The Fairlane Community is southeastern Michigan's premier business, retail, residential and recreational community. It comprises 2,360 acres surrounding Ford Motor Company's world headquarters in Dearborn. Approximately 1,800 acres of those acres are in Dearborn. This master-planned community is a national model of aesthetic and economic success, characterized by its preservation of the environment, award-winning architecture, and full complement of world-class amenities.

The 200,000 square-foot Ford Community and Performing Arts Center continues to prosper. It opened in the summer of 2001 and received national recognition for its design. The structure is the largest municipal-owned facility of its kind in North America and continues to grow in popularity. This popularity is producing operating revenues that are greater than direct expenses. From a cultural, a community, and a financial perspective, this Center is everything the City had hoped for and more.

Dearborn is examining the possibility of adding a conference center to the Fairlane area to support hotel, office, shopping and entertainment venues already in the City. During 2001, the Detroit Metro Convention and Visitors Bureau contracted with a consultant to produce a regional facility strategy study to analyze the potential for the expansion of convention and conference facilities in the Metropolitan Detroit Area. The consultants reported that there was a need for additional or larger facilities. The City pursued a feasibility study to determine if the market would support a 200,000 square foot conference center in specific areas in Dearborn. There is land available that is conveniently located next to major freeways allowing a quick and easy commute to and from Metro Airport. These locations also are in close proximity to nationally prestigious hotels, shopping malls, Ford World Headquarters and other large business operations. The study confirmed that there is both demand and need and the City is reviewing funding mechanisms to support the project.

Other Initiatives

The Federally mandated Combined Sewer Overflow (CSO) project continues to be a major endeavor. A revised National Pollution Discharge Elimination System permit has been negotiated with the Michigan Department of Environmental Quality (DEQ) and required the project to be completed by 2012. More than half of the construction is currently underway and the next phase of construction will begin in the spring of 2009. Some of the retention facilities have been completed and are moving into operation. Two sites have experienced problems with one site on

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hold and with litigation pending. Compliance with the Federal mandate is difficult and the construction of the structures presents many challenges.

The City of Dearborn has implemented funding mechanisms for major asset replacement, infrastructure replacement and capital maintenance. The City Engineer has established annual funding levels for streets, sidewalks, and water and sewer line construction. Major assets such as vehicles and off-road equipment have replacement schedules that are funded on an ongoing prorated annual basis. The technological equipment replacement plan follows the same funding approach.

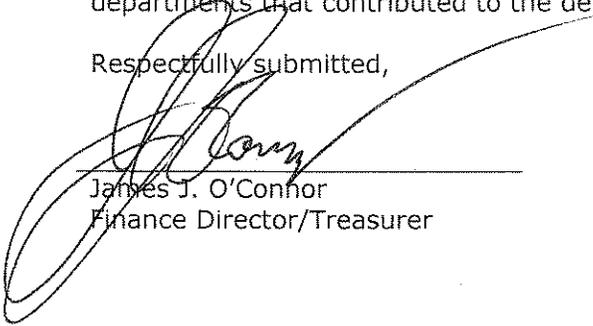
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Dearborn for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2007. This was the tenth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized CAFR. This report satisfies both GAAP (Generally Accepted Accounting Principles) and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

Appreciation is extended to the elected officials, department heads and other employees responsible for contributing to the sound financial position of the City. In particular, we acknowledge the special efforts of the entire Finance department as well as the staff from other departments that contributed to the development of this report.

Respectfully submitted,



James J. O'Connor
Finance Director/Treasurer



Sharon J. Schwab
Assistant Finance Director

CITY OF DEARBORN MISSION STATEMENT

PREAMBLE

Dearborn has a reputation for providing outstanding public service. For over 70 years, Dearborn citizens have benefited from a public service philosophy that has placed their well-being ahead of all other priorities. Today, because of this philosophy, providing outstanding public service is no longer a goal; it's a standard. This standard makes Dearborn a unique and special place to live and work.

Dearborn citizens have responded with a deep sense of loyalty and devotion to the City. They possess a fierce pride in its reputation and are confident in the City's ability to prosper in the future.

MISSION

Our mission is to provide the best possible public service as defined by the citizens of this community in the most efficient manner. This mission includes preserving the finest from Dearborn's past and building on past successes for the future.

GUIDING PRINCIPLES

Dearborn citizens can expect:

- ◆ The City's total commitment to provide the best possible service
- ◆ Respect and courtesy
- ◆ Fair and consistent treatment
- ◆ Cooperation and honesty
- ◆ Open communication and easy accessibility
- ◆ Our constant readiness to help

City employees can expect:

- ◆ Trust, respect, honesty, and fairness
- ◆ The basic resources needed to do a good job
- ◆ Clear and complete direction when necessary
- ◆ A supportive environment that encourages input on what should be done and how it should be done
- ◆ Recognition and reward based on merit

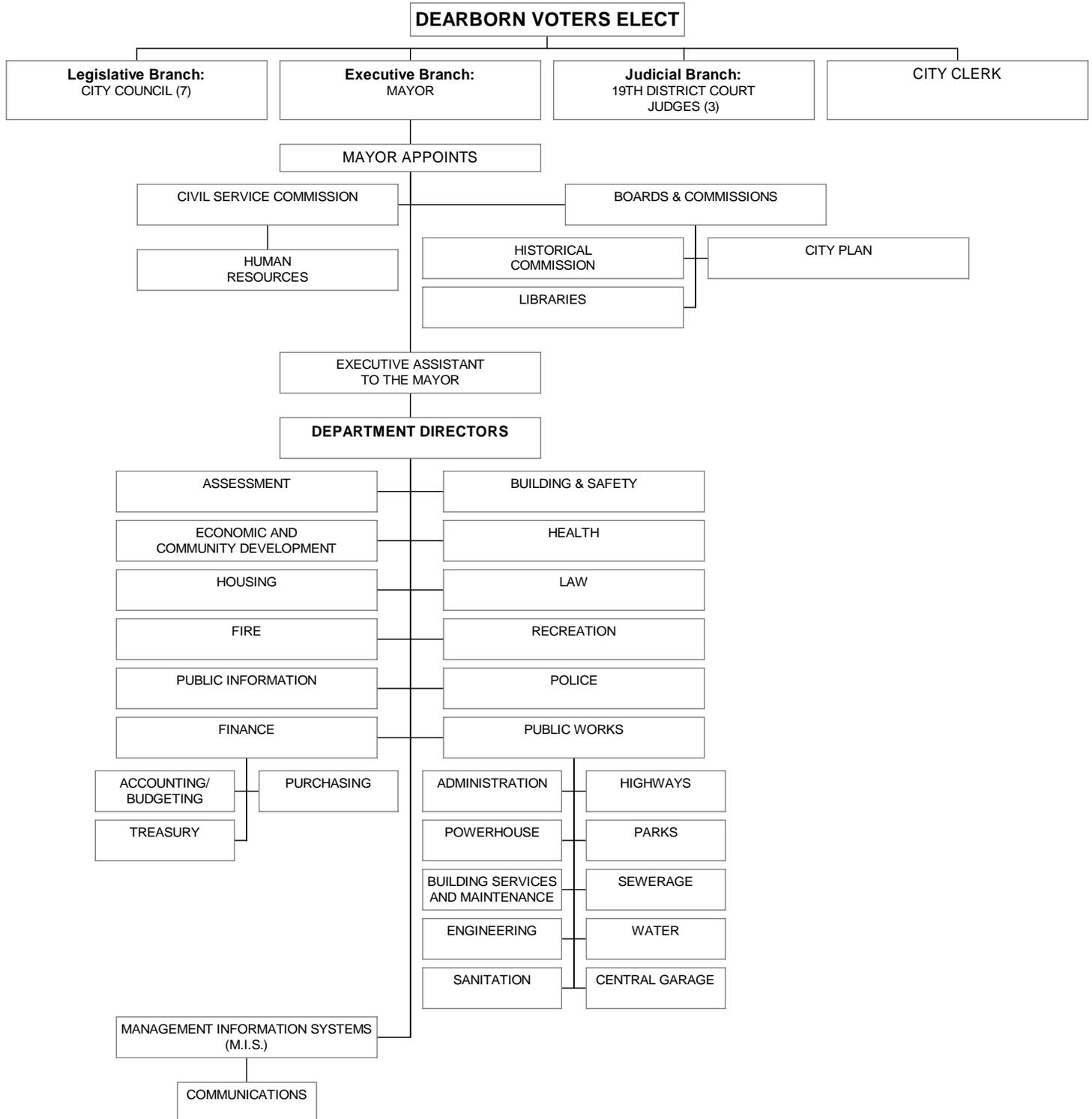
City employees are expected to:

- ◆ Make a total commitment to provide the best possible public service
- ◆ Use all available resources efficiently and effectively
- ◆ Continuously seek ways to improve service delivery through innovation
- ◆ Continuously seek feedback from citizens
- ◆ Be responsible and accountable for their actions
- ◆ Ask for training when necessary
- ◆ Challenge the status quo if they believe that service delivery can be improved
- ◆ Value, support, and respect co-workers as teammates

The City administration will:

- ◆ Foster cooperation and teamwork between employees and citizens
- ◆ Evaluate every action based on its value to our citizens
- ◆ Work with other public agencies to obtain the most benefits for our citizens
- ◆ Attract citizens dedicated to Dearborn and its future
- ◆ Continually strive to improve our efficiency and effectiveness

DEARBORN'S ORGANIZATIONAL CHART



CITY OF DEARBORN, MICHIGAN

List of Principal Officials

June 30, 2008

<u>TITLE</u>	<u>NAME</u>
Mayor	John B. O'Reilly, Jr.
City Clerk	Kathleen Buda
City Council President	Thomas P. Tafelski
Council President Pro Tem	Nancy A. Hubbard
Council Members	Douglas P. Thomas Suzanne Sareini Mark Shooshanian Robert A. Abraham George T. Darany
Building & Safety Director	David J. Norwood
City Assessor (Acting)	Bonnie L. Ordus
City Engineer	Godfrey A. Udoji
City Librarian	Maryanne Bartles
City Planner	John J. Nagy
Corporation Counsel	Debra A. Walling
Economic & Community Development Director	Barry Murray
Mayor's Chief of Staff	Mark G. Guido
Finance Director/Treasurer	James J. O'Connor
Human Resources Director	Valerie Murphy-Goodrich
Manager Information Systems	Doug Feldkamp
Purchasing Agent	Douglas Glaser
Fire Chief	Nazih Hazime
Health Director	Joan Gumkowski
Housing Director	Floyd Addison
Museum Chief Curator	Kirt Gross
Police Chief	Michael Celeski
Public Works Director (Acting)	James Murray
Public Information Director	Mary Laundroche
Recreation Director	Greg Orner

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Independent Auditor's Report

To the Honorable Mayor and Members
of the City Council
City of Dearborn, 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 Dearborn (the "City") as of and for the year ended June 30, 2008, 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 Dearborn's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Dearborn as of June 30, 2008 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dearborn's basic financial statements. The management's discussion and analysis, retirement and postemployment benefit system schedules of funding progress, and the budgetary comparison schedules, as identified in the table of contents, are not required parts of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. The introductory section, other supplemental information, and statistical section, as identified in the table of contents, are presented for the purpose of additional analysis and are not required parts of the basic financial statements. The budgetary comparison schedules, combining balance sheets, and combining statements of revenue, expenditures, and changes in fund balance have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. We have applied certain limited procedures to the management's discussion and analysis and retirement and postemployment benefit systems schedules of funding progress, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it. The introductory section and statistical section have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2008 on our consideration of the City of Dearborn's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Plante & Moran, PLLC

November 17, 2008

City of Dearborn, Michigan

Management's Discussion & Analysis June 30, 2008

This section of the City of Dearborn's annual financial report represents our discussion and analysis of the City's financial performance during the fiscal year that ended June 30, 2008. It should be reviewed in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets (on page 19) and the Statement of Activities (on pages 20 and 21) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 22. These statements tell how services were financed in the short term as well as what remains for future spending for governmental activities. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining 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.

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

Our analysis of the City as a whole begins on page 19. One of the most important questions asked about the City's finances is: "Is the City as a whole better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. You can think of the City's net assets – the difference between assets and liabilities – as one way to measure the City's financial health or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, such as changes in the City's property tax base and the conditions of the City's roads, to assess the overall health of the City.

In the Statement of Net Assets and the Statement of Activities, we divide the City into three kinds of activities:

Governmental activities – Most of the City's basic services are reported here including police, fire, public works, recreation and the general administration. Property taxes, franchise fees, and state-shared revenues finance most of these activities.

Business-type activities – For these activities, the City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's water and sewer system, golf course, housing, and parking system activities are reported here.

City of Dearborn, Michigan

Management's Discussion & Analysis June 30, 2008

Component units – The City includes four separate legal entities in its report – the East and West Dearborn Downtown Development Authorities, the Brownfield Development Authority and the Economic Development Corporation. Although legally separate, these “component units” are important because the City is financially accountable for them.

Reporting the City's Most Significant Funds

Fund Financial Statements

Our analysis of the City's major funds begins on page 22 and provides detailed information about the most significant funds; not the City as a whole. The City's two kinds of funds, governmental and proprietary, use different accounting approaches.

Governmental funds – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental **activities** (reported in the Government-wide Statement of Net Assets and the Government-wide Statement of Activities) and governmental **funds** in a reconciliation following the fund financial statements.

Proprietary funds – When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Government-wide Statement of Net Assets and the Government-wide Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements with more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services to the City's other programs and activities. The activity of the internal service funds is eliminated in the government-wide statements to avoid any “doubling up” in reporting revenues and expenses.

The City as Trustee

Reporting the City's Fiduciary Responsibilities

The City is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for other assets that, because of a trust agreement can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 34 and 35. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The City as a Whole

The following table reflects the condensed Statement of Net Assets compared to prior year:

**Table 1
Net Assets
(in Millions)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY2008	FY2007	FY2008	FY2007	FY2008	FY2007
Current and other assets	\$ 102.0	\$ 100.1	\$ 79.4	\$ 68.8	\$ 181.4	\$ 168.9
Capital assets	138.0	137.5	317.0	270.1	455.0	407.6
Total assets	240.0	237.6	396.4	338.9	636.4	576.5
Long-term liabilities	24.0	27.5	146.5	120.4	170.5	147.9
Other liabilities	11.2	11.9	27.4	19.8	38.6	31.7
Total liabilities	35.2	39.4	173.9	140.2	209.1	179.6
Net assets:						
Invested in capital assets, net of debt	117.7	114.1	165.8	147.7	283.5	261.8
Restricted	35.1	31.2	24.3	23.5	59.4	54.7
Unrestricted (deficit)	52.0	52.9	32.4	27.5	84.4	80.4
Total net assets	\$ 204.8	\$ 198.2	\$ 222.5	\$ 198.7	\$ 427.3	\$ 396.9

Net assets serve as an indicator of the City's financial position. The table above indicates that the City of Dearborn assets exceeds liabilities by \$427.3 million as of June 30, 2008. The largest category of net assets is represented by the investment in capital assets, net of outstanding debt. It is important to note that these assets are not available for future spending and although they are shown here net of related debt, other resources will be needed to make the debt payments in the future.

The second category of net assets is defined as those that have external restrictions that dictate how the assets are to be used.

The final category of net assets is unrestricted and these are the assets that are available for use in the City's ongoing operations.

Table 1 Comments:

Total Primary Government net assets increased 7.7% or \$30.4 million from \$396.9 million to \$427.3 million. Of this change \$6.6 million is related to Governmental Activities and the remaining \$23.8 million is included in the Business-type Activities. Specific information about these changes follows.

Governmental activities - Total assets increased 1% or \$2.4 million from \$237.6 million to \$240 million. Capital assets increased \$.5 million and other assets increased by \$1.9 million. The increase in other assets is due to the increase in land inventory held for resale as well as the additional cash held in long term investments at year-end. The reduction in total liabilities of \$4.2 million is the result of debt service payments made on outstanding bonds.

City of Dearborn, Michigan

Management's Discussion & Analysis June 30, 2008

Business-type activities - The most significant change in business-type activities is related to capital assets and long-term liabilities associated with the CSO project. Tables 3 and 4 provide more information on capital assets and long-term liabilities. Restricted net assets are primarily resources associated with the CSO Project.

The following table reflects the condensed Statement of Activities.

**Table 2
Changes in Net Assets
(in Millions)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY2008	FY2007	FY2008	FY2007	FY2008	FY2007
Revenues						
Program revenues:						
Charges for services	\$ 20.6	\$ 19.9	\$ 45.5	\$ 40.0	\$ 66.1	\$ 59.9
Operating grants	9.3	10.4	-	-	9.3	10.4
Capital grants	1.0	1.3	1.7	3.7	2.7	5.0
General revenues:						
Taxes	74.4	73.6	7.4	3.5	81.8	77.1
Intergovernmental revenue	9.5	9.6	0.5	0.1	10.0	9.7
Investment earnings	4.5	4.4	3.3	3.0	7.8	7.4
Other general revenues	0.1	0.3	0.4	0.2	0.5	0.5
Total revenues	119.4	119.5	58.8	50.5	178.2	170.0
Program expenses						
General government	18.0	18.5	-	-	18.0	18.5
Public safety	51.4	49.2	-	-	51.4	49.2
Public works	17.9	17.6	-	-	17.9	17.6
Health & welfare	0.9	1.0	-	-	0.9	1.0
Recreation & culture	19.9	19.2	-	-	19.9	19.2
Community improvement	2.2	2.3	-	-	2.2	2.3
Interest on long-term debt	1.0	1.3	-	-	1.0	1.3
Housing	-	-	3.3	3.4	3.3	3.4
Parking	-	-	2.4	1.9	2.4	1.9
Golf course	-	-	1.6	1.6	1.6	1.6
Sewer	-	-	17.8	16.9	17.8	16.9
Water	-	-	11.5	11.5	11.5	11.5
Total expenses	111.3	109.1	36.6	35.3	147.9	144.4
Excess (deficiency) before special items & transfers	8.1	10.4	22.2	15.2	30.3	25.6
Transfers	(1.5)	(1.5)	1.5	1.5	-	-
Increase (decrease) in net assets	\$ 6.6	\$ 8.9	\$ 23.7	\$ 16.7	\$ 30.3	\$ 25.6

Table 2 Comments:

Governmental activities – Governmental activities increased the City's net assets by \$6.6 million which represents about 22% of the total increase in net assets for the year. Overall governmental revenues remained constant when compared to last year. Property tax collections increased by \$.8 million over 2007 in part due to Board of Review adjustments and State Tax Commission Orders. Total governmental expenses increased 2% or \$2.2 million overall. The increase is reported primarily in the public safety function and is due to increases in salaries and benefits for police and fire.

City of Dearborn, Michigan

Management's Discussion & Analysis June 30, 2008

Business-type activities – Business-type activities increased the City's net assets by \$23.7 million which was the result of a couple of factors. Revenues increased by 16.4%. Almost 4% of the increase resulted from the additional taxes collected to pay for CSO debt. In addition, the West Dearborn paid parking system recorded its first full year of operations in fiscal year 2008. The balance of additional revenue resulted from increased water and sewer rates.

General Fund Budgetary Highlights

Over the course of the year, the Mayor and City Council revised the City budget. The budget is automatically amended with the carry-forward of project-life budgets and for encumbrances rolling to the following fiscal year. The budget is also amended by resolution for specific requests, generally for items that were intended to be completed or expended in the previous fiscal year but for some extenuating circumstance were postponed. During the fiscal year, the budget is amended for unanticipated events that could not be foreseen and for opportunities that arose and weren't known previously. Even with these adjustments, the actual charges to appropriations (expenditures) were approximately \$5.5 million below the final budget amount. This can be attributed primarily to savings in personnel costs and contractual services in addition to the departments' efforts to be conscientious of all costs incurred and to look for ways to save the City money.

Capital Asset and Debt Administration

Capital Assets

At the end of fiscal year 2008, the City had approximately \$455 million invested in a broad range of capital assets, including vehicles, police and fire equipment, buildings, park facilities, roads, bridges and water and sewer lines. (See Table 3 below.)

**Table 3
Capital Assets at Year-end
(Net of Depreciation)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY2008	FY2007	FY2008	FY2007	FY2008	FY2007
Land	\$ 3,616,664	\$ 3,374,486	\$ 5,139,593	\$ 5,142,173	\$ 8,756,257	\$ 8,516,659
Right-of-ways	37,818	37,818	-	-	37,818	37,818
Construction in progress	606,289	2,799,113	210,230,474	165,160,068	210,836,763	167,959,181
Infrastructure assets	47,597,142	44,599,690	-	-	47,597,142	44,599,690
Buildings & improvements	74,426,246	75,706,499	31,834,361	32,821,455	106,260,607	108,527,954
Machinery & equipment	11,745,794	10,962,484	2,009,776	2,084,709	13,755,570	13,047,193
Water system	-	-	42,014,486	38,985,436	42,014,486	38,985,436
Sewer system	-	-	25,777,425	25,887,981	25,777,425	25,887,981
Total	\$ 138,029,953	\$ 137,480,090	\$ 317,006,115	\$ 270,081,822	\$ 455,036,068	\$ 407,561,912

City of Dearborn, Michigan

Management's Discussion & Analysis June 30, 2008

Table 3 Comments:

This year's major changes included:

Governmental activities:

Machinery & Equipment:

Vehicles	\$	1,365,430
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Construction in progress:

Summer Stephens Filtration Renovation	\$	146,291
TenEyck Pool Filtration Renovation		137,791
HFCL Carpet Replacement (complete)		(299,285)
Police Building Security System (complete)		(900,540)
Police /Court Volt Cable Replacement (complete)		(241,950)
Police Building HVAC (complete)		(245,015)
	\$	(1,402,708)

Infrastructure assets, net increase due to cost less depreciation	\$	2,997,452
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Buildings and improvements, net change due to completed projects less depreciation	\$	(1,280,254)
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Business-type activities

Construction in progress (net change)

Parking Systems	\$	227,965
Sewer Fund		44,304,539
Water Fund		537,901
	\$	45,070,405

Buildings and improvements, net change due to completed projects less depreciation	\$	(565,484)
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Additional information on the City of Dearborn's capital assets can be found in Note 3 on pages 57-59 of this report.

City of Dearborn, Michigan

Management's Discussion & Analysis June 30, 2008

Debt

At fiscal 2008 year-end, the City had approximately \$171.2 million in bonds and notes outstanding versus \$145.8 last fiscal year – an increase of 17.4% - as shown in Table 4.

**Table 4
Outstanding Debt, at Year-end
(in Millions)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY2008	FY2007	FY2008	FY2007	FY2008	FY2007
General obligation bonds (backed by City)	\$ 20,217,780	\$ 23,744,725	\$131,853,146	\$100,993,381	\$ 152,070,926	\$124,738,106
Revenue bonds and notes (backed by specific tax and fee revenue)	-	-	19,122,380	21,107,676	19,122,380	21,107,696
Total	<u>\$ 20,217,780</u>	<u>\$ 23,744,725</u>	<u>\$150,975,526</u>	<u>\$122,101,057</u>	<u>\$ 171,193,306</u>	<u>\$145,845,802</u>

On September 20, 2007, the City of Dearborn and the Michigan Municipal Bond Authority entered into an agreement whereby the City of Dearborn would issue, and the Michigan Municipal Bond Authority would purchase, up to \$99,360,000 in principal of General Obligation Sewer Bonds, Series 2007 (Unlimited Tax General Obligation) for the construction of the Combined Sewer Overflow project. The City is obligated to pay interest at 1.625 percent per annum commencing October 1, 2007 and semiannually thereafter. The first principal payment is due April 1, 2011 and will continue to be due April 1 through 2030.

On February 7, 2008 the City of Dearborn issued \$5,525,000 in General Obligation Limited Tax Bonds with interest rates that range from 3.25% to 3.75%. The proceeds from these bonds along with an additional contribution from the Building Authority funds, were used to advance refund \$5,500,000 of General Obligation Unlimited Tax bonds. The net proceeds of \$5,607,390 (net of underwriting fees, insurance and issuance costs) were used to purchase U.S. Certificates of Indebtedness – State and Local Government Securities (SLGS). Those securities were deposited into an irrevocable trust with an escrow agent and subsequently used to pay off the bonds on May 1, 2008. The advance refunding reduces total debt service payments over the next 12 years by approximately \$423,000 which represents an economic gain of approximately \$288,000.

In addition the City continues to draw down SRF funds authorized in prior years for construction of the CSO project resulting in increased debt in the Sewer fund.

Additional information on the City of Dearborn's long-term debt can be found in Note 4 on pages 60-67 of this report.

Fiscal Year 2009 Budgets & Rates

All fund budgets, as submitted, are balanced and financed by either current estimated revenues or fund equity. The total of the General fund expenditure budget is \$105,434,623 and the combined expenditure budget for all funds, before the elimination of inter-fund duplicating transfers, is \$236,045,179.

City of Dearborn, Michigan

Management's Discussion & Analysis June 30, 2008

The operating and the garbage and rubbish millage combined rates are the same as the previous fiscal year at 14.6675 mills. The November 1996 voted debt millage rate decreased from .5125 mills to .4525 mills and the August 2004 voted debt millage rate remained constant at 1.60 mills. The net total millage rate is .06 mills lower than the last fiscal year at 16.72 mills driven by the tax payer voted debt millage.

The City of Dearborn combined water and sewer rate increased 9.0%. The water rate decreased slightly and the sewer rate is driving the increase. Increasing rates from the City of Detroit and capital infrastructure projects are the primary drivers of the increase. The Combined Sewer Overflow (CSO) projects and the continued replacement of aging systems may influence rates in the future.

Table of Major Revenue Rates

Description	Fiscal Year 2007-2008	Fiscal Year 2008-2009	Difference
Tax Millage Rate:			
City Operating	13.6275	13.6275	.0000
Garbage & Rubbish	1.0400	1.0400	.0000
Debt Service	2.1125	2.0525	(.0600)
Total Millage Rate	16.7800	16.7200	(.0600)
Water Rate	15.85	15.41	(.44)
Sewer Rate	24.05	28.02	3.97

Major Capital Initiatives

The 2008-2009 funding of the Capital Improvement Plan is \$23,039,656. The City is reinvesting in infrastructure and public assets. A classification breakdown follows with some notable projects specifically identified. The projects are supported by various funds including the General fund via the Capital Projects fund, Drug Law Enforcement fund, Community Development Block Grant fund, Major Street & Trunk line fund, Local Street fund and the Water and Sewer funds.

Property - \$1,200,000

◆ Operation Eyesore	\$400,000
◆ Land Acquisition for Resale	500,000
◆ HUD Dollar Sale Program	300,000

Infrastructure - \$18,210,600

◆ Streets	4,994,042
◆ Water	8,138,235
◆ Sewer	4,078,323
◆ Sidewalk	1,000,000

City of Dearborn, Michigan

Management's Discussion & Analysis June 30, 2008

Facilities - \$3,629,056

◆ Sewer Facilities	\$945,356
◆ Parks	376,386
◆ Seniors Apartment Building	657,000
◆ Libraries	643,442
◆ Police Headquarters	271,385
◆ DPW Facilities	263,708
◆ City Hall	100,000
◆ Recreation Facilities	75,000
◆ Fire Stations	73,415
◆ Museum Facilities	73,350
◆ Other Facility Projects	150,014

Redevelopment

The City is periodically contacted with requests to identify large parcels of land. It has been difficult to meet the demand and too often opportunities are foregone. Underutilized property exists within the City and there are efforts to assemble parcels for development. Some of the property may require environmental remediation to address previous industrial use contamination issues. This strategic effort is speculative and will involve the investment of resources for several years. The demand for property is consistent and the investment is expected to be low-risk but not expected to yield immediate return. The effort is focused on long-term positioning and not on short-term return. It is very important that underutilized property be reconditioned and returned to its highest applicable use capacity.

General Fund - Estimated Revenues

The General fund \$105,434,623 expenditure budget is financed by income of \$105,297,587 and fund balance of \$137,036. The use of fund balance is directly related to the current economy and the municipal finance model not producing revenue increases that keep pace with personnel benefit cost increases. Many efforts have been made to control costs and will continue for at least the coming year. The Mayor and Council agree that they will take the time to make wise decisions.

Property taxes and related sources total \$71,807,421, a decrease of \$42,170 or .06% less than the previous year's budget. Property taxes and related sources account for 68% of total General fund revenues. Ad valorem real property values in comparison to ad valorem personal property values have shifted from a 70/30 mix in the early 1990s to a current 85/15 mix. Prior to fiscal year 2004 (tax year 2003), personal property was the second largest tax base and now it is third. Residential property is the largest taxable property value and has produced the greatest return, however there was no growth assumed for this budget. Residential property equates to 51% of the ad valorem property value which is the highest percentage of any single property classification and up from 38.62% in 1995 with the implementation of Proposal "A". The following paragraphs will cover the State mandated changes that have reduced or limited property tax revenues.

This is the ninth year of the State Tax Commission revised depreciation personal property multiplier tables and again, personal property taxes decreased. Personal property taxable values correspondingly have decreased the past nine years as follows: 10.9% for fiscal year 2009, .85%

City of Dearborn, Michigan

Management's Discussion & Analysis June 30, 2008

for fiscal year 2008, 11.14% for fiscal year 2007, 2.88% for fiscal year 2006, 5.38% for fiscal year 2005, 3.91% for fiscal year 2004, 6.26% for fiscal year 2003, 8.9% for fiscal year 2002, and 3.76% for fiscal year 2001. These depreciation tables continue to decrease taxable personal property value in a more rapid fashion than the previously used tables. In other words, this revenue source has experienced large reductions and will continue to decline. The revenue could stabilize if businesses invest in new personal property that offsets the faster depreciation amounts; however tax abatements are expected by businesses for retention. A good economy hides some of the impact of the new tables but in a slow economy, the effect of new tables is even more evident. The City Assessor continues contracting for the audit of personal property returns for oversight of the reporting entities.

The 2.3% real property growth inflation factor for tax year 2008 set by Proposal "A" of 1994 controls the growth of the largest property classification. In recent years, the low interest rates combined with demand for property provided some relief with the turnover of property in the uncapping of values. The \$0 down and interest only mortgage gimmicks combined with a difficult economy and market have produced a large number of walk away homeowners and foreclosures. The City is working to minimize the impact on the neighborhoods and property values, but the market is declining and the pricing is favorable for buyers. A decline in property values overall is anticipated in the coming year, which is similar to many markets in the country.

State Shared Revenue is the next largest single revenue for the General fund and is estimated at \$9,609,500, which is \$64,817 less than the previous year's budget and is slightly higher than what is estimated for fiscal year 2008. State Shared Revenue is exclusively funded by sales tax. Income tax, single business tax, and inventory reimbursements were legislatively discontinued from distribution to local units of government after fiscal years 1997, 1996, and 1999 respectively. The State Constitution limits the sales tax rate to 6% and dedicates taxes levied at the rate of 2% to the State School Aid fund. The State Constitution mandates that 15% of total revenues collected from sales taxes levied at a rate of 4% be distributed to townships, cities, and villages. In addition to the constitutional distribution, there is a statutory distribution of sales tax. The State Shared Revenue distribution formula was revised four years ago with an emphasis on population. The formula is phased in over 10 years. The 2000 Census figures are a very important component of the calculation for Dearborn. Dearborn's population grew 10% or 8,489, from 89,286 (1990) to 97,775 (2000) per the U.S. Census. The State has not fully funded, by appropriation, the statutory distribution formula and has used these reductions to help balance the State's budget. The continued slow economy and the State's decision to not fund distributions per the formula are significant concerns.

Property taxes and Intergovernmental Revenues (mostly State Shared Revenue) account for 78% of the General fund revenue budget. The remaining revenues are important but not of the same magnitude.

Charges for services are estimated at \$8,171,662, which is a decrease of \$1,778,471. The decrease is due to the transfer of the Engineering Department to the Water fund. Engineering and Inspections fees are budgeted at \$1,748,000 for FY2009.

Licenses and permits are estimated at \$2,260,850, which is a decrease of \$84,200. \$63,000 of this decrease is from the transfer of the Engineering Department.

City of Dearborn, Michigan

Management's Discussion & Analysis June 30, 2008

Fines and forfeits are estimated at \$4,157,280, which is an increase of \$413,730 from fees and trends at the 19th District Court.

Interest income from investments is estimated at \$2,197,693, which is a decrease of \$782,538 or 26.3% from the previous year due to low interest rates and use of working capital.

After careful analysis, it was determined that both the Death Benefit and Worker's Compensation funds had accumulated excess resources. These funds are budgeted to contribute \$2.4 million in total to the General fund. These contributions are classified as "one-time" transfers.

General Fund - Expenditure Appropriations

The adopted expenditure appropriation for fiscal year 2007-2008 was \$109,857,972 and in fiscal year 2008-2009 it is \$105,434,623. The net decrease is \$4,423,349 for all operating costs. The table below displays the changes by expenditure classification.

	<u>FY08 Adopted Budget</u>	<u>FY09 Adopted Budget</u>	<u>Difference</u>	<u>Percent Change</u>
Personnel Services	\$ 81,668,311	\$ 80,058,987	\$(1,609,324)	(2.0)%
Operating Expenses	16,918,437	15,587,556	(1,330,881)	(7.9)%
Supplies	3,334,288	3,595,209	260,921	7.8%
Utilities	4,593,385	4,529,108	(64,277)	(1.4)%
Capital Outlay	785,492	1,096,300	310,808	39.6 %
Debt Service	1,716,621	1,713,470	(3,151)	(0.2)%
Transfers Out	3,436,129	2,334,757	(1,101,372)	(32.0)%
Undistributed Appropriations	1,841,743	196,954	(1,644,789)	(89.3)%
Expenses Allocated Out	<u>(3,633,934)</u>	<u>(3,677,718)</u>	<u>(43,784)</u>	1.2 %
Totals	<u>\$109,857,972</u>	<u>\$105,434,623</u>	<u>\$(4,423,349)</u>	(4.0)%

Personnel Services

Salaries, wages, and benefits account for 75.9% of the total General fund expenditure budget. Salaries and wages decreased \$1,609,314 or 2% due to moving the Engineering Division of the Public Works Department to the Water fund. The costs of benefits, particularly legacy benefit funding for pensions and post-employment health care, continue to be a challenge. The funding for post-employment health care is set at 20%, which is better than a pay-as-you-go basis, but below the actuarial funding percentage of 26%. Efforts to control health care costs included moving to self-insured coverage for certain health and dental plans producing savings. The funding for pensions decreased a couple percent which also helped control costs. The general employees have experienced less than a 1% pay increase for the past several years. The overall impact is financial favorable, but the challenge is still significant.

Operating Expenses

The category of operating expenses includes contractual and professional services, repair and maintenance services, printing and publishing, training and transportation, rentals, community promotion and communications. City departments have done excellent work in decreasing

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operating costs. Most departments have reduced staff and are restructuring in varying degrees. The sidewalk replacement program of \$802,500 has been moved from the General fund to the Capital Projects fund in fiscal year 2009. The decreases in this area are also due to one-time initiatives budgeted in the prior year of \$160,025 for residential data review for the Tax Software conversion and \$250,000 for a zoning ordinance consultant.

Supplies

Supplies increased \$260,921 or 7.8% from fiscal year 2008. The increases were in a variety of areas throughout many departments, with large increases in fuel costs and rock salt as reserves were depleted with the heavy snow fall in the prior year.

Utilities

Utilities remained fairly stable from fiscal year 2008 with an increase of \$64,277 overall.

Capital Outlay

Vehicles, equipment, computers, and copiers are paid for on an ongoing basis as part of the operating budget. Money is accumulated or borrowed for replacements. Each department pays an annual amount to cover replacement costs.

The following listing summarizes capital outlay by classification of expenditure.

Library Materials	\$ 637,000
Data Processing	107,500
Radio	37,700
Telephone	65,000
Operating Equipment	249,100

Resources are allocated for capital in every budget cycle to prevent the deferring of capital reinvestment. The approach consistently applied is to fund asset replacements on an ongoing basis. Typically, there is a schedule of assets with a replacement rotation on a level funding basis or the accumulation of resources for mass replacement. This depends on the type of asset and the best overall approach for the asset type. The Capital Projects fund provides an allocation annually for significant capital repairs, replacements, and renovations. An extensive Facilities Study has been performed and the results are used to prioritize projects. Combining these approaches with preventative maintenance helps to maintain assets in good condition, extend useful life, and manage costs.

Debt Service

Debt Service represents lease payments to the Building Authority or direct payments for debt service. The Court & Police building payments are \$922,176. The lease for the Powerhouse renovation, the Ford Woods Park reconfiguration, and the additional ice surface for the Dearborn Ice Skating Center is \$794,445; these bonds were refinanced in February 2008.

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Transfers out

Transfers out are in support of operating activities or capital projects. The following list represents contributions and purpose:

Contribution to Designated Purposes	\$89,350	Homecoming, Memorial Day, Wellness, Dearborn on Demand
Contribution to Local Street	\$525,000	Support of Capital Investment
Contribution to Major Street & Trunkline	\$352,000	Support of Capital Investment
Contribution to Capital Projects	\$861,980	Capital and R&M project financing
Contribution to West Dearborn Parking	\$386,427	Operating Subsidy
Contribution to Fleet & Gen. Liability	\$250,000	Tax Settlement Reserve

A large parcel of land is scheduled to be sold and the proceeds are budgeted to support most of the Capital Projects fund appropriations. Therefore the contribution to this fund was decreased for this budget.

Undistributed Appropriations

Undistributed appropriations are comprised of \$196,954 for miscellaneous department contingencies. The contingency account is used to budget for assumption risk and unplanned events. Historically, if a department was aware of an event that could occur in the following year, a budget would have been requested for that event. This resulted in many budget items to handle "what if" situations in a single department. All of these "what if" situations are being combined to a lower number that will handle some, but not all, of the situations. The expectation is that not all of the events will occur or result in costs. The overall contingency budgets were eliminated for this budget and only the departmental contingencies remain.

Expenses Allocated Out

Expenses allocated out are the result of services provided directly to other funds, mostly by the Highways Division of Public Works to the Major Street & Trunkline and Local Street funds. These are credits to the General fund and charges to the other funds. Credits will vary depending on projects scheduled, funding levels, and the actual inter-fund activity.

General Fund - Equity

The fund balance of the General fund is budgeted to absorb \$137,036 per the 2008-2009 adopted budget. Bond rating agencies consider the fund balance as a component in establishing a rating. The City of Dearborn has received good ratings in part due to a healthy balance sheet. The 2008-2009 budget reflects planned use of the fund balance to provide the time needed to adjust operations in the best possible manner. The departments are continuing to propose adjustments to align appropriations with revenues. The City will continue its historical commitment to good financial management.

Unexpended "project life" appropriations from the current fiscal year do not lapse at fiscal year end and are committed to the project. In order to prevent the re-budgeting of resources, these budgets, in essence, are reserved. This is a standard practice across all funds.

As a mature community, Dearborn must reinvest and promote Dearborn as an attractive place to live and work for a wide mix of people from various socio-economic and ethnic groups. As

previously mentioned, there are projects planned that will have a long-term beneficial effect on the future well-being of the community. A City marketing initiative is currently in progress and is marketing Dearborn's positive attributes to potential home buyers. Outside marketing experts were hired for this initiative and Dearborn has committed over \$300,000 in resources to the effort.

Future Financial Challenges

Vision and good planning are necessary to position the City for the future. Proposal "A" of 1994, the Headlee Tax Millage Rollback Amendment, and the "built out" land status all contribute to limiting tax revenue growth. The State's reduction in revenue sharing to municipalities is most unfavorable. Combining these challenges with the impact of the slow economy on other revenues and also causing some legacy costs to increase, makes for a very difficult situation. For fiscal year 2010, the Mayor and Council are aware that some continued downsizing will be necessary.

To hedge the financial challenges impact on the future, the City Leaders adopted a redevelopment strategy directed at rejuvenating brownfields and other critical areas that will ensure the long-term success of the community. Among the many side benefits will be an improvement to the community for living. Also, the Ford Community & Performing Arts Center gives Dearborn a competitive advantage for attracting residents. Combined with other advantages such as good schools, good employers and employment opportunities, proximity to a major airport, major highways, and education centers, Dearborn is strategically well positioned; however, given the revenue growth restrictions already mentioned, fiscal responsibility and operational effectiveness/efficiencies will need to be primary focuses of every person working at the City.

The Other Governmental Fund Types

This section addresses issues concerning other fund types and is not intended to be a detailed review of all these funds. Major Street & Trunkline and Local Street funds rely on State Gas & Weight Tax revenue. The FY2009 estimated Gas & Weight Tax revenue budget for both funds combined increased .5% or \$33,250 more than FY2008. The demands for street projects are exceeding the resources available and local funding for roads is anticipated to increase in the coming years.

The Local Street fund operating transfers include: \$2,636,500 contribution from the Major Street & Trunkline fund, \$660,000 from the Community Development Block Grant fund, and \$525,000 from the General fund. Both Street funds have the financial capacity to maintain and rebuild the roads, as proposed, in the coming fiscal year. If actual revenues fall below budget, some construction work may need to be postponed. The fund balances of the Major Street & Trunkline fund and Local Street fund are budgeted to help support the scheduled projects.

The Camp Dearborn Operating fund is currently self-sufficient and is budgeted to use \$50,247 of fund balance. It is able to operate at a self-sufficient level due to the non-operating revenues from oil royalties and the land lease to Mystic Creek.

The grant revenue from the Community Development Block Grant fund is projected to be \$2,523,857 which is \$368,062 higher than FY2008.

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The November 1996 voted Civic Center Unlimited Tax General Obligation Bonds for \$23,860,000 were issued June 11, 1998. These bonds were refinanced in 2007 producing savings over the life of the bonds. The tax millage rate for fiscal year 2008-2009 is .4525 mills for debt service to pay the principal and interest payments on these bonds. This rate decreased .06 mills from last year. Resources raised by this millage can only be used to pay the bond debt and every effort is made to keep this rate stable or declining.

The Capital Projects fund is primarily financed by contributions from other funds and is used to accumulate the resources needed to complete capital projects that appear on the City's Capital Improvement Plan. The five-year Capital Improvement Plan identifies future capital needs and allows for the accumulation of resources over multiple years to pay for future projects. Fund balance in the Capital Projects fund will fluctuate depending on the number and types of projects scheduled in future years.

The Proprietary Fund Types

Parking System

The East and West Parking System funds are merged and reported as a single fund for financial reporting. The City maintains separate funds for management purposes. These funds account for the operations and capital projects of the parking systems. These funds are budgeted to be self-supporting in all respects with the West Parking System supported by user paid parking. The \$12,555,327 projected retained earnings is the result of debt-financed parking improvements including three decks that will be depreciated over time. The liquid retained earnings are expected to be sufficient for working capital only.

Housing

The Seniors Apartment Operating fund is budgeted to use \$658,289 of retained earnings to fund operations. The working capital and equity of the fund are both financially healthy. The Dearborn Towers fund is budgeted to use \$176,688 of retained earnings to fund operations. This fund has sufficient operating working capital but lacks resources for major capital re-investment in the facility.

Golf Course

The operation continues to be successful and is a going concern. All debt payments and liabilities are paid by the income from operations. The golf course will likely experience some disruption of a couple holes in the future as the result of sewer system improvements.

Utility Funds

Water rates and sewer rates are set by ordinance and the budget revenue estimates are based on the assumptions listed in the table earlier in this memo. The revenues support operations, maintenance, and system replacements. The funds are operating on a "pay as you go basis" and are not building limited excess reserves. The City Engineer has established a target infrastructure investment amount for each system and efforts are made to fund the capital projects at this level.

A ballot proposal was approved in August 2004 authorizing the City to issue debt (bonds and low interest State Revolving Fund (SRF) loans) in an amount not to exceed \$314.12 million to fund the federally mandated Combined Sewer Overflow (CSO) project. To date contracts have been

awarded and construction is underway on the majority of the project. Open market bonds for phase one were issued in the amount of \$24.5 million. The tax millage rate for fiscal year 2008-2009 is 1.6000 mills for debt service to pay the principal and interest payments on these bonds. Each CSO facility is large and involves a major construction site. Total project costs are expected to exceed the original estimate. The final phase of the project may require additional bonds.

Insurance Funds

These funds are all in good financial condition in relation to their purpose. The City has been funding for post-employment health care for more than 15 years. Annual contribution rates have remained the same and funding levels are rising. Health care cost increases were kept to a minimum and a consultant is helping with health care strategies.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Department of Finance at the City of Dearborn, 4500 Maple, Dearborn, MI 48126.

City of Dearborn, Michigan

Government Wide Statement of Net Assets June 30, 2008

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Current assets:				
Cash and cash equivalents (Note 2)	\$ 59,336,184	\$ 23,820,016	\$ 83,156,200	\$ 4,875,610
Accounts Receivable (Net)	2,689,334	9,755,820	12,445,154	-
Unbilled accounts receivable	-	2,651,780	2,651,780	-
Property taxes receivable	352,720	14,856	367,576	12,682
Interest and penalties on taxes	73,389	-	73,389	-
Accrued interest receivable	694,921	501,935	1,196,856	39,993
Special assessments receivable	11,147	-	11,147	-
Internal balances	(24,918)	24,918	-	-
Due from other governments	3,086,372	379,451	3,465,823	-
Prepaid items	1,661,710	101,881	1,763,591	-
Inventories	13,246,415	591,707	13,838,122	-
Total current assets	<u>81,127,274</u>	<u>37,842,917</u>	<u>118,970,191</u>	<u>4,928,285</u>
Noncurrent assets:				
Advance to (from) other funds	182,767	(182,767)	-	-
Restricted cash and investments	1,000	24,264,408	24,265,408	-
Investments, long-term	20,658,153	17,441,259	38,099,412	-
Capital assets, not being depreciated (Note 3)	4,260,771	215,370,067	219,630,838	-
Capital assets, net of depreciation (Note 3)	133,769,182	101,636,048	235,405,230	-
Total noncurrent assets	<u>158,871,873</u>	<u>358,529,015</u>	<u>517,400,888</u>	<u>-</u>
Total assets	<u>239,999,147</u>	<u>396,371,932</u>	<u>636,371,079</u>	<u>4,928,285</u>
Liabilities				
Current liabilities:				
Accounts payable	3,539,491	16,512,383	20,051,874	130,379
Accrued interest payable	99,287	885,566	984,853	-
Accrued liabilities	2,030,954	124,712	2,155,666	1,688
Deposits/refunds payable	1,910,474	243,149	2,153,623	-
Due to other governments	248,079	213,508	461,587	-
Due to primary government	-	-	-	553
Deferred revenue	-	30,191	30,191	-
Current portion of long-term debt (Note 4)	3,355,732	817,026	4,172,758	-
Total current liabilities	<u>11,184,017</u>	<u>18,826,535</u>	<u>30,010,552</u>	<u>132,620</u>
Noncurrent liabilities:				
Claims payable	3,005,898	-	3,005,898	-
Other liabilities	167,485	4,500,000	4,667,485	-
Liabilities payable from restricted assets	-	8,550,000	8,550,000	-
Other liabilities - Other postemployment benefits (Note 7)	3,452,413	-	3,452,413	-
Long-term debt, net of current portion (Note 4)	20,798,961	142,044,244	162,843,205	9,543
Total noncurrent liabilities	<u>27,424,757</u>	<u>155,094,244</u>	<u>182,519,001</u>	<u>9,543</u>
Total liabilities	<u>38,608,774</u>	<u>173,920,779</u>	<u>212,529,553</u>	<u>142,163</u>
Net Assets				
Invested in capital assets, net of related debt	117,712,886	165,847,821	283,560,707	-
Restricted for:				
Capital projects	27,502,154	16,094,615	43,596,769	-
Debt service	321,850	8,169,793	8,491,643	-
Projects, roads and other	200,203	-	200,203	-
Unrestricted	55,653,280	32,338,924	87,992,204	4,786,122
Total net assets	<u>\$ 201,390,373</u>	<u>\$ 222,451,153</u>	<u>\$ 423,841,526</u>	<u>\$ 4,786,122</u>

The notes to the financial statements are an integral part of this statement.

City of Dearborn, Michigan

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 18,623,714	\$ 3,987,138	\$ 244,679	\$ 4,599
Public safety	53,534,358	7,279,165	586,448	-
Public works	18,240,387	2,589,058	6,446,658	250,508
Health and welfare	884,660	170,208	-	-
Recreation and culture	20,284,890	6,459,188	1,128,423	16,538
Community improvement	2,263,778	139,747	898,361	768,720
Interest on long-term debt	969,908	-	-	-
Total governmental activities	<u>114,801,695</u>	<u>20,624,504</u>	<u>9,304,569</u>	<u>1,040,365</u>
Business-type activities:				
Housing	3,322,742	3,424,466	-	-
Golf Course	1,588,253	1,283,463	-	-
Parking	2,360,226	1,640,449	-	569,194
Sewer	17,779,531	22,867,177	-	1,072,229
Water	11,525,968	16,282,194	-	-
Total business-type activities	<u>36,576,720</u>	<u>45,497,749</u>	<u>-</u>	<u>1,641,423</u>
Total primary government	<u>\$ 151,378,415</u>	<u>\$ 66,122,253</u>	<u>\$ 9,304,569</u>	<u>\$ 2,681,788</u>
Component units:				
West Dearborn Downtown Development Authority	\$ 918,476	\$ -	\$ -	\$ -
East Dearborn Downtown Development Authority	380,434	-	-	-
Brownfield Redevelopment Authority	1,222	-	-	-
Economic Development Corporation	78,194	-	-	-
Total component units	<u>\$ 1,378,326</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:
 Property Taxes
 Intergovernmental revenues - Unrestricted
 Investment earnings
 Miscellaneous
 Transfers
 Total general revenues, special items and transfers
 Change in net assets
 Net assets - beginning
 Net assets - ending

The notes to the financial statements are an integral part of this statement.

Government Wide Statement of Activities
Year Ended June 30, 2008

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (14,387,298)	\$ -	\$ (14,387,298)	\$ -
(45,668,745)	-	(45,668,745)	-
(8,954,163)	-	(8,954,163)	-
(714,452)	-	(714,452)	-
(12,680,741)	-	(12,680,741)	-
(456,950)	-	(456,950)	-
(969,908)	-	(969,908)	-
<u>(83,832,257)</u>	<u>-</u>	<u>(83,832,257)</u>	<u>-</u>
-	101,724	101,724	-
-	(304,790)	(304,790)	-
-	(150,583)	(150,583)	-
-	6,159,875	6,159,875	-
-	4,756,226	4,756,226	-
<u>-</u>	<u>10,562,452</u>	<u>10,562,452</u>	<u>-</u>
<u>(83,832,257)</u>	<u>10,562,452</u>	<u>(73,269,805)</u>	<u>-</u>
-	-	-	(918,476)
-	-	-	(380,434)
-	-	-	(1,222)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(78,194)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,378,326)</u>
74,411,232	7,408,825	81,820,057	1,454,982
9,520,440	503,887	10,024,327	
4,484,831	3,550,346	8,035,177	225,815
120,281	162,371	282,652	1,521
(1,513,522)	1,513,522	-	-
<u>87,023,262</u>	<u>13,138,951</u>	<u>100,162,213</u>	<u>1,682,318</u>
3,191,005	23,701,403	26,892,408	303,992
198,199,368	198,749,750	396,949,118	4,482,130
<u>\$ 201,390,373</u>	<u>\$ 222,451,153</u>	<u>\$ 423,841,526</u>	<u>\$ 4,786,122</u>

The notes to the financial statements are an integral part of this statement.

City of Dearborn, Michigan

Balance Sheet Governmental Funds June 30, 2008

	General	Capital Projects	Other Governmental Funds (See page 97)	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 27,065,710	\$ 8,612,214	\$ 10,724,001	\$ 46,401,925
Accounts Receivable (Net)	2,371,165	35,041	266,566	2,672,772
Property taxes receivable	341,691	-	11,029	352,720
Interest and penalties on taxes	73,389	-	-	73,389
Accrued interest receivable	287,518	137,417	112,479	537,414
Special assessments receivable	11,147	-	-	11,147
Due from other funds (Note 5)	351,082	36,282	1,325,937	1,713,301
Due from other governments	1,974,229	388	1,111,755	3,086,372
Inventories	282,866	12,813,330	11,499	13,107,695
Advance to other funds (Note 5)	658,565	-	-	658,565
Restricted cash and investments - Construction	-	1,000	-	1,000
Investments, long-term	4,309,323	7,066,883	4,155,041	15,531,247
Total assets	<u>\$ 37,726,685</u>	<u>\$ 28,702,555</u>	<u>\$ 17,718,307</u>	<u>\$ 84,147,547</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 2,010,055	\$ 537,673	\$ 939,222	\$ 3,486,950
Accrued liabilities	2,133,135	-	88,551	2,221,686
Deposits/refunds payable	1,471,785	-	438,689	1,910,474
Due to other governments	-	-	2,025	2,025
Due to other funds	1,374,456	186,930	176,667	1,738,053
Debt obligations	-	-	167,485	167,485
Deferred revenue	742,563	-	9,498	752,061
Claims payable	-	-	18,507	18,507
Advance from other funds	-	475,798	-	475,798
Total liabilities	<u>7,731,994</u>	<u>1,200,401</u>	<u>1,840,644</u>	<u>10,773,039</u>
Fund balances:				
Reserve for encumbrances	827,375	2,008,158	4,304,137	7,139,670
Reserve for debt service	-	-	321,850	321,850
Reserve for inventory	282,866	12,813,330	11,499	13,107,695
Reserve for noncurrent collection of advances to other funds	658,565	-	-	658,565
Unreserved, designated for budgeted appropriations:				
General fund	1,134,797	-	-	1,134,797
Special revenue funds	-	-	7,005,616	7,005,616
Capital projects fund	-	9,816,333	-	9,816,333
Unreserved, reported in:				
General fund	27,091,088	-	-	27,091,088
Special revenue funds	-	-	4,234,561	4,234,561
Capital projects fund	-	2,864,333	-	2,864,333
Total fund balances	<u>29,994,691</u>	<u>27,502,154</u>	<u>15,877,663</u>	<u>73,374,508</u>
Total liabilities and fund balances	<u>\$ 37,726,685</u>	<u>\$ 28,702,555</u>	<u>\$ 17,718,307</u>	<u>\$ 84,147,547</u>

The notes to the financial statements are an integral part of this statement.

City of Dearborn, Michigan

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets June 30, 2008

Total fund balance for governmental funds		\$ 73,374,508
Amounts reported for governmental activities in the statement of net assets are different because:		
1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds		
Cost of assets, not depreciated	\$ 4,260,771	
Cost of assets, depreciated	210,211,432	
Accumulated depreciation	<u>(83,864,049)</u>	
Total adjustment due to capital assets		130,608,154
2. Some receivables are expected to be collected over several years and are not available to pay for current year expenditures		752,061
3. Other assets used in governmental activities are financial resources and therefore are not reported in the governmental funds - inventory		137,520
4. Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds		
Accrued interest payable	(99,287)	
Noncurrent liabilities, due in one year	(3,165,000)	
Noncurrent liabilities, due in more than one year	(20,798,961)	
Noncurrent liabilities, other postemployment benefits	<u>(3,452,413)</u>	
Total adjustment due to long-term liabilities		(27,515,661)
5. Internal service funds are included as part of governmental activities		<u>24,033,791</u>
Net assets of governmental activities		<u>\$ 201,390,373</u>

The notes to the financial statements are an integral part of this statement.

City of Dearborn, Michigan

Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds Year Ended June 30, 2008

	General	Capital Projects	Other Governmental Funds (See page 99)	Total Governmental Funds
Revenues				
Taxes, assessments and penalties on taxes	\$ 72,479,894	\$ -	\$ 2,384,650	\$ 74,864,544
Licenses and permits	2,103,672	-	-	2,103,672
Intergovernmental revenues:				
State sources	10,300,309	25,969	6,564,489	16,890,767
Federal sources	137,433	125,657	1,576,435	1,839,525
Other sources	232,307	-	-	232,307
Charges for services	10,064,642	920	451,599	10,517,161
Fines and forfeits	3,711,172	-	1,023,695	4,734,867
Rents and royalties	3,378,627	-	2,219,969	5,598,596
Miscellaneous revenue	507,900	371,847	331,728	1,211,475
Private source contributions	-	34,047	145,700	179,747
Investment income	3,168,721	527,281	788,829	4,484,831
Total revenues	106,084,677	1,085,721	15,487,094	122,657,492
Expenditures				
Current:				
General government	16,891,010	-	352,628	17,243,638
Public safety	49,903,899	-	627,978	50,531,877
Public works	12,223,144	-	9,982,726	22,205,870
Health and welfare	918,983	-	-	918,983
Recreation and culture	13,791,280	-	2,951,059	16,742,339
Community improvement	978,659	-	1,009,653	1,988,312
Utilities	4,276,914	-	331,001	4,607,915
Capital outlay	719,702	2,747,851	541,553	4,009,106
Debt service:				
Principal	-	580,000	2,445,000	3,025,000
Interest and fiscal charges	-	192,855	796,206	989,061
Total expenditures	99,703,591	3,520,706	19,037,804	122,262,101
Revenues Over (Under) Expenditures	6,381,086	(2,434,985)	(3,550,710)	395,391
Other Financing Sources (Uses)				
Issuance of debt	-	-	3,536,000	3,536,000
Payment to refunded bond escrow agent	-	-	(3,520,000)	(3,520,000)
Transfers in	135,412	8,188,224	6,260,818	14,584,454
Transfers out	(12,235,828)	-	(4,112,148)	(16,347,976)
Total other financing sources (uses)	(12,100,416)	8,188,224	2,164,670	(1,747,522)
Net Change in Fund Balances	(5,719,330)	5,753,239	(1,386,040)	(1,352,131)
Fund Balances - Beginning of Year	35,714,021	21,748,915	17,263,703	74,726,639
Fund Balances - End of Year	\$ 29,994,691	\$ 27,502,154	\$ 15,877,663	\$ 73,374,508

The notes to the financial statements are an integral part of this statement.

City of Dearborn, Michigan

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities Year Ended June 30, 2008

Net change in fund balance - Total Governmental Funds \$ (1,352,131)

Amounts reported for governmental activities in the statement of activities are different because:

1. Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and recorded as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense.		
Capital outlay	\$ 6,645,051	
Net book value of assets disposed	(59,570)	
Depreciation	<u>(6,057,905)</u>	
Total excess capital outlay		527,576
2. Revenues are recorded in the statement of activities when the revenue is earned; they are not reported in the funds until collected or collectable within 60 days of the year end.		(343,253)
3. Governmental funds report inventories as expenditures when purchased; however in the statement of activities, the cost of those assets is expensed when used.		(94,106)
4. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets:		
Bonds payable	3,025,000	
Net proceeds from debt refunding	(16,000)	
Interest payable	<u>35,153</u>	
Total reduction of long-term liabilities		3,044,153
5. Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Compensated absences	(60,234)	
Other postemployment benefits	<u>(3,452,413)</u>	
Total expenses not reported in governmental funds		(3,512,647)
6. Internal service funds are included as part of governmental activities.		<u>4,921,413</u>
Change in net assets of governmental activities		<u>\$ 3,191,005</u>

The notes to the financial statements are an integral part of these statements.

City of Dearborn, Michigan

	Business-type Activities Enterprise Funds			
	Parking System Funds	Sewer	Water	Other Enterprise Funds (See page 110)
Assets				
Current assets:				
Cash and cash equivalents	\$ 2,045,039	\$ 7,922,004	\$ 8,620,031	\$ 5,232,942
Accounts receivable (Net)	229,240	717,338	8,777,389	31,853
Property taxes receivable	-	14,856	-	-
Unbilled accounts receivable	-	1,710,865	940,915	-
Accrued interest receivable	24,554	317,667	75,546	84,168
Due from component units	553	-	-	-
Due from other governments	-	379,451	-	-
Due from other funds	20,109	621,599	-	151,506
Prepaid items	-	-	-	101,881
Inventories	-	-	528,001	63,706
Total current assets	<u>2,319,495</u>	<u>11,683,780</u>	<u>18,941,882</u>	<u>5,666,056</u>
Noncurrent assets:				
Restricted cash and investments:				
Construction and equipment	-	16,094,615	-	-
Debt service	89,573	7,917,774	-	162,446
Investments, long-term	735,788	12,488,858	-	4,216,613
Capital assets (Net)	19,072,844	238,826,150	51,496,347	7,610,774
Total noncurrent assets	<u>19,898,205</u>	<u>275,327,397</u>	<u>51,496,347</u>	<u>11,989,833</u>
Total assets	<u>22,217,700</u>	<u>287,011,177</u>	<u>70,438,229</u>	<u>17,655,889</u>
Liabilities				
Current liabilities:				
Accounts payable	24,365	13,872,347	2,488,760	126,911
Accrued interest payable	37,906	845,248	-	2,412
Accrued liabilities	1,475	20,824	42,484	59,929
Deposits/refunds payable	-	-	9,892	233,257
Due to other governments	-	208,085	-	5,423
Due to other funds	1,206	45,124	625,094	96,872
Deferred revenue	-	-	-	30,191
Liabilities payable from restricted assets	-	8,550,000	-	-
Current portion of long-term debt	620,000	-	-	197,026
Total current liabilities	<u>684,952</u>	<u>23,541,628</u>	<u>3,166,230</u>	<u>752,021</u>
Noncurrent liabilities:				
Long-term debt, net of current portion	9,117,433	130,489,516	-	2,001,552
Other liabilities	-	4,589,810	164,738	181,195
Advance from other funds	-	-	-	182,767
Claims payable	-	-	-	-
Total noncurrent liabilities	<u>9,117,433</u>	<u>135,079,326</u>	<u>164,738</u>	<u>2,365,514</u>
Total liabilities	<u>9,802,385</u>	<u>158,620,954</u>	<u>3,330,968</u>	<u>3,117,535</u>
Net Assets				
Invested in capital assets, net of debt	9,335,411	99,786,634	51,496,347	5,229,429
Restricted for:				
Construction	-	16,094,615	-	-
Debt service	89,573	7,917,774	-	162,446
Unrestricted	2,990,331	4,591,200	15,610,914	9,146,479
Total net assets	<u>\$ 12,415,315</u>	<u>\$ 128,390,223</u>	<u>\$ 67,107,261</u>	<u>\$ 14,538,354</u>

The notes to the financial statements are an integral part of these statements.

**Statement of Net Assets
Proprietary Funds
June 30, 2008**

Total	Governmental Activities - Internal Service Funds (See page 114)
\$ 23,820,016	\$ 12,934,259
9,755,820	16,562
14,856	-
2,651,780	-
501,935	157,507
553	-
379,451	-
793,214	4,157
101,881	1,661,710
591,707	1,200
38,611,213	14,775,395
16,094,615	-
8,169,793	-
17,441,259	5,126,906
317,006,115	7,421,799
358,711,782	12,548,705
397,322,995	27,324,100
16,512,383	56,864
885,566	-
124,712	-
243,149	-
213,508	246,054
768,296	-
30,191	-
8,550,000	-
817,026	-
28,144,831	302,918
141,608,501	-
4,935,743	-
182,767	-
-	2,987,391
146,727,011	2,987,391
174,871,842	3,290,309
165,847,821	7,421,799
16,094,615	-
8,169,793	-
32,338,924	16,611,992
\$ 222,451,153	\$ 24,033,791

The notes to the financial statements are an integral part of these statements.

City of Dearborn, Michigan

	Business-type Activities Enterprise Funds			Other Enterprise Funds (See page 111)
	Parking System Funds	Sewer	Water	
Operating Revenues				
Intergovernmental revenue:				
State	\$ -	\$ 503,887	\$ -	\$ -
Taxes, assessments and penalties on taxes	-	7,408,825	-	-
Sales	-	17,513,180	11,533,987	592,815
Charges for services	1,258,908	4,717,319	4,126,608	1,406,763
Fines	379,468	-	-	-
Penalties	2,073	621,599	621,599	-
Rents and royalties	-	15,079	-	2,708,351
Insurance premiums	-	-	-	-
Miscellaneous	-	30,052	22,748	109,571
Total operating revenues	<u>1,640,449</u>	<u>30,809,941</u>	<u>16,304,942</u>	<u>4,817,500</u>
Operating Expenses				
Personnel services	159,239	1,139,356	2,828,600	2,177,125
Contractual services	911,751	1,917,286	927,197	336,034
Insurance and bonds	20,375	6,500	8,000	201,592
Insurance benefits	-	-	-	-
Claims and judgments	-	-	-	-
Utilities	127,354	237,054	6,468	324,211
Repairs and maintenance	22,394	539,321	12,327	581,799
Supplies	65,994	154,462	314,740	177,150
Cost of sales	-	12,620,520	6,270,734	169,491
Cost of rentals	30,112	3,343	-	7,308
Taxes	-	-	-	153,093
Depreciation	537,985	974,908	1,126,164	539,108
Other	1,116	47,856	31,738	73,273
Total operating expenses	<u>1,876,320</u>	<u>17,640,606</u>	<u>11,525,968</u>	<u>4,740,184</u>
Operating Income (Loss)	(235,871)	13,169,335	4,778,974	77,316
Nonoperating Revenues (Expenses)				
Investment income	128,254	2,108,594	607,904	462,793
Gain/(loss) on disposal of assets	242,809	(8)	-	-
Other interest	(483,906)	(138,925)	-	(170,811)
Total nonoperating revenues (expenses)	<u>(112,843)</u>	<u>1,969,661</u>	<u>607,904</u>	<u>291,982</u>
Income (Loss) before Capital Contributions & Transfers	(348,714)	15,138,996	5,386,878	369,298
Capital contributed from grants, developers & other	569,194	1,072,229	-	-
Income (Loss) before Transfers	220,480	16,211,225	5,386,878	369,298
Transfers				
Transfers in	868,657	-	512,301	150,000
Transfers out	-	(8,718)	(8,718)	-
Net transfers	<u>868,657</u>	<u>(8,718)</u>	<u>503,583</u>	<u>150,000</u>
Net Income (Loss)	1,089,137	16,202,507	5,890,461	519,298
Net Assets - Beginning of Year	11,326,178	112,187,716	61,216,800	14,019,056
Net Assets - End of Year	<u>\$12,415,315</u>	<u>\$128,390,223</u>	<u>\$67,107,261</u>	<u>\$14,538,354</u>

The notes to the financial statements are an integral part of these statements.

City of Dearborn, Michigan

	Parking System Funds
Cash Flows from Operating Activities	
Receipts from customers	\$ 1,473,859
Payments to suppliers	(1,174,946)
Payments to employees	(159,239)
Internal activity	(5,194)
Claims paid	-
Other receipts (payments)	1,116
Net cash provided (used) by operating activities	<u>135,596</u>
Cash Flows from Noncapital Financing Activities	
Advance from (to) other funds	-
Transfers in	868,657
Transfers out	-
Net cash provided (used) by noncapital financing activities	<u>868,657</u>
Cash Flows from Capital and Related Financing Activities	
Grants and contributions received	569,194
Proceeds on the issuance of long term debt	-
Prepaid interest on debt	-
Principal paid on debt	(590,221)
Acquisition and construction of capital assets	(227,965)
Interest paid on debt	(485,642)
Net cash provided (used) by capital and related financing activities	<u>(489,245)</u>
Cash Flows from Investing Activities	
Net sale (purchase) of investments	(160,981)
Investment income	116,928
Net cash provided (used) by investing activities	<u>(44,053)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	470,955
Cash and Cash Equivalents - Beginning of Year	1,663,657
Cash and Cash Equivalents - End of Year	<u>\$ 2,134,612</u>
Cash and Cash Equivalents - Unrestricted	\$ 2,045,039
Cash and Cash Equivalents - Restricted	89,573
Cash and Cash Equivalents - End of Year	<u>\$ 2,134,612</u>

The notes to the financial statements are an integral part of these statements.

**Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2008**

Business-type Activities Enterprise Funds				Governmental Activities - Internal Service Funds (See page 119)
Sewer	Water	Other Enterprise Funds (See page 112)	Total	
\$ 29,145,979	\$ 15,483,995	\$ 4,674,000	\$ 50,777,833	\$ 22,399,550
(11,813,510)	(6,912,060)	(2,029,323)	(21,929,839)	(2,808,539)
(634,109)	(2,801,651)	(2,164,615)	(5,759,614)	-
(72,453)	55,807	(76,543)	(98,383)	(4,157)
-	-	-	-	(17,044,039)
501,162	(8,990)	159,818	653,106	1,140,315
<u>17,127,069</u>	<u>5,817,101</u>	<u>563,337</u>	<u>23,643,103</u>	<u>3,683,130</u>
-	-	(78,733)	(78,733)	-
-	512,301	150,000	1,530,958	250,000
(8,718)	(8,718)	-	(17,436)	-
<u>(8,718)</u>	<u>503,583</u>	<u>71,267</u>	<u>1,434,789</u>	<u>250,000</u>
1,072,229	-	-	1,641,423	-
34,882,662	-	-	34,882,662	-
-	-	-	-	(21,585)
(5,299,949)	-	(118,022)	(6,008,192)	(505,000)
(45,218,642)	(4,658,439)	-	(50,105,046)	(1,687,520)
(19,167)	-	(188,102)	(692,911)	-
<u>(14,582,867)</u>	<u>(4,658,439)</u>	<u>(306,124)</u>	<u>(20,036,675)</u>	<u>(2,214,105)</u>
(2,384,747)	-	(858,812)	(3,404,540)	(1,894,088)
2,032,991	572,969	434,856	3,157,744	712,583
<u>(351,756)</u>	<u>572,969</u>	<u>(423,956)</u>	<u>(246,796)</u>	<u>(1,181,505)</u>
2,183,728	2,235,214	(95,476)	4,794,421	537,520
29,750,665	6,384,817	5,490,864	43,290,003	12,396,739
<u>\$ 31,934,393</u>	<u>\$ 8,620,031</u>	<u>\$ 5,395,388</u>	<u>\$ 48,084,424</u>	<u>\$ 12,934,259</u>
\$ 7,922,004	\$ 8,620,031	\$ 5,232,942	\$ 23,820,016	\$ 12,934,259
24,012,389	-	162,446	24,264,408	-
<u>\$ 31,934,393</u>	<u>\$ 8,620,031</u>	<u>\$ 5,395,388</u>	<u>\$ 48,084,424</u>	<u>\$ 12,934,259</u>

The notes to the financial statements are an integral part of these statements.

City of Dearborn, Michigan

	Parking System Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (235,871)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	537,985
Change in assets and liabilities:	
Accounts receivable	(191,209)
Due from other funds	(6,400)
Due from component units	(175,213)
Due from other governments	199,832
Prepaid items	-
Inventories	-
Accounts payable	5,510
Accrued liabilities	(244)
Customer deposits	-
Accrued vacation and sick leave	-
Due to other funds	1,206
Due to other governments	-
Claims payable	-
Deferred revenue	-
Net cash provided (used) by operating activities	\$ 135,596
Noncash investing activities:	
Increase in fair value of investments	\$ 160,981

There was no noncash capital or financing activity during the year.

The notes to the financial statements are an integral part of these statements.

**Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2008**

Business-type Activities Enterprise Funds		Other Enterprise Funds (See page 113)	Total	Governmental Activities - Internal Service Funds (See page 119)
Sewer	Water			
\$ 13,169,335	\$ 4,778,974	\$ 77,316	\$ 17,789,754	\$ 4,024,226
974,908	1,126,164	539,109	3,178,166	1,561,082
(852,643)	(1,261,989)	(27,044)	(2,332,885)	(5,404)
(96,216)	-	(151,506)	(254,122)	(4,157)
-	-	-	(175,213)	-
(262,301)	472,731	38,760	449,022	-
21,360	43,904	15,614	80,878	(679,697)
-	(139,912)	(5,877)	(145,789)	20,747
3,613,786	716,266	19,906	4,355,468	(126,774)
3,816	7,148	14,708	25,428	-
-	(8,941)	(41,089)	(50,030)	-
505,247	26,949	12,510	544,706	-
23,763	55,807	74,963	155,739	-
26,014	-	523	26,537	(444,620)
-	-	-	-	(662,273)
-	-	(4,556)	(4,556)	-
<u>\$ 17,127,069</u>	<u>\$ 5,817,101</u>	<u>\$ 563,337</u>	<u>\$ 23,643,103</u>	<u>\$ 3,683,130</u>
\$ 2,384,747	\$ -	\$ 858,812	\$ -	\$ 1,894,088

The notes to the financial statements are an integral part of these statements.

City of Dearborn, Michigan

Statement of Net Assets Fiduciary Funds June 30, 2008

	Pension & Other Employee Benefits	Agency Funds
Assets		
Current assets:		
Cash and cash equivalents	\$ 16,658,734	\$ 9,033,195
Accounts Receivable (Net)	606,880	201,379
Accrued interest receivable	1,151,127	-
Due from component units	-	-
Due from other funds	-	4,818
Due from other governments	-	601,151
Total current assets	<u>18,416,741</u>	<u>9,840,543</u>
Noncurrent assets - Investments:		
Corporate bonds (long-term)	200,131,899	-
Common stock	57,531,550	-
Collateral pledged on securities loaned	10,109,152	-
Real estate properties	24,179,108	-
Commingled and mutual funds	159,885,084	-
Total noncurrent assets	<u>451,836,793</u>	<u>-</u>
Total assets	<u>470,253,534</u>	<u>\$ 9,840,543</u>
Liabilities		
Accounts payable	7,727,597	\$ 357,416
Deposits/refunds payable	-	8,367,009
Due to other funds	-	9,141
Due to other governments	-	1,016,359
Deferred revenue	24,211	-
Amounts due to broker under securities lending agreement	10,109,152	-
Other liabilities	-	90,618
Total liabilities	<u>17,860,960</u>	<u>\$ 9,840,543</u>
Net Assets		
Held in trust for pension benefits and other purposes	<u>\$ 452,392,574</u>	

The notes to the financial statements are an integral part of these statements.

City of Dearborn, Michigan

Statement of Changes in Fiduciary Net Assets Fiduciary Funds Year Ended June 30, 2008

	<u>Pension & Other Employee Benefits</u>
Additions	
Investment income:	
Interest and dividends	\$ 15,139,720
Net decrease in value of investments	<u>(23,418,965)</u>
Net investment income	<u>(8,279,245)</u>
Contributions:	
Employer	19,910,918
Employee	1,101,263
Total contributions	<u>21,012,181</u>
Other income	<u>454,385</u>
Total additions	<u>13,187,321</u>
Deductions	
Benefit payments	31,852,799
Refunds of contributions	518,340
Administrative expenses	1,458,452
Total deductions	<u>33,829,591</u>
Change in Net Assets	(20,642,270)
Net Assets - Beginning of Year	473,034,844
Net Assets - End of Year	<u><u>\$ 452,392,574</u></u>

The notes to the financial statements are an integral part of these statements.

City of Dearborn, Michigan

	West Dearborn Downtown Development Authority	East Dearborn Downtown Development Authority	Brownfield Redevelopment Authority
Assets			
Cash and cash equivalents	\$ 1,184,758	\$ 3,187,103	\$ 106,030
Property taxes receivable	9,820	2,862	-
Accrued interest receivable	10,384	27,933	929
Total assets	<u>1,204,962</u>	<u>3,217,898</u>	<u>106,959</u>
Liabilities			
Accounts payable	111,709	18,670	-
Due to primary government	553	-	-
Accrued liabilities	-	1,688	-
Noncurrent liabilities:			
Due in more than one year	-	9,543	-
Total liabilities	<u>112,262</u>	<u>29,901</u>	<u>-</u>
Net Assets - Unrestricted	<u>\$ 1,092,700</u>	<u>\$ 3,187,997</u>	<u>\$ 106,959</u>

The notes to the financial statements are an integral part of these statements.

**Statement of Net Assets
Component Units
June 30, 2008**

Economic Development Corporation	Total
\$ 397,719	\$ 4,875,610
-	12,682
747	39,993
<u>398,466</u>	<u>4,928,285</u>
-	130,379
-	553
-	1,688
-	9,543
<u>-</u>	<u>142,163</u>
<u>\$ 398,466</u>	<u>\$ 4,786,122</u>

The notes to the financial statements are an integral part of these statements.

City of Dearborn, Michigan

	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
West Dearborn Development Authority - Community improvement	\$ 918,476	\$ -	\$ -
East Dearborn Development Authority - Community improvement	380,434	-	-
Brownfield Redevelopment Authority - Community improvement	1,222	-	-
Economic Development Corporation - Community improvement	78,194	-	-
Total component units	<u>\$ 1,378,326</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:
 Taxes
 Investment earnings
 Miscellaneous
 Total general revenues
 Change in net assets
 Net assets - beginning
 Net assets - ending

The notes to the financial statements are an integral part of these statements.

**Statement of Activities
Component Units
Year Ended June 30, 2008**

Net (Expense) Revenue and Changes in Net Assets				
West Dearborn Downtown Development Authority	East Dearborn Downtown Development Authority	Brownfield Redevelopment Authority	Economic Development Corporation	Total
\$ (918,476)	\$ -	\$ -	\$ -	\$ (918,476)
-	(380,434)	-	-	(380,434)
-	-	(1,222)	-	(1,222)
-	-	-	(78,194)	(78,194)
<u>(918,476)</u>	<u>(380,434)</u>	<u>(1,222)</u>	<u>(78,194)</u>	<u>(1,378,326)</u>
761,791	573,943	119,248	-	1,454,982
61,492	145,720	1,384	17,219	225,815
1,027	494	-	-	1,521
<u>824,310</u>	<u>720,157</u>	<u>120,632</u>	<u>17,219</u>	<u>1,682,318</u>
(94,166)	339,723	119,410	(60,975)	303,992
1,186,866	2,848,274	(12,451)	459,441	4,482,130
<u>\$ 1,092,700</u>	<u>\$ 3,187,997</u>	<u>\$ 106,959</u>	<u>\$ 398,466</u>	<u>\$ 4,786,122</u>

The notes to the financial statements are an integral part of these statements.

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Note 1 – Summary of Significant Accounting Policies

The City of Dearborn, Michigan (the City) was incorporated in 1929 under Michigan law as a home rule city. The City operates under a strong mayor, weak council form of government. The most recent charter was adopted November 6, 2007 and was effective January 1, 2008.

The financial statements of the City have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. Pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989 are not applied in the preparation of the financial statement of the business-type activities and enterprise funds in accordance with GASB Statement #20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting." Below is a summary of the City's more significant policies.

A. Reporting Entity

The City is governed by an elected seven-member Council. As required by generally accepted accounting principles, these financial statements present the City of Dearborn and its component units.

Blended Component Units

The component unit discussed below is included in the City's reporting entity because of the significance of its operating or financial relationship with the City.

City of Dearborn Municipal Building Authority

This authority was formed for purposes of constructing public facilities financed through issuance of Building Authority bonds as provided by PA 31 of 1948 and it provides services exclusively for the City of Dearborn. The Building Authority Board is appointed by the Mayor. Issuance of bonds and related lease contracts are subject to approval of the City Council (see Note 4).

Building Authority operations consist of the issuance of debt, construction or acquisition of facilities financed by such debt, and the repayment of such debt from lease proceeds. All of this is accounted for in the appropriate City funds. The financial statements of the Building Authority are consolidated with the financial statements of the City in a manner dependent on the type of facilities acquired. The City is involved in the purchase by lease contract of improvements to the Robert Herndon Dearborn Hills Municipal Golf Course, the Ice Arena, Powerhouse and Ford Woods Park redevelopment from the Building Authority. The golf course operations are accounted for within the Enterprise funds (Golf Course fund). Improvements to the Ice Arena, Powerhouse and Ford Woods Park redevelopment are accounted for within the Capital Projects fund.

Note 1 – Summary of Significant Accounting Policies (Continued)

Discretely Presented Component Units

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

Brownfield Redevelopment Authority (BRA)

The Brownfield Redevelopment Authority was created to account for the redevelopment of environmentally contaminated and other under-utilized sites within the City. The Authority's governing body consists of the Mayor and six (6) individuals appointed by the Mayor. The City Council must approve the BRA Budget.

The Economic Development Corporation of Dearborn (EDC)

The EDC's purpose is to encourage economic development, primarily through the issuance of tax-exempt financing. Although the City has no involvement in the determination of the EDC budget nor any obligation for the EDC's outstanding debt, City Council must approve designation of project areas and must approve each project plan.

East Dearborn Downtown Development Authority (EDDDA)

The EDDDA was formed to encourage development within the City's eastern central business district. The City has no obligation for the EDDDA's outstanding debt. The City Council must approve the EDDDA's budget.

West Dearborn Downtown Development Authority (WDDDA)

The WDDDA was formed to encourage development within the City's western central business district. The City has no obligation for the WDDDA's outstanding debt. The City Council must approve the WDDDA's budget.

Financial statements for the discretely presented component units are available during office hours at the City of Dearborn, Economic and Community Development Department, 13615 Michigan Avenue, Dearborn, MI 48126.

B. Basic Financial Statements

The basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's public safety, public works, recreation and general administrative services are classified as governmental activities. The City's water and sewer services, parking systems, housing department and the municipal golf course are classified as business-type activities.

Note 1 – Summary of Significant Accounting Policies (Continued)

Government-wide Financial Statements

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts—invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities (public safety, public works, etc.). The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (public safety, public works, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property, sales or gas taxes, intergovernmental revenues, interest income, etc).

The City does not allocate indirect costs. An administrative fee is charged by the General fund to the other operating funds to recover the direct costs of General fund services provided (finance, human resources, purchasing, legal, management information systems, etc.). The effect of this fee and all other internal activity has been eliminated from the government-wide financial statements.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

Basic Financial Statements—Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

Note 1 – Summary of Significant Accounting Policies (Continued)

The following fund types are used by the City:

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

General Fund – The General fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – Special Revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Debt Service Fund – The Debt Service fund is used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.

Capital Projects Fund – The City has one capital project fund which is a major fund. The Capital Projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds).

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of proprietary funds relate to charges to customers for sales and service and property taxes collected for the payment of Combined Sewer Overflow (CSO) debt. The water and sewer funds also recognize the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. 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 1 – Summary of Significant Accounting Policies (Continued)

The following is a description of the proprietary funds of the City:

Enterprise Funds – Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs. The government reports the following major enterprise funds:

Parking Systems Funds – These funds account for construction and operation of two separate parking systems.

Water Fund – This fund accounts for operation of the City's water supply system. Purified water is purchased from the Detroit Water and Sewage Department.

Sewer Fund – This fund accounts for operation of the City's sewerage system. Sewage treatment is purchased from the Detroit Water and Sewage Department.

Internal Service Funds – Internal Service funds are used to account for the financing of goods or services provided by an activity to other departments, funds or component units of the City on a cost-reimbursement basis. Internal Service funds include equipment replacement, fleet replacement, workers' compensation, employee insurance and fleet and general liability insurance.

Fiduciary Funds

Fiduciary funds are used to report assets held in an agency capacity for others and therefore are not available to support City programs. The reporting focus is on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds. Fiduciary Pension funds include the (closed) general employees retirement system, the (open) revised police and fire retirement system, the (closed) police and fire retirement system, retiree death benefit and post employment healthcare. The Fiduciary Agency funds include agency, imprest payroll and district court.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column. GASB 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements.

The City's internal service funds are presented in the proprietary funds financial statements. Because the principal users of the internal services are the City's governmental activities, the financial statements of the internal service funds are consolidated into the governmental column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity (public safety, public works, etc.).

Note 1 – Summary of Significant Accounting Policies (Continued)

The City's fiduciary funds are presented in the fiduciary fund financial statements by type (pension and other employee benefits and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

C. Measurement Focus and Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary pension and other employee benefit fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The fiduciary agency funds have no measurement focus. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period (within 60 days of the next fiscal year). Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

Those revenues susceptible to accrual are property taxes, special assessments, licenses, interest revenue and charges for services. Sales taxes collected and held by the state at year-end on behalf of the government also are recognized as revenue. Fines, permits and parking meter revenues are not susceptible to accrual because generally they are not measurable until received in cash.

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned. Other revenue is recorded when received.

Properties are assessed as of December 31 and the related property taxes become a lien on December 31 and are billed in two separate billings. The summer billing is billed on July 1 of the following year. The 2007 summer taxes were due in four equal installments due August 20 and every two months thereafter with the final installment due February 20. (The City Charter was amended by voters in November 2007. Beginning in 2008, summer taxes will be due in three installments due September 14 and every two months thereafter with the final installment due

Note 1 – Summary of Significant Accounting Policies (Continued)

January 14.) The winter billing is billed on December 1 of the following year and is due in full on February 14. Both summer and winter taxes become delinquent if they remain unpaid on March 1 of the following year. Unpaid real property taxes are returned to the Wayne County Treasurer as delinquent for collection. The City Treasurer is responsible for the collection of delinquent personal property taxes.

The City reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D. Budgetary Accounting and Accountability

The City's budget is prepared in compliance with the uniform budgeting provisions of Michigan law. Budgets are adopted for all governmental and proprietary funds.

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

1. Prior to April 15, the Mayor delivers the proposed budget to the City Council for the fiscal year commencing the following July 1. The budget includes identification of unusual circumstances, a comparative analysis covering the immediate past and the current budgets, together with the proposed budget, and a proposed general appropriations resolution.
2. The proposed budgets are reviewed through a series of meetings with the City Council, Mayor, Finance department, department directors, etc.
3. A public hearing is conducted to obtain taxpayers comments.
4. No later than June 13, the City Council shall pass a general appropriations resolution providing the authority to make expenditures and incur obligations on behalf of the city for the ensuing fiscal year.

Appropriations in the General fund are controlled at the department level. Expenditures for all other governmental funds are controlled at the fund level. While the legislative budget is adopted at summary levels, administrative control is maintained at detail levels. Management may amend the budget at the detail level within summary constraints. During the fiscal year, it was necessary to make budget amendments.

The City maintains budgetary control through the use of a full encumbrance system. For budgetary purposes, appropriations lapse at fiscal year-end, except for the portion related to encumbered amounts and those amounts approved for carry forward by the City Council.

Note 1 – Summary of Significant Accounting Policies (Continued)

Budget to actual statements have been prepared in accordance with generally accepted accounting principles with the following exceptions:

- Encumbrances are included as expenditures.
-
- Project life re-appropriations to the following fiscal year are reported as appropriated reserve carry-forward.

A comparison of the actual results of operations to the budgeted amounts (at the level of control adopted by the City Council) for the General fund is presented as Required Supplementary Information.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is employed as an extension of the formal budgetary control in the General, Special Revenue and Capital Projects funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitment will be honored during the subsequent year.

The negative unreserved fund balance in the community development fund is a result of open encumbrances. Grant revenues will be recognized in future periods when these encumbrances are expended.

E. Financial Statement Amounts

Cash and Investments

The City of Dearborn's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value, based on quoted market prices. Investments and certificates of deposit are purchased with pooled cash and are generally held to maturity. Cash is pooled in two pools based on investment requirements, one for long term and one for short term. Interest is allocated on the basis of time-and-dollar-weighted participation in each pool.

The purchase and sale of proprietary fund investments have been netted for cash flow purposes as the nature of the investments is highly liquid because there is an active market readily available.

Note 1 – Summary of Significant Accounting Policies (Continued)

Accounts Receivable

Receivables as of June 30, 2008 for the City's individual governmental funds and the nonmajor governmental funds in the aggregate are as follows:

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Receivables:				
Intergovernmental	\$ 1,974,229	\$ 388	\$ 1,111,755	\$ 3,086,372
Accounts	<u>2,371,165</u>	<u>35,041</u>	<u>266,566</u>	<u>2,672,772</u>
Net receivables	<u><u>\$ 4,345,394</u></u>	<u><u>\$ 35,429</u></u>	<u><u>\$ 1,378,321</u></u>	<u><u>\$ 5,759,144</u></u>

Revenues are reported net of uncollectible amounts. The amount in the allowance for uncollectibles in the General fund at June 30, 2008 is \$165,000 and represents potentially uncollectible ambulance billings. Most City service billings, if not paid, are assessed as a lien against the serviced property.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>
Deferred revenue:	
Property taxes	\$ 242,933
SMART	503,768
Other	<u>5,360</u>
Total deferred revenue	<u><u>\$ 752,061</u></u>

The unbilled accounts receivable in the Enterprise funds were for unbilled consumption of water and sewer as of June 30, 2008.

Note 1 – Summary of Significant Accounting Policies (Continued)

Inventories

Inventories are recorded at the lower of cost or market, cost being the weighted average method with the exception of the following: (1) Enterprise funds' inventories, which are recorded on the first-in, first-out basis; and (2) Capital Projects fund inventories, which are recorded at actual cost. The Capital Projects fund has approximately \$12.8 million invested in land inventory at June 30, 2008.

Restricted Assets

The revenue bonds of the Enterprise and Internal Service funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, equipment purchases and a bond reserve. Also, the unspent bond proceeds of the Capital Projects funds require amounts to be set aside for construction. These amounts have been classified as restricted assets.

Capital Assets

Capital assets purchased or acquired with an original cost of \$2,500 or more and a useful life of greater than one year are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received.

Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all qualifying assets is provided on the straight-line basis over the assets' estimated useful lives over the following useful lives:

- | | |
|--|-------------|
| • Equipment | 5-15 years |
| • Land improvements | 15 years |
| • Infrastructure assets (Roads, bridges and sidewalks) | 15-40 years |
| • Buildings and improvements | 25-50 years |
| • Water system | 75 years |
| • Sewer system | 75 years |

The City has a collection of art work presented for public exhibition and education that is being preserved for future generations. The City has an internal policy stating that the proceeds for the sale of these assets would be used to acquire other items for the collection. Therefore, the collection is not capitalized or depreciated as part of capital assets.

Prepays

Prepays are payments made in the current fiscal year for services in the next fiscal year. The July medical and dental premium payments were made in June.

Note 1 – Summary of Significant Accounting Policies (Continued)

Deferred Revenue

Deferred revenue represents monies that do not yet meet the criteria for revenue recognition. Unearned amounts are always reported as deferred revenue. In governmental funds, earned amounts are also reported as deferred revenue until they are available to liquidate liabilities of the current period.

Compensated Absences

The City accrues vested or accumulated sick, vacation and paid time off (PTO) leave when earned by the employee. The non-current portion (that is the amount not expected to be liquidated with expendable available financial resources) for governmental funds is maintained separately and represents a reconciling item between fund and government-wide presentations.

Property Taxes

Properties are assessed as of December 31 and the related property taxes become a lien on December 31 and are billed in two separate billings, July 1 and December 1 of the following year of the following year. Taxable valuations are established annually by the City Assessor and are based on assessed valuations (established at 50 percent of true cash value), with the annual growth of each property's taxable value limited by inflation. Real and personal property in the City subject to the 2007 levy that financed operations for the fiscal year ended June 30, 2008 had a taxable value of \$4,426,233,350. The City millage for the fiscal year ended June 30, 2008 was 16.78 mills, consisting of 13.6275 mills operating, 1.0400 mills for garbage and rubbish and 2.1125 mills for debt service. The City was legally empowered, by Section 13.2 of the City Charter and P.A. 298 of 1917, as amended, to levy up to 18.00 mills for fiscal year ended June 30, 2008 before rollbacks required by Michigan law. The maximum potential millage for the fiscal year ended June 30, 2008 was 18.4654 mills after applicable rollbacks.

The 2007 July tax billing was payable without penalty in four equal installments due August 20, and every two months thereafter with the final installment due February 20. (The 2008 July tax billing will be payable without penalty in three equal installments as a result of amendments to the City Charter by voters in November 2007). The December tax billing is due in full on February 14 of the following year. They become delinquent if they remain unpaid by March 1. Unpaid real property taxes are returned to the Wayne County Treasurer as delinquent for collection. The City Treasurer is responsible for collection of delinquent personal property taxes. The amounts of delinquent real property taxes become available to finance expenditures through operation of a County Tax Revolving fund. Ordinarily, the City receives proceeds from the revolving fund within 60 days of fiscal year end. Delinquent personal property taxes and associated penalties not collected within 60 days of fiscal year end are recorded as deferred revenue.

Unrestricted Franchise Fees

Unrestricted franchise fees represent revenues generated from parties outside the City's citizenry (primarily the cable and cellular system operators) that are not restricted to any specific program.

Note 1 – Summary of Significant Accounting Policies (Continued)

Expenditures

Expenditures in governmental funds are recognized when the related fund liability is incurred. Inventory costs are reported in the period when inventory items are used, rather than in the period purchased.

Interfund Activity

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

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.

Other accounting policies are disclosed in other notes to financial statements.

Note 2 –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 mature 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; and investment pools of financial institutions. The City does not engage in reverse repurchase agreements or in repurchase agreements without a master repurchase agreement and delivery of collateral to a third-party custodian.

The pension trust fund is 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, debt or equity of certain small businesses, certain state and local government obligations and certain other

Note 2 –Deposits and Investments (Continued)

specified investment vehicles. In addition, the City created a retiree healthcare trust fund under Public Act 149 of 1999 which allows the funds to be invested in the same investments noted in Public Act 314.

State statutes and the System's board policies permit the System to use investments of the plan to enter into securities lending transactions – loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. The System's securities custodians are agents in lending the plans' securities for cash collateral of at least 100 percent of market value of the loaned securities. Securities on loan at year end are presented as non-categorized in the balance sheet presentation of custodial credit risk. At year end, the System has no credit risk exposure to borrowers because the amounts the System owes the borrowers exceed the amounts the borrowers owe the System. Contracts with the lending agents require them to indemnify the System if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the System for income distributions by the securities' issuers while the securities are on loan.

The City has designated ten banks for the deposit of funds. The investment policy adopted by the City Council in accordance with Public Act 196 of 1997 authorized all investments permitted by PA 20. The City of Dearborn, Michigan's deposit and investment policies are in accordance with statutory authorities.

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 government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. At year end, the City had \$84,936,391 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 it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk. At year end, the City did not have custodial credit risk.

Note 2 –Deposits and Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy minimizes interest rate risk by structuring the portfolio to meet requirement and by investing funds in shorter-term securities, money market mutual funds or similar investment pools. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270 day maturity. The weighted average maturity is based on maturity date or contracted modified maturity date as applicable. At year end, the average maturities of investments are as follows:

<u>Primary Government Investment Types</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Federal Agency/Instrumentality	\$27,156,212	3.33 years
U.S. Government Obligations	19,267,696	2.25 years
Commercial Paper	752,813	0.10 years
Corporate Bonds	752,813	0.63 years

<u>Fiduciary Investment Types</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Corporate Bonds	\$23,733,954	13.47 years
Federal Agency/Instrumentality	32,181,385	16.63 years
U.S. Government Obligations	5,455,935	16.05 years
Securities Lending Short-term Collateral Investment Pool	10,109,152	0.26 years

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations at the time of purchase. The City's investment policy limits investments to the safest types of securities. Financial institutions, broker/dealers, intermediaries and advisers need to be pre-qualified to do business with the City. The policy also states that the investment portfolio will be diversified to minimize potential losses on individual securities. At year end, the City owned commercial paper rated P3 that was purchased with a rating of P2. The paper will be held to maturity and the City will not invest in this security until the rating has improved. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Primary Government Investment Types</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Bank Investment Pool	\$6,223,373	A-1	S & P
Bank Investment Pool	6,158,178	AAA	S & P
Federal Agency/Instrumentality	24,568,165	AAA	S & P
Federal Agency/Instrumentality	2,588,047	N/R	
Corporate Bonds	752,813	AA+	S & P

Note 2 –Deposits and Investments (Continued)

<u>Fiduciary Investment Types</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Bank Investment Pool	\$8,208,789	A-1	S & P
Bank Investment Pool	6,912,773	AAA	S & P
Securities Lending Short-term Collateral Investment Pool	10,109,152	N/R	
Corporate Bonds	2,160,203	AAA	S & P
Corporate Bonds	1,472,370	AA+	S & P
Corporate Bonds	1,838,793	AA	S & P
Corporate Bonds	1,809,191	AA-	S & P
Corporate Bonds	2,201,465	A+	S & P
Corporate Bonds	4,801,721	A	S & P
Corporate Bonds	1,011,339	A-	S & P
Corporate Bonds	2,392,437	BBB+	S & P
Corporate Bonds	837,958	BBB	S & P
Corporate Bonds	525,964	BBB-	S & P
Corporate Bonds	2,618,219	N/R	
Federal Agency/Instrumentality	7,020,843	AAA	S & P
Federal Agency/Instrumentality	32,421,331	N/R	

Concentration of Credit Risk:

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City places no limit on the amount that may be invested in any one issuer. At June 30, 2008, the City had more than 5% of its investments in the following:

Governmental Funds

Federal Home Loan Mortgage	8.66%
Federal National Mortgage	11.79%
Federal Home Loan Bank	19.57%

Business-Type Funds

Federal Home Loan Mortgage	7.62%
Federal National Mortgage	10.36%
Federal Home Loan Bank	17.21%

Note 2 –Deposits and Investments (Continued)

General Fund

Federal Home Loan Mortgage	9.05%
Federal National Mortgage	12.32%
Federal Home Loan Bank	20.46%

Capital Projects Funds

Federal Home Loan Mortgage	9.05%
Federal National Mortgage	12.32%
Federal Home Loan Bank	20.46%

Parking System Funds

Federal Home Loan Mortgage	9.05%
Federal National Mortgage	12.32%
Federal Home Loan Bank	20.46%

Sewer Fund

Federal Home Loan Mortgage	6.91%
Federal National Mortgage	9.40%
Federal Home Loan Bank	15.61%

Aggregate Funds

Federal Home Loan Mortgage	8.33%
Federal National Mortgage	11.34%
Federal Home Loan Bank	18.83%

Water Funds

Federal Home Loan Mortgage	9.05%
Federal National Mortgage	12.32%
Federal Home Loan Bank	20.46%

Note 2 –Deposits and Investments (Continued)

Component Units

The component units had bank deposits subject to custodial credit risk (uninsured and uncollateralized) of \$2,416,601. No investment securities were held by the counterparty (or the counterparty's trust department), but not in the component unit's name. U.S. Government Obligations totaling \$2,019,904 had a weighted average maturity in years of .20. The component units' securities included \$394,105 of bank investment pool with a rating of A-1 by Standard & Poors. The component units did not have a concentration of credit risk.

Note 3 – Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

Governmental Activities

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Assets not being depreciated:					
Land	\$ 3,374,486	\$ 242,178	\$ -	\$ -	\$ 3,616,664
Right of ways	37,818	-	-	-	37,818
Construction in progress	2,799,113	485,124	-	(2,677,948)	606,289
Total capital assets not being depreciated	6,211,417	727,302	-	(2,677,948)	4,260,771
Other capital assets:					
Buildings & improvements	112,819,519	5,885	-	1,450,390	114,275,794
Equipment	35,856,460	2,280,423	(1,240,329)	1,227,558	38,124,112
Infrastructure assets	68,464,838	5,318,962	-	-	73,783,800
Subtotal	217,140,817	7,605,270	(1,240,329)	2,677,948	226,183,706
Accumulated depreciation:					
Buildings & improvements	37,113,020	2,736,528	-	-	39,849,548
Equipment	24,893,976	2,560,950	(1,076,608)	-	26,378,318
Infrastructure assets	23,865,148	2,321,510	-	-	26,186,658
Subtotal	85,872,144	7,618,988	(1,076,608)	-	92,414,524
Net other capital assets	131,268,673	(13,718)	(163,721)	2,677,948	133,769,182
Net capital assets	\$ 137,480,090	\$ 713,584	\$ (163,721)	\$ -	\$ 138,029,953

Note 3 – Capital Assets (Continued)

Depreciation was charged to functions as follows:

Governmental activities:	
General government	\$ 412,957
Public safety	1,378,186
Public works	3,527,585
Health & welfare	2,445
Recreation & culture	2,292,055
Community improvement	<u>5,760</u>
Total governmental activities depreciation expense	<u><u>\$ 7,618,988</u></u>

Business-type Activities

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Assets not being depreciated:					
Land	\$ 5,142,173	\$ -	\$ (2,580)	\$ -	\$ 5,139,593
Construction in progress	165,160,068	49,831,187	(4,760,781)	-	210,230,474
Total capital assets not being depreciated	<u>170,302,241</u>	<u>49,831,187</u>	<u>(4,763,361)</u>	<u>-</u>	<u>215,370,067</u>
Other capital assets:					
Land improvements	20,332,150	-	-	-	20,332,150
Buildings	25,474,405	255,709	-	-	25,730,114
Equipment	4,579,204	273,860	(153,130)	-	4,699,934
Water system	74,454,300	4,024,440	(214,470)	-	78,264,270
Sewer system	50,416,385	480,633	(39,932)	-	50,857,086
Subtotal	<u>175,256,444</u>	<u>5,034,642</u>	<u>(407,532)</u>	<u>-</u>	<u>179,883,554</u>
Accumulated depreciation:					
Land improvements	3,350,235	677,319	-	-	4,027,554
Buildings	9,634,865	565,484	-	-	10,200,349
Equipment	2,494,495	348,792	(153,129)	-	2,690,158
Water system	35,468,864	995,390	(214,470)	-	36,249,784
Sewer system	24,528,404	591,180	(39,923)	-	25,079,661
Subtotal	<u>75,476,863</u>	<u>3,178,165</u>	<u>(407,522)</u>	<u>-</u>	<u>78,247,506</u>
Net other capital assets	<u>99,779,581</u>	<u>1,856,477</u>	<u>(10)</u>	<u>-</u>	<u>101,636,048</u>
Net capital assets	<u>\$ 270,081,822</u>	<u>\$ 51,687,664</u>	<u>\$ (4,763,371)</u>	<u>\$ -</u>	<u>\$ 317,006,115</u>

Note 3 – Capital Assets (Continued)

Depreciation was charged to functions as follows:

Business-type activities:

Parking System	\$	537,985
Housing		273,661
Golf Course		265,447
Sewer		974,908
Water		<u>1,126,164</u>
Total business-type activities depreciation expense	\$	<u><u>3,178,165</u></u>

Note 4 – Long-term Debt

Outstanding Debt

The following is a summary of the debt outstanding of the City as of June 30, 2008:

	Principal Outstanding	
	Governmental Activities	Business-type Activities
Municipal Building Authority General Obligation Limited Tax Bonds, 3.65% to 5.25%, dated March 18, 1998	\$ 614,295	\$ -
2007 General Obligation Unlimited Tax Refunding Bonds, 3.5% to 4.0%, dated April 5, 2007	9,918,935	
2004 General Obligation Limited Tax Refunding Bonds, 2.00% to 4.00%, dated April 23, 2004	6,126,229	
2008 General Obligation Limited Tax Refunding Bonds, 3.25% to 3.75%, dated February 7, 2008	3,558,321	
2004 Capital Improvement General Obligation Limited Tax Bonds, Series A (Non-taxable), 2.75% to 4.55%, dated June 24, 2004		6,470,295
2008 General Obligation Limited Tax Refunding Bonds, 3.25% to 3.75% dated February 7, 2008		2,001,552
2004 Capital Improvement General Obligation Limited Tax Bonds, Series B (Taxable), 5.90% to 6.00%, dated June 24, 2004		813,198
2006 General Obligation Limited Tax Refunding Bonds, (Taxable), 5.5% to 5.8%, dated April 25, 2006		2,453,939
Sewage Disposal System Revenue Bonds, 2%, dated February 9, 1990		690,000
Sewage Disposal System Revenue Bonds, 2%, dated September 29, 1994		925,000
Sewage Disposal System Revenue Refunding Bonds, 2.0% to 4.0%, dated February 17, 2004		12,687,380
Sewage Disposal System Revenue Bonds, 2.25%, dated September 28, 1995		55,000
Sewage Disposal System Revenue Bonds, 2.5%, dated March 28, 2002		4,765,000

City of Dearborn, Michigan

Notes to Financial Statements June 30, 2008

Note 4 – Long-term Debt (Continued)

By statute, the City's general obligation debt is restricted to 10 percent of the equalized value of all property in the City. At June 30, 2008 the City's general obligation debt margin amounted to approximately \$394,000,000.

Changes in Long-term Debt

The following is a summary of long-term debt transactions of the City for the year ended June 30, 2008:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Bonds & notes payable - General obligation bonds	\$ 23,744,725	\$ 3,558,321	\$ (7,085,266)	\$ 20,217,780	\$ 3,165,000
Other liabilities - Compensated absences	3,738,220	394,583	(195,890)	3,936,913	190,732
Total governmental activities	<u>\$ 27,482,945</u>	<u>\$ 3,952,904</u>	<u>\$ (7,281,156)</u>	<u>\$ 24,154,693</u>	<u>\$ 3,355,732</u>

Business-type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Bonds & notes payable - General obligation bonds	\$ 100,993,381	\$ 36,884,214	\$ (6,024,449)	\$ 131,853,146	\$ 7,335,000
Revenue bonds	21,107,676	-	(1,985,296)	19,122,380	2,050,000
Subtotal	122,101,057	36,884,214	(8,009,745)	150,975,526	9,385,000
Other liabilities - Compensated absences	391,036	44,708	-	435,744	-
Total business-type activities	<u>\$ 122,492,093</u>	<u>\$ 36,928,922</u>	<u>\$ (8,009,745)</u>	<u>\$ 151,411,270</u>	<u>\$ 9,385,000</u>

Compensated absences have historically been liquidated through the General fund.

Note 4 – Long-term Debt (Continued)

Debt Service Requirements

The annual requirements to service all debt outstanding as of June 30, 2008 (excluding sick, vacation and PTO benefits), including both principal and interest, are as follows:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2009	\$ 3,193,360	\$ 777,680	\$ 9,327,196	\$ 3,655,773
2010	3,325,212	634,041	9,560,056	3,435,774
2011	3,422,312	519,964	14,022,956	3,461,783
2012	3,512,047	400,839	14,208,222	3,234,996
2013	3,584,147	266,416	14,526,122	2,982,844
2014-2018	3,180,702	215,112	52,357,523	10,033,150
2019-2023	-	-	22,648,957	4,461,165
2024-2028	-	-	6,276,239	2,686,775
2029-2033	-	-	6,548,255	1,334,075
2034-2038	-	-	1,500,000	75,000
Total	\$ 20,217,780	\$ 2,814,052	\$ 150,975,526	\$ 35,361,335

Description of Long-term Debt

Primary Government

On March 18, 1998, the City of Dearborn Municipal Building Authority issued \$11,975,000 of General Obligation Limited Tax Bonds. These 18-year bonds have interest rates that range from 3.65 percent to 5.25 percent. The City is obligated to pay interest commencing November 1, 1998 and semiannually thereafter. The first principal payment was due November 1, 1998 and will continue to be due annually November 1 through 2016. A total of \$8,500,000 of the bond proceeds was used to finance the cost of expansion and renovation of Adray Ice Arena, Ford Woods Park and the Cultural Center HVAC Powerhouse. The remaining \$3,475,000 is being used to refund \$3,140,000 of the \$3,653,100 outstanding City of Dearborn Municipal Building Authority Golf Course Limited Tax General Obligation Bonds. Those proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Golf Course Limited Tax General Obligation Bonds. As a result, at June 30, 2008, \$2,150,000 of bonds are considered to be defeased and the liability for the bonds have been removed from the Enterprise funds balance sheet.

On February 7, 2008, the City of Dearborn issued \$5,525,000 in General Obligation Unlimited Tax Bonds with interest rates that range from 3.25% to 3.75%. The proceeds from these bonds along with an additional contribution from the Building Authority funds, were used to advance refund \$5,500,000 of General Obligation Unlimited Tax bonds. The net proceeds of \$5,607,390 (net of underwriting fees, insurance and issuance costs) were used to purchase U.S. Certificates of Indebtedness – State and Local Government Securities (SLGS). Those securities were deposited into an irrevocable trust with an escrow agent and subsequently used to pay off the

Note 4 – Long-term Debt (Continued)

bonds on May 1, 2008. The advance refunding reduces total debt service payments over the next 12 years by approximately \$423,000 which represents an economic gain of approximately \$288,000.

On June 11, 1998, the City of Dearborn issued \$23,860,000 of General Obligation Unlimited Tax Bonds to finance the expansion and renovation of the Civic Center. These 15-year bonds have interest rates that range from 4.2 percent to 6.2 percent. The City is obligated to pay interest commencing December 1, 1998 and semiannually thereafter. The first principal payment was due June 1, 1999 and will continue to be due annually June 1 through 2013.

On April 5, 2007, the City of Dearborn issued \$9,840,000 in General Obligation Unlimited Tax Bonds with interest rates that range from 3.5% to 4.0%. The proceeds from these bonds along with an additional contribution from the General Debt Service fund, were used to advance refund \$9,975,000 of general obligation unlimited tax bonds. The net proceeds of \$10,125,831 (net of underwriting fees, insurance and issuance costs) were used to purchase U.S. Certificates of Indebtedness – State and Local Government Securities (SLGS). Those securities were deposited into an irrevocable trust with an escrow agent and subsequently used to pay off the bonds on June 1, 2007. The advance refunding reduces total debt service payments over the next 12 years by approximately \$650,000 which represents an economic gain of approximately \$323,000.

On November 15, 1995, the City of Dearborn Municipal Building Authority issued \$12,000,000 of General Obligation Limited Tax Bonds to finance the cost of expansion and renovation of the police station and court facility. These 20-year bonds have interest rates that range from 5.0 percent to 7.0 percent. The City is obligated to pay interest commencing June 1, 1996 and semiannually thereafter. The first principal payment was due June 1, 1997 and will continue to be due annually June 1 through 2016.

On April 23, 2004 the City of Dearborn issued \$8,630,000 in general obligation limited tax bonds with interest rates that range from 2.0% to 4.0%. The proceeds from these bonds were used to advance refund \$8,475,000 of outstanding Municipal Building Authority General Obligation Unlimited Tax Bonds. The net proceeds of \$8,766,702 (net of underwriting fees, insurance and issuance costs) were used to purchase U.S. Treasury Securities. Those securities were deposited into an irrevocable trust with an escrow agent and subsequently used to pay off the bonds, including a call premium, on June 1, 2004. The advance refunding reduces total debt service payments over the next 12 years by approximately \$512,500 which represents an economic gain of approximately \$435,000.

On June 24, 2004 the City of Dearborn issued \$13,260,000 of Limited Tax General Obligation Bonds, Series A and \$930,000 in Limited Tax General Obligation Bonds, Series B (Taxable) for the purpose of paying for the cost of acquiring, constructing, installing and equipping certain capital and technology improvements. \$11,260,000 of the Series A (non-taxable) as well as all \$930,000 of the Series B (taxable) bonds will be used to construct parking decks, renovate existing lots and implement a paid parking system. The remaining \$2,000,000 of Series A (nontaxable) bonds will be used for technology upgrades to various City facilities. These 15-year bonds have interest rates that range from 2.75% to 4.55% for the non taxable and 5.9% to 6.00% for the taxable bonds. The City is obligated to pay interest commencing December 1, 2004 and semiannually

Note 4 – Long-term Debt (Continued)

thereafter. The first principal payment is due on June 1, 2005 and will continue through June 2019.

On April 25, 2006, the City of Dearborn issued \$2,475,000 in General Obligation Limited Tax Refunding Bonds (taxable) with interest rates that range from 5.5% to 5.8%. The proceeds from these bonds along with an additional contribution from the General fund, were used to advance refund \$3,650,000 of outstanding 2004 Capital Improvement Bonds, Series A (non-taxable). The net proceeds of \$3,604,631 (net of underwriting fees and issuance costs) were used to purchase U.S. Certificates of Indebtedness – State and Local Government Securities (SLGS). Those securities were deposited into an irrevocable trust with an escrow agent and will be used to pay off the bonds as they become due. Refinancing of a portion of the bonds was necessary to accommodate a change in the portion of the parking projects that will be dedicated for personal use which resulted in the loss of the exclusion of gross interest for federal income tax purposes. The net economic loss to the City was \$299,484.

On February 9, 1990, the City of Dearborn and the Michigan Municipal Bond Authority entered into an agreement whereby the City of Dearborn would issue and the Michigan Municipal Bond Authority would purchase, up to \$4,015,000 in principal of Sewage Disposal System Revenue Bonds, Series 1990 (General Obligation Limited Tax) for the construction of the Greenfield Road Sewage Pumping Station. The City is obligated to pay interest at 2 percent per annum commencing October 1, 1990 and semiannually thereafter. The first principal payment was due October 1, 1991 and will continue to be due October 1 through 2010.

On September 29, 1994, the City of Dearborn and the Michigan Municipal Bond Authority entered into an agreement whereby the City of Dearborn would issue, and the Michigan Municipal Bond Authority would purchase, up to \$2,080,000 in principal of Sewage Disposal System Revenue Bonds, Series 1994 (General Obligation Limited Tax) for the construction of the Combined Sewer Overflow/Retention Treatment Tunnel. The City is obligated to pay interest at 2 percent per annum commencing April 1, 1995 and semiannually thereafter. The first principal payment was due April 1, 1997 and will continue to be due April 1 through 2016.

On June 22, 1995, the City of Dearborn issued \$26,750,000 of Sewage Disposal System Revenue Bonds, Series 1995A to finance the City's portion of costs for the construction of the Combined Sewer Overflow/Retention Treatment Tunnel project. These 20-year bonds have interest rates that range from 5.125 percent to 7.0 percent. The City is obligated to pay interest commencing October 1, 1995 and semiannually thereafter. The first principal payment was due April 1, 1997 and will continue to be due April 1 through 2016. Principal and interest are payable from the net revenues of the system.

On February 17, 2004 the City of Dearborn issued \$18,230,000 in Sewage Disposal System Revenue Refunding Bonds, Series 2004 with interest rates that range from 2.0% to 4.0%. The proceeds from these bonds were used to refund \$18,270,000 of outstanding Sewage Disposal System Revenue Bonds, Series 1995A. The proceeds were used to purchase U.S. Certificates of Indebtedness – State and Local Government Securities (SLGS). Those securities were deposited into an irrevocable trust with an escrow agent and subsequently used to pay off the bonds, including a call premium, on April 1, 2004. The advance refunding reduces total debt service

Note 4 – Long-term Debt (Continued)

payments over the next 13 years by approximately \$1,927,000 which represents an economic gain of approximately \$1,580,000.

In conjunction with the Sewage Disposal System Revenue Refunding Bonds, Series 2004, the City has covenanted and agreed to set, maintain and revise, from time to time, rates that will maintain net revenues of the system, sufficient to provide for payment of principal and interest on bonds and for the payment of expenses of administration and operation and such expenses for maintenance of the system as are necessary to preserve the same in good repair and working order, to maintain the bond reserve, if any, and to provide for any other expenditures as are required by the sewer ordinances. In addition, it has covenanted and agreed to set, maintain and revise rates from time to time and at least annually so that there shall be produced in each fiscal year net revenues in an amount not less than 120 percent of the aggregate principal and interest on bonds coming due in each fiscal year.

On September 28, 1995, the City of Dearborn and the Michigan Municipal Bond Authority entered into an agreement whereby the City of Dearborn would issue, and the Michigan Municipal Bond Authority would purchase, up to \$137,374 in principal of Sewage Disposal System Revenue Bonds, Series 1995B (General Obligation Limited Tax) for the construction of the Combined Sewer Overflow/Retention Treatment Tunnel. The City is obligated to pay interest at 2.25 percent per annum commencing April 1, 1998 and semiannually thereafter. The first principal payment was due April 1, 1998 and will continue to be due April 1 through 2016.

On March 28, 2002, the City of Dearborn and the Michigan Municipal Bond Authority entered into an agreement whereby the City of Dearborn would issue, and the Michigan Municipal Bond Authority would purchase, up to \$6,000,000 in principal of Sewage Disposal System Revenue Bonds, Series 2002 (General Obligation Limited Tax) for the construction of the Miller Road Sewage Pump Station. The City is obligated to pay interest at 2.50 percent per annum commencing on October 1, 2002 and semiannually thereafter. The first principal payment was due April 1, 2004 and will continue to be due April 1 through 2023.

On September 14, 2004, the City of Dearborn issued \$24,500,000 of General Obligation Unlimited Tax Bonds to finance the construction of the Combined Sewer Overflow project. These 30-year bonds have interest rates that range from 3.0% to 5.0%. The City is obligated to pay interest commencing April 1, 2005 and semiannually thereafter. The first principal payment was due April 1, 2006 and will continue to be due annual June 1 through 2034.

On September 23, 2004, the City of Dearborn and the Michigan Municipal Bond Authority entered into an agreement whereby the City of Dearborn would issue, and the Michigan Municipal Bond Authority would purchase, up to \$61,640,000 in principal of General Obligation Sewer Bonds, Series 2004A (Unlimited Tax General Obligation) for the construction of the Combined Sewer Overflow project. The City is obligated to pay interest at 1.625% per annum commencing April 1, 2005 and semiannually thereafter. The first principal payment is due April 1, 2008 and will continue to be due April 1 through 2027. As of June 30, 2008 the City has drawn down \$39,060,630 of the total authorized amount.

On September 12, 2005, the City of Dearborn and the Michigan Municipal Bond Authority entered into an agreement whereby the City of Dearborn would issue, and the Michigan Municipal Bond

Note 4 – Long-term Debt (Continued)

Authority would purchase, up to \$72,895,000 in principal of General Obligation Sewer Bonds, Series 2005 (Unlimited Tax General Obligation) for the construction of the Combined Sewer Overflow project. The City is obligated to pay interest at 1.625 percent per annum commencing April 1, 2006 and semiannually thereafter. The first principal payment is due April 1, 2009 and will continue to be due April 1 through 2028. As of June 30, 2008 the City has drawn down \$38,894,836 of the total authorized amount.

On June 22, 2006, the City of Dearborn and the Michigan Municipal Bond Authority entered into an agreement whereby the City of Dearborn would issue, and the Michigan Municipal Bond Authority would purchase, up to \$7,450,000 in principal of General Obligation Sewer Bonds, Series 2006 (Unlimited Tax General Obligation) for the construction of the Combined Sewer Overflow project. The City is obligated to pay interest at 1.625% per annum commencing October 1, 2006 and semiannually thereafter. The first principal payment is due April 1, 2008 and will continue to be due April 1 through 2027. As of June 30, 2008 the City has drawn down \$6,967,974 of the total authorized amount.

On September 20, 2007, the City of Dearborn and the Michigan Municipal Bond Authority entered into an agreement whereby the City of Dearborn would issue, and the Michigan Municipal Bond Authority would purchase, up to \$99,360,000 in principal of General Obligation Sewer Bonds, Series 2007 (Unlimited Tax General Obligation) for the construction of the Combined Sewer Overflow project. The City is obligated to pay interest at 1.625% per annum commencing October 1, 2007 and semiannually thereafter. The first principal payment is due April 1, 2011 and will continue to be due April 1 through 2030. As of June 30, 2008 the City has drawn down \$15,077,381 of the total authorized amount.

Note 4 – Long-term Debt (Continued)

Component Units

The following is a summary of long-term debt transactions of the component units for the year ended June 30, 2008:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Other liabilities - Compensated absences	\$ 7,654	\$ 1,889	\$ -	\$ 9,543	\$ -

Note 5 - Interfund Receivables and Payables

The following balances at June 30, 2008 represent interfund receivables and payables:

Receivable Fund	Payable Fund	Amount
Due from/to Other Funds		
General	Capital Projects	\$ 129,994
	Parking System	1,206
	Sewer	41,266
	Water	3,495
	Nonmajor governmental funds	78,249
	Nonmajor enterprise funds	96,872
	Total General Fund	<u>351,082</u>
Capital Projects	General	27,800
	Fiduciary agency funds	8,482
	Total Capital Projects	<u>36,282</u>
Nonmajor governmental funds	General	1,188,340
	Capital Projects	36,827
	Sewer	3,858
	Nonmajor governmental funds	96,912
	Total Nonmajor governmental funds	<u>1,325,937</u>
Parking System	Capital Projects	20,109
Sewer	Water	621,599
Nonmajor enterprise funds	General	150,000
	Nonmajor governmental funds	1,506
	Total Nonmajor enterprise funds	<u>151,506</u>
Internal service funds	General	3,498
	Fiduciary agency funds	659
	Total Nonmajor governmental funds	<u>4,157</u>
Fiduciary	General	4,818
	Total	<u><u>\$ 2,515,490</u></u>
Advances from/to Other Funds		
General	Capital Projects	\$ 475,798
	Golf Course	182,767
	Total	<u><u>\$ 658,565</u></u>

The advances to other funds include the following:

- The balance of \$475,798 due to the General fund from the Capital Projects fund resulted from a loan to establish working capital for the passenger rail station project; the balance will be collected as grant monies are received.

Note 5 - Interfund Receivables and Payables (Continued)

- The balance of \$182,767 due to the General fund from the Golf Course fund resulted from loans to construct the golf course's club house and to finance maintenance equipment and golf carts; \$47,000 of the balance is scheduled to be collected in the subsequent year.

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Note 6 - Interfund Transfers

The following amounts for the year ended June 30, 2008 represent interfund transfers in and out:

Transferred In Fund	Transferred Out Fund	Amount
General	Nonmajor governmental funds	\$ 135,412
Capital Projects	General	8,040,690
	Nonmajor governmental funds	130,098
	Sewer	8,718
	Water	8,718
	Total Capital Projects	<u>8,188,224</u>
Nonmajor governmental funds	General	2,926,481
	Nonmajor governmental funds	3,334,337
	Total Nonmajor governmental funds	<u>6,260,818</u>
Parking System	General	868,657
Water	Nonmajor governmental funds	512,301
Nonmajor enterprise funds	General	150,000
Internal service funds	General	<u>250,000</u>
	Total	<u><u>\$ 16,365,412</u></u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the funds that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the Debt Service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

In the year ended June 30, 2008, the City made a transfer in the amount of \$8,040,690 from the General fund to the Capital Projects fund. Of this amount, \$7,267,835 was to finance various capital projects.

Note 7 – Pension and Other Postemployment Plans

Plan Description

The City is the administrator of three single-employer defined benefit plans as follows:

(Closed) Policemen's and Firemen's Retirement System	Chapter 21
(Closed) General Employees' Retirement System	Chapter 22
(Open) Revised Police and Fire Retirement System	Chapter 23

The plans, which cover all full-time employees of the City not covered by the defined contribution plan, provide retirement, disability and death benefits to plan members and their beneficiaries. The plans may be amended by negotiations with the City's competitive bargaining units. The plans do not issue separate financial reports.

At June 30, 2007, the date of the most recent actuarial valuation, membership consisted of the following:

	(Closed) General Employees	(Open) Police and Fire	(Closed) Policemen's and Firemen's
Retirees and beneficiaries currently receiving benefits	590	270	113
Terminated employees entitled to benefits but not yet receiving them	69	8	-
Current active employees	345	283	-

Contributions

The financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. All plan investments are recorded at fair value. Please refer to Note 1 for further significant accounting policies.

The obligation to contribute to and maintain the systems for these employees was established by negotiations with the City's competitive bargaining units and requires a contribution from police and fire employees participating in the (Open) Police and Fire Retirement System of five percent of covered wages. General employees participating in the General Employees' Retirement System do not pay into their pension system.

Note 7 – Pension and Other Postemployment Plans (Continued)

Annual Pension Cost

For the year ended June 30, 2008, the City's annual pension cost of \$10,960,849 for the three plans was equal to the City's required and actual contributions. The annual required contribution was determined as part of an actuarial valuation at June 30, 2006, using the entry age normal method. Significant actuarial assumptions used include (a) a 7.00 to 7.25 percent investment rate of return and (b) projected salary increases of 3.75 percent to 7.05 percent per year, depending on the system. Both (a) and (b) include an inflation component of 3.75 percent to 4.50 percent depending on the system. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. Unfunded actuarial accrued liability for the three pension plans as of June 30, 2007, are as follows:

Chapter 21 plan	-
Chapter 22 plan	\$18,203,678
Chapter 23 plan	\$21,867,400

There were no net pension obligations for the three pension plans in the two preceding years. Administrative costs of the plans are paid by the City's General fund.

Three year trend information:

	Fiscal Year Ended June 30,		
	2006	2007	2008
Annual pension cost	\$9,468,410	\$10,540,058	\$10,960,849
Percentage of APC contributed	100	100	100
Net pension obligation	-	-	-

Reserves

In accordance with legal requirements, the pension plans segregate member contributions and accumulated interest. As of June 30, 2008, the reserves are fully funded as follows:

Chapter 21 plan	None Required
Chapter 22 plan	\$ 1,014,857
Chapter 23 plan	\$ 10,712,907

Note 7 – Pension and Other Postemployment Plans (Continued)

Financial Statement Information

As of June 30, 2008 the Statement of Net Assets for the three pension plans is as follows:

	(Closed) General Employees' Retirement System Fund	(Open) Revised Police & Fire Retirement System Fund	(Closed) Policemen's & Firemen's Retirement System Fund
Assets			
Cash and cash equivalents	\$ 1,564,863	\$ 11,118,640	\$ 260,815
Receivables:			
Interest and dividends	330,576	444,849	108,006
Other	136,806	179,531	5,115
Investments, at fair value:			
Long-term bonds	69,248,793	90,091,961	23,429,409
Common stock	14,524,483	26,926,173	2,618,431
Collateral pledged on securities loaned	3,317,592	6,438,794	352,766
Real estate	7,816,147	13,839,130	2,523,831
Mutual funds	44,433,466	107,312,307	8,139,311
Total investments	<u>139,340,481</u>	<u>244,608,365</u>	<u>37,063,748</u>
Total assets	<u>141,372,726</u>	<u>256,351,385</u>	<u>37,437,684</u>
Liabilities			
Accounts payable	98,212	7,556,315	70,070
Deferred revenue	-	24,211	-
Amounts due to broker under securities lending agreement	3,317,592	6,438,794	352,766
Total liabilities	<u>3,415,804</u>	<u>14,019,320</u>	<u>422,836</u>
Net Assets			
Held in trust for pension benefits and other employee benefits	<u>\$ 137,956,922</u>	<u>\$ 242,332,065</u>	<u>\$ 37,014,848</u>

Note 7 – Pension and Other Postemployment Plans (Continued)

For the year ended June 30, 2008 the Statement of Changes in Net Assets for the three pension plans is as follows:

	(Closed) General Employees' Retirement System Fund	(Open) Revised Police & Fire Retirement System Fund	(Closed) Policemen's & Firemen's Retirement System Fund
Additions			
Investment income:			
Interest and dividends	\$ 4,966,543	\$ 7,099,313	\$ 1,309,338
Net decrease in value of investments	(5,785,319)	(14,049,298)	(774,564)
Net investment income	<u>(818,776)</u>	<u>(6,949,985)</u>	<u>534,774</u>
Contributions:			
Employer	4,188,718	6,772,131	-
Employee	-	1,088,339	-
Reimbursements	-	-	-
Total contributions	<u>4,188,718</u>	<u>7,860,470</u>	<u>-</u>
Total additions	3,369,942	910,485	534,774
Deductions			
Benefit payments	8,990,031	11,048,819	3,372,180
Refunds of contributions	68,356	449,984	-
Administrative expenses	458,510	794,105	138,637
Total deductions	<u>9,516,897</u>	<u>12,292,908</u>	<u>3,510,817</u>
Change in Net Assets	(6,146,955)	(11,382,423)	(2,976,043)
Net Assets - Beginning of Year	144,103,877	253,714,488	39,990,891
Net Assets - End of Year	<u>\$ 137,956,922</u>	<u>\$ 242,332,065</u>	<u>\$ 37,014,848</u>

Other Postemployment Benefit Obligations

Plan description - The City of Dearborn established the Postemployment Health Insurance fund pursuant to Public Act 149 of 1999 to provide for future payments of medical benefits for eligible employees and their spouses and dependents. Substantially all employees may become eligible for these benefits through age and years of service. At June 30, 2008 there were 838 retirees or surviving beneficiaries eligible for such coverage.

Note 7 – Pension and Other Postemployment Plans (Continued)

This is a single employer defined benefit plan administered by the City. The benefits are provided under applicable salary plans or union contracts. The plan does not issue a separate stand-alone financial statement.

Funding policy - The benefits are established under provisions of applicable salary plans or union contracts. Employees are not required to contribute to the trust. The City has no obligation to make contributions in advance of when incurred costs are due for payment (in other words, this may be financed on a “pay-as-you-go” basis). However, as shown below, the City has made contributions to advance-fund these benefits, as determined by the City Council through annual budget resolutions. The costs of administering the plan are borne by the trust.

Funding progress - For the year ended June 30, 2008 the City has estimated the cost of providing retiree health care benefits through an actuarial valuation as of June 30, 2006. 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 thirty years. Based on that valuation, the City contributed \$8,802,661 in the year ended June 30, 2008 which represents 69.0% of the annual required contribution. An additional \$454,385 was contributed on behalf of the Federal Government. This is an additional 3.5% of the annual required contribution.

Annual required contribution (recommended	\$	12,971,247
Interest on the prior year's net OPEB obligation		-
Less adjustment to the annual required contribution		-
Annual OPEB cost		<u>12,971,247</u>
Amounts contributed:		
Payments of current expenses		(8,317,060)
Advance funding - City contribution		(485,601)
Advance funding - Medicare reimbursement		<u>(454,385)</u>
Increase in net OPEB obligation		3,714,201
OPEB obligation - beginning of the year		-
OPEB obligation - end of the year	<u>\$</u>	<u>3,714,201</u>

Note 7 – Pension and Other Postemployment Plans (Continued)

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

	Fiscal Year Ended June 30,		
	2006	2007	2008
Annual OPEB Costs	N/A	\$ 15,868,774	\$ 12,971,247
Percentage contributed:			
City of Dearborn	N/A	51.5%	67.9%
On behalf of the Federal Government	N/A	3.1%	3.5%
Total contributions	N/A	54.6%	71.4%

Note: The City of Dearborn implemented GASB 45 reporting standards for the 2008 fiscal year.

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

Valuation as of June 30, 2006:

Actuarial value of assets	\$ 27,066,439
Actuarial accrued liability	\$ 191,264,734
Unfunded AAL	\$ 164,198,295
Funded ratio	14.2%
Annual covered payroll	\$ 48,342,659
Ratio of UAAL to covered payroll	339.7%

Actuarial methods and assumptions: Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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.

Note 7 – Pension and Other Postemployment Plans (Continued)

In the June 30, 2006 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 7.25 percent investment rate of return (net of administrative expenses), which is the expected long-term investment return on plan assets, and an annual healthcare cost trend rate of 10 percent initially, reduced to an ultimate rate of 3.75 percent after ten years. The actuarial value of assets was equal to the market value of investments. The UAAL is being amortized as a level percentage of projected payroll over thirty years.

Retiree life insurance benefits are paid from the City's Retiree Death Benefit fund. Retirees electing such coverage pay premiums which, when combined with amounts contributed by the City, pay the cost of the benefits. The cost of claims paid for life insurance benefits for the year ended June 30, 2008 was approximately \$44,500.

Note 8 – Deferred Compensation Plan

The City offers its employees a deferred compensation plan established in accordance with Internal Revenue Code Section 457. The plan is available to all City employees and permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All assets of the plan are, until paid or made available to the employee or other beneficiary, held in trust and are not subject to claims of the City's general creditors. Therefore, the assets of the plan are not reported. A section 401A Plan is established for full time employees not covered by the general and police employees' retirement systems.

The City's liability to each participant is equal to the participant's deferred compensation, adjusted by an amount equal to the investment performance in the related asset account. The City has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. Investments are managed by a trustee and investment decisions are made by individual employees.

Note 9 – Risk Management

Commercial Insurance

The City purchases commercial medical and hospitalization insurance coverage from various providers for its employees. There were no significant reductions in insurance coverage from coverage in the prior year. The amount of settlements has not exceeded insurance coverage for any of the past five fiscal years.

Self-insurance

The City operates self-insurance programs for workers' compensation and fleet and general liability reported in the Internal Service funds.

Note 9 – Risk Management (Continued)

Unemployment Compensation

Unemployment compensation is on a reimbursement basis with the Unemployment Insurance Agency. Claims are managed by the City's Human Resources Department, with payment for the preceding calendar year's claims due in August of the following year. Funding for unemployment compensation is paid by each department equal to claims paid on its behalf in the prior year.

Workers' Compensation

The City has excess liability coverage with a retention of \$500,000 per accident and \$500,000 per employee illness. The City is self-insured for the retentions. Funding for the workers' compensation program for the excess premium is based upon a rate applied per \$100 of gross payroll.

Employee Insurance

Employee death benefits, funded through the employee insurance fund, are handled by an outside insurance company. Charges for this insurance are built into each payroll and allocated to the benefited funds and departments.

Fleet and General Liability Insurance Fund

The City has been self-insured for civil and fleet liability at various times. Currently, the City maintains excess liability coverage for fleet, general, boiler and machinery, property, crime, contractor's equipment, electronic data processing, public officials errors and omissions, and ambulance attendants liability. The City has a self-insured retention of \$1,000,000 for each liability claim. The first layer of insurance is \$5,000,000 per occurrence. The excess layer is \$10,000,000 per occurrence. The City has increased funding of its insurance program as a result of the City's past claims and industry conditions. The City estimates liability for claims based on the Law Department's evaluation of potential exposure, historical experience and future development of the claims. Retained earnings are designated for anticipated future catastrophic losses.

The City estimates liability for those claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not been reported. Estimates are recorded in the internal service fund type.

Note 9 – Risk Management (Continued)

Changes in the estimated liabilities during the year were as follows:

	Unemployment Compensation	Workers' Compensation	Employee Insurance	Fleet & General Liability
Claims liability - July 1, 2006	\$ -	\$ 3,608,506	\$ -	\$ 3,288,240
Claims incurred during the year	71,191	214,513	879,960	1,312,036
Changes in estimates for claims of prior periods	-	(1,535,193)	-	(1,526,864)
Payments on claims	<u>(71,191)</u>	<u>(59,605)</u>	<u>(879,960)</u>	<u>(1,146,198)</u>
Claims liability - June 30, 2007	-	2,228,221	-	1,927,214
Claims incurred during the year	68,315	305,283	15,755,869	568,050
Changes in estimates for claims of prior periods	-	(497,370)	365,671	(310,158)
Payments on claims	<u>(68,315)</u>	<u>(50,152)</u>	<u>(15,755,869)</u>	<u>(1,304,069)</u>
Claims liability - June 30, 2008	<u>\$ -</u>	<u>\$ 1,985,982</u>	<u>\$ 365,671</u>	<u>\$ 881,037</u>

Note 10 – Claims, Litigation and Potential Contract Disallowances

Provision for certain claims (see Note 9) and assessments asserted against the City, estimable in amount and probable of payment has been made in the applicable funds.

In addition, the City is a defendant in certain other lawsuits and claims that have resulted from the ordinary course of its activities. The ultimate effect on the combined financial statements of the resolution of these matters is, in the opinion of Corporation Counsel, not expected to be material considering available insurance coverage.

The City receives funds from other governmental units to finance specific programs. The final determination of allowable amounts is subject to financial and compliance audit by the responsible agencies. As of June 30, 2008, the audits of certain programs were not completed. Accordingly, the City's compliance with applicable grant requirements and the amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time. The City believes that amounts disallowed, if any, from pending or future audits would not be material.

Note 11 – Commitments for Construction

PROPRIETARY FUNDS

The Michigan Department of Environmental Quality (MDEQ) issued a revised National Pollution Discharge Elimination System Permit to the City in September of 2001. The new permit describes requirements for the elimination of CSO discharges from Outfalls 1-17 and Outfalls 19-21. The City is authorized to issue up to \$314.12 million in bonds to finance this project in combination with Rouge River Wet Weather Demonstration grants and low interest loans through the State Revolving Fund.

Construction related to Outfalls 13, 14, and 15 began in November of 2004 and consists of large diameter, sinking caisson shafts to capture the required amount of CSO volumes in accordance with the NPDES permit. Construction of this phase of the project will be completed by July of 2010. Two significant elements of this project, the Oakwood Chemical Feed Facility and the control of CSO Outfall 015, were completed during the summer of 2006.

Construction related to Outfalls 16 and 17 began in November of 2005 and also consists of large diameter, sinking caisson shafts to capture the required CSO volumes. This phase of the project will be complete by November 2008.

Outfall 19 was handled through a sewer separation project that was completed in 2004. Outfall 21 was completed with the construction of the Miller Road Pump Station in 2005.

Construction associated with Outfalls 6-9 began in December 2007 and will be completed by April 2012. The final stage of the CSO project, associated with Outfalls 1-5 and 10-12, is in the design stage. Construction of this phase will also be completed by April 2012.

Construction costs for the remaining portion of the CSO project are currently under review. Total project costs are expected to exceed the original estimate of \$342 million. A large portion of the work that was completed in the 1990's has been incorporated into the new CSO design. The outstanding balance for construction commitments at June 30, 2008 is \$133,525,912.

In August 2004, a ballot proposal was approved by the voters, which authorized the City to borrow up to \$314.12 million in general obligation bonds in order to finance these projects. As of June 30, 2007 approximately \$142 million in State Revolving Fund low interest loan bonds and \$24.5 million in general obligation bonds have been issued.

Note 12 – Construction Code Fees

The City of Dearborn oversees building construction, in accordance with the state's construction code act, including inspection of building construction and renovation to ensure compliance with the building codes. The City of Dearborn charges fees for these services. Beginning January 1, 2000, the law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the activity since January 1, 2000 is as follows:

Shortfall at July 1, 2007		\$ (6,196,688)
Total code enforcement revenue	\$ 3,018,447	
Related expenses:		
Direct costs	\$ 4,130,143	
Estimated indirect costs	542,989	
Total code enforcement expenses	<u>4,673,132</u>	
Current year shortfall		<u>(1,654,685)</u>
Shortfall at June 30, 2008		<u><u>\$ (7,851,373)</u></u>

Note 13 – Brownfield Redevelopment Fund

On September 18, 2000 the City of Dearborn entered into an agreement with the EPA for a Brownfield Revolving Loan in the amount of \$500,000. The agreement with the EPA states that the City must file an annual report disclosing the use of the funds beginning in fiscal year 2007, and every year thereafter for a period of ten years. As long as the City is using the revolving fund for brownfield redevelopment efforts, the City is not obligated to repay the loan. It is the intention of the City to maintain the purpose of this loan and therefore, has not reported the revolving loan as a debt of the City.

In fiscal year 2003 the Dearborn City Council and the Michigan Department of Environmental Quality (MDEQ) approved BRA Plan #5 – West Village Commons condominium project. As outlined in the plan, remediation costs incurred and paid for by the City would be reimbursed using tax increment financing dollars from this project. Final reimbursement to the City for these remediation costs occurred in fiscal year 2008.

As outlined in the Plan, an Authority may establish a local site remediation revolving fund. For five years excess captured taxes from this project will be placed into a special fund to be used for eligible activities at other eligible properties.

In October 2007, the City Council approved BRA Plan # 7 – Redico Redevelopment project. BRA Plan # 7 allows the BRA to borrow \$900,000 interest-free from the Downriver Community Conference and to use the BRA local site remediation revolving fund to repay this loan.

Note 14 – Defined Contribution Pension Plan

The City established a defined contribution plan under Sections 401(a) and 457 of the Internal Revenue Code for general employees who hired on or after January 1, 2002, depending on bargaining unit. New police officers were added to the plan as of July 1, 2005.

In addition, the plan covers all general employees who elected to transfer from the City's defined benefit pension plan.

The defined contribution plan is administered by Prudential Retirement. The plan is established by authority of the City Council. The City Council has the authority to amend the plan's provisions.

In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the City of Dearborn through collective bargaining agreements, the City contributes a percentage of employees' earnings as follows:

	<u>Employee Contribution</u>	<u>Employer Contribution (General Employees)</u>	<u>Employer Contribution (Police Officers)</u>
401 plan (required)	2%	4%	4%
457 plan	up to 3%	up to 4 %	6%

The City's contributions for each employee (plus interest allocated to the employee's account) are fully vested after five years of service and are vested immediately for employees transferring from the existing defined benefit pension.

In accordance with the above requirements, the City contributed \$448,196 during the current year and employees contributed \$474,209.

Required Supplemental Information

City of Dearborn, Michigan

Chapter 21 (Closed) Policemen's and Firemen's Retirement System Schedule of Funding Progress (in millions of dollars)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll
6/30/2002	47.5	39.1	(8.4)	1.215	-	N/A
6/30/2003	44.8	37.6	(7.2)	1.191	-	N/A
6/30/2004	42.1	35.0	(7.1)	1.203	-	N/A
6/30/2005	39.1	33.4	(5.7)	1.171	-	N/A
6/30/2006	37.1	31.7	(5.4)	1.170	-	N/A
6/30/2007	36.8	28.6	(8.2)	1.287	-	N/A

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2003	\$ -	N/A
2004	-	N/A
2005	-	N/A
2006	-	N/A
2007	-	N/A
2008	-	N/A

The information presented above was determined as part of the actuarial valuations for the years then ended. Additional information as of June 30, 2007, the latest actuarial valuation, follows:

Actuarial cost method	Fully Funded Retiree Only Plan
Asset valuation method	5-year smoothed market
Amortization method	Level dollar
Amortization period	5 years
Actuarial assumptions:	
Investment rate of return*	7.00%
Projected salary increases*	4.50%
*Includes inflation at cost of living adjustment	4.50%

City of Dearborn, Michigan

Chapter 22 (Closed) General Employees' Retirement System Schedule of Funding Progress (in millions of dollars)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll
6/30/2002	139.7	127.5	(12.2)	1.096	26.3	(46.4)
6/30/2003	130.6	134.9	4.3	0.968	25.1	17.1
6/30/2004	128.4	139.9	11.5	0.918	22.8	50.4
6/30/2005	129.1	147.1	18.0	0.878	21.6	83.2
6/30/2006	130.1	151.4	21.3	0.859	20.1	105.9
6/30/2007	136.8	155.0	18.2	0.883	19.1	95.2

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2003	\$ 324,874	100
2004	324,427	100
2005	3,364,143	100
2006	3,581,494	100
2007	4,415,971	100
2008	4,188,718	100

The information presented above was determined as part of the actuarial valuations for the years then ended. Additional information as of June 30, 2007, the latest actuarial valuation, follows:

Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	27 years
Asset valuation method	5-year smoothed market 80% - 120% corridor
Actuarial assumptions:	
Investment rate of return*	7.25%
Projected salary increases*	3.75% - 7.05%
*Includes inflation at cost of living adjustment	3.75%

City of Dearborn, Michigan

Chapter 23 (Open) Police and Fire Retirement System Schedule of Funding Progress (in millions of dollars)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll
6/30/2002	209.7	180.7	(29.0)	1.160	19.6	(148.0)
6/30/2003	206.5	196.3	(10.2)	1.052	21.5	(47.4)
6/30/2004	204.6	210.0	5.4	0.974	21.5	25.1
6/30/2005	205.6	223.0	17.4	0.922	20.7	84.1
6/30/2006	213.7	240.1	26.4	0.890	22.9	115.3
6/30/2007	231.0	252.9	21.9	0.913	20.8	105.3

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2003	\$ 573,217	100
2004	652,503	100
2005	4,581,130	100
2006	5,886,916	100
2007	6,124,087	100
2008	6,772,131	100

The information presented above was determined as part of the actuarial valuations for the years then ended. Additional information as of June 30, 2007, the latest actuarial valuation, follows:

Actuarial cost method	Entry age normal
Amortization method	Level percent of pay
Remaining amortization period	23 years
Asset valuation method	5-year smoothed market 80% - 120% corridor
Actuarial assumptions:	
Investment rate of return*	7.25%
Projected salary increases*	3.75%

*Includes inflation at cost of living adjustment 3.75% (varies by labor contract)

City of Dearborn, Michigan

Postemployment Healthcare Fund Schedule of Funding Progress (in millions of dollars)

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/2005	23.7	223.4	199.7	10.6	47.9	417.2
6/30/2006	27.0	191.3	164.3	14.2	48.3	339.7

Schedule of Employer Contributions

Year Ended June 30	Actual Valuation Date	Annual Required Contribution	Percentage Contributed
2007	6/30/2005	\$ 15,868,774	51.5
2008	6/30/2006	12,971,247	69.0

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of June 30, 2006 the latest actuarial valuation, follows:

Actuarial cost method Individual Entry age

Amortization method Level percent Open

Amortization period (perpetual) 30 years

Asset valuation method Market

Actuarial assumptions:

Investment rate of return 7.25
 Projected salary increases* 3.75% - 7.8%

*Includes inflation at 3.75%
 Cost of living adjustments None

City of Dearborn, Michigan

Budgetary Comparison Schedule – General Fund Year Ended June 30, 2008

	Budgeted Amounts		Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
	Original	Final				
Revenues						
Taxes and Penalties on Taxes						
Current property taxes	\$ 66,662,455	\$ 66,662,455	\$ 67,521,332	\$ 858,877	\$ -	\$ 67,521,332
Property tax administration fee	2,516,100	2,516,100	2,604,704	88,604	-	2,604,704
Penalties and interest on taxes	975,000	975,000	1,385,670	410,670	-	1,385,670
Payments in lieu of taxes	1,696,036	1,696,036	968,188	(727,848)	-	968,188
Total taxes and penalties on taxes	71,849,591	71,849,591	72,479,894	630,303	-	72,479,894
Licenses and Permits						
Business licenses and permits	265,000	265,000	260,355	(4,645)	-	260,355
Nonbusiness licenses and permits	2,080,050	2,080,050	1,843,317	(236,733)	-	1,843,317
Total licenses and permits	2,345,050	2,345,050	2,103,672	(241,378)	-	2,103,672
Intergovernmental Revenues						
State sources:						
Sales and use tax	9,774,317	9,774,317	9,458,018	(316,299)	-	9,458,018
Liquor licenses	65,000	65,000	75,475	10,475	-	75,475
Operators' licenses	5,000	5,000	3,763	(1,237)	-	3,763
Judges' salaries	138,000	138,000	137,622	(378)	-	137,622
Alcohol caseload rebate	12,000	12,000	30,423	18,423	-	30,423
Other state sources	701,904	780,506	595,008	(185,498)	-	595,008
Total state sources	10,696,221	10,774,823	10,300,309	(474,514)	-	10,300,309
Other governmental:						
Federal grants	93,000	262,699	137,433	(125,266)	-	137,433
Wayne County library fines	118,750	118,750	124,974	6,224	-	124,974
Other organizations	-	-	107,333	107,333	-	107,333
Total other governmental	211,750	381,449	369,740	(11,709)	-	369,740
Total intergovernmental revenues	10,907,971	11,156,272	10,670,049	(486,223)	-	10,670,049
Charges for Services						
General government:						
Birth and death records	250,000	250,000	233,338	(16,662)	-	233,338
Engineering and inspection	1,008,820	1,008,820	1,792,161	783,341	-	1,792,161
City service fee	1,005,148	1,005,148	1,005,148	-	-	1,005,148
Other	956,075	956,609	995,447	38,838	-	995,447
Total general government	3,220,043	3,220,577	4,026,094	805,517	-	4,026,094
Public safety:						
Annual safety inspection	150,000	150,000	-	(150,000)	-	-
Annual maintenance inspection	90,000	90,000	16,411	(73,589)	-	16,411
Ambulance services	1,400,000	1,645,000	1,730,724	85,724	-	1,730,724
Additional police patrols	156,000	156,000	102,578	(53,422)	-	102,578
False alarms	30,000	30,000	46,950	16,950	-	46,950
Other	832,600	832,600	810,296	(22,304)	-	810,296
Total public safety	2,658,600	2,903,600	2,706,959	(196,641)	-	2,706,959
Health	301,125	301,125	169,719	(131,406)	-	169,719
Public works:						
Debris and rubbish pickup	30,000	30,000	13,499	(16,501)	-	13,499
Sidewalk maintenance	802,500	-	425,009	425,009	-	425,009
Total public works	832,500	30,000	438,508	408,508	-	438,508
Recreation and culture:						
Programs and activities sales	510,009	510,009	496,638	(13,371)	-	496,638
Sales	268,314	268,314	302,004	33,690	-	302,004
Use and admission fees	2,159,542	2,159,542	1,924,720	(234,822)	-	1,924,720
Total recreation and culture	2,937,865	2,937,865	2,723,362	(214,503)	-	2,723,362
Total charges for services	9,950,133	9,393,167	10,064,642	671,475	-	10,064,642

City of Dearborn, Michigan

Budgetary Comparison Schedule – General Fund Year Ended June 30, 2008

	Budgeted Amounts		Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
	Original	Final				
Fines and Forfeitures						
Parking fines	\$ 300,000	\$ 300,000	\$ 379,468	\$ 79,468	\$ -	\$ 379,468
19th District Court fines	3,350,250	3,350,250	3,214,297	(135,953)	-	3,214,297
Library fines and forfeits	89,800	89,800	107,922	18,122	-	107,922
Other fines and forfeits	3,500	3,500	9,485	5,985	-	9,485
Total fines and forfeitures	3,743,550	3,743,550	3,711,172	(32,378)	-	3,711,172
Miscellaneous Revenue						
Franchise fees	133,000	133,000	182,495	49,495	-	182,495
Rents and lease agreements	3,158,845	3,158,845	3,378,627	219,782	-	3,378,627
Reimbursements	5,500	5,500	21,040	15,540	-	21,040
Other revenue	254,809	258,209	304,365	46,156	-	304,365
Total miscellaneous revenue	3,552,154	3,555,554	3,886,527	330,973	-	3,886,527
Investment Income	2,980,231	2,980,231	3,168,721	188,490	-	3,168,721
Total revenues	105,328,680	105,023,415	106,084,677	1,061,262	-	106,084,677
Other Financing Sources						
Drug Law Enforcement Fund	-	75,000	-	(75,000)	-	-
Designated Purposes Fund	-	135,412	135,412	-	-	135,412
Total other financing sources	-	210,412	135,412	(75,000)	-	135,412
Total revenues and other sources	\$ 105,328,680	\$ 105,233,827	\$ 106,220,089	\$ 986,262	\$ -	\$ 106,220,089
Expenditures						
General Government						
Charter Commission	\$ -	\$ 54,351	\$ 23,473	\$ 30,878	\$ (295)	\$ 23,178
Council	436,199	456,199	400,459	55,740	(669)	399,790
District Court	3,117,169	3,143,701	2,947,577	196,124	(1,930)	2,945,647
Mayor	879,326	903,821	805,017	98,804	(5,520)	799,497
City Clerk	873,094	917,798	875,758	42,040	(1,529)	874,229
Law	1,721,495	1,771,495	1,725,594	45,901	(161,175)	1,564,419
Human resources	998,660	998,660	944,913	53,747	(26,601)	918,312
Public works/building services and maintenance	3,168,656	3,240,450	3,224,431	16,019	(50,043)	3,174,388
Assessment	1,376,718	1,376,718	1,099,192	277,526	(176,782)	922,410
Management information systems	1,357,847	1,456,164	1,344,881	111,283	(11,599)	1,333,282
Finance:						
Accounting	1,521,973	1,577,743	1,356,562	221,181	(1,920)	1,354,642
Purchasing	464,816	464,816	437,110	27,706	(332)	436,778
Treasurer	674,275	674,275	646,671	27,604	(2,233)	644,438
Nondepartmental - Insurance, tax refunds and other miscellaneous	2,200,000	1,712,000	1,500,000	212,000	-	1,500,000
Total general government	18,790,228	18,748,191	17,331,638	1,416,553	(440,628)	16,891,010
Public Safety						
Police:						
Operations	28,242,489	29,928,773	28,730,642	1,198,131	(29,779)	28,700,863
Ordinance enforcement	638,368	639,987	619,988	19,999	-	619,988
Fire:						
Operations	15,597,137	15,888,237	15,821,701	66,536	(3,540)	15,818,161
Civil preparedness	139,046	133,046	131,154	1,892	-	131,154
Communications	2,379,410	747,038	704,517	42,521	(1,230)	703,287
Building and safety	4,140,858	4,157,858	3,937,367	220,491	(6,921)	3,930,446
Total public safety	51,137,308	51,494,939	49,945,369	1,549,570	(41,470)	49,903,899

City of Dearborn, Michigan

Budgetary Comparison Schedule – General Fund Year Ended June 30, 2008

	Budgeted Amounts		Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
	Original	Final				
Public Works						
Administrative	\$ 505,547	\$ 501,818	\$ 438,622	\$ 63,196	\$ (4,249)	\$ 434,373
Engineering	3,802,828	2,835,573	2,609,963	225,610	(1,250)	2,608,713
Highways	2,443,967	2,574,667	1,791,906	782,761	(52,338)	1,739,568
Central Garage	2,197,153	2,196,964	2,239,711	(42,747)	(3,650)	2,236,061
Sanitation	4,790,723	4,788,873	4,733,960	54,913	(42,283)	4,691,677
Line	427,270	446,741	502,962	(56,221)	(2,537)	500,425
Nondepartmental - Street light repair	35,000	35,000	12,327	22,673	-	12,327
Total public works	14,202,488	13,379,636	12,329,451	1,050,185	(106,307)	12,223,144
Health and Welfare						
Public information:						
Administrative	471,782	471,782	418,009	53,773	-	418,009
Photography and micrographics	113,351	113,351	109,182	4,169	-	109,182
Health	440,195	440,195	374,825	65,370	(1,355)	373,470
Building and safety - Environmental services	25,962	25,962	18,322	7,640	-	18,322
Total health and welfare	1,051,290	1,051,290	920,338	130,952	(1,355)	918,983
Recreation and Culture						
Libraries	4,097,295	4,095,138	3,985,257	109,881	(51,786)	3,933,471
Public works	3,797,366	3,801,825	3,753,574	48,251	(128,358)	3,625,216
Recreation:						
Administrative	879,641	879,641	854,012	25,629	-	854,012
Programs	863,372	875,837	842,588	33,249	-	842,588
Outdoor pools	541,490	538,690	457,994	80,696	-	457,994
Community center:						
Admin/Athletics	1,811,001	1,812,001	1,629,288	182,713	(412)	1,628,876
Cultural arts	874,668	874,668	810,520	64,148	(73)	810,447
Senior services	718,398	714,174	564,967	149,207	-	564,967
Sports arena	789,641	789,641	720,309	69,332	(2,111)	718,198
Historical commission	378,425	378,425	357,193	21,232	(1,682)	355,511
Total recreation and culture	14,751,297	14,760,040	13,975,702	784,338	(184,422)	13,791,280
Community Improvement						
Community improvement	991,043	991,043	643,703	347,340	(7,754)	635,949
City plan	377,279	377,279	342,710	34,569	-	342,710
Total community improvement	1,368,322	1,368,322	986,413	381,909	(7,754)	978,659
Utilities	4,289,219	4,289,219	4,276,914	12,305	-	4,276,914
Capital Outlay	785,492	1,027,164	774,488	252,676	(54,786)	719,702
Total expenditures	106,375,644	106,118,801	100,540,313	5,578,488	(836,722)	99,703,591
Other Uses - Transfers out	5,152,750	12,132,304	12,235,828	(103,524)	-	12,235,828
Total expenditures and other uses	\$ 111,528,394	\$ 118,251,105	\$ 112,776,141	\$ 5,474,964	\$ (836,722)	\$ 111,939,419

Budgetary Accounting and Accountability

The City's budget is prepared in compliance with the uniform budgeting provisions of Michigan law. Budgets are adopted for all governmental and proprietary funds.

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

1. Prior to April 15, the Mayor delivers the proposed budget to the City Council for the fiscal year commencing the following July 1. The budget includes identification of unusual circumstances, a comparative analysis covering the immediate past and the current budgets, together with the proposed budget, and a proposed general appropriations resolution.
2. The proposed budgets are reviewed through a series of meetings with the City Council, Mayor, Finance department, department directors, etc.
3. A public hearing is conducted to obtain taxpayers comments.
4. No later than June 13, the City Council shall pass a general appropriations resolution providing the authority to make expenditures and incur obligations on behalf of the City for the ensuing fiscal year.

Appropriations in the General fund are controlled at the department level. Expenditures for all other governmental funds are controlled at the fund level. While the legislative budget is adopted at summary levels, administrative control is maintained at detail levels. Management may amend the budget at the detail level within summary constraints. During the fiscal year, it was necessary to make budget amendments.

The City maintains budgetary control through the use of a full encumbrance system. For budgetary purposes, appropriations lapse at fiscal year-end, except for the portion related to encumbered amounts and those amounts approved for carry forward by the City Council.

Budget to actual statements have been prepared in accordance with generally accepted accounting principles with the following exceptions:

- Encumbrances are included as expenditures.
- Project life re-appropriations to the following fiscal year are reported as appropriated reserve carry-forward.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is employed as an extension of the formal budgetary control in the General, Special Revenue and Capital Projects funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitment will be honored during the subsequent year.

Other Supplemental Information

Special Revenue Funds

These funds are used to account for the proceeds of specific revenue sources (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. The combined Special Revenue funds are comprised of the following individual funds:

Major Street & Trunkline Fund and Local Street Fund – Both of these funds are established by state law to account for expenditures of state gas and weight tax collection allocations to the City. Their use is restricted to maintenance and construction of roads and streets and related expenditures. Ten percent of revenue may be expended for non-motorized transportation.

Camp Dearborn Operating Fund – This fund accounts for operation of the City's 626-acre park located near Milford, Michigan in Oakland County. This park is open to residents and their guests and offers a wide range of recreational activities. In FY2008, the operation required a subsidy from the General fund.

Drug Law Enforcement Fund – This fund is used to account for the proceeds of forfeitures resulting from drug law enforcement activities.

Library Aid Fund – This fund accounts for expenditure of library aid funds allocated to the City from the state. Use is restricted to library purposes.

Community Development Fund – This fund accounts for entitlement funds received through the Federal Community Development Block Grant Program. The City has participated in this program since its enactment by Congress in 1977.

Telecommunications Fund – This fund accounts for expenditure of revenue allocated through cable television franchise fees for the purpose of providing staff assistance to administer the cable television franchise and grant to promote access to the cable television system.

Designated Purposes Fund – This fund accounts for expenditures of various civic projects, which are financed by specific charges for services and by private contributions.

Debt Service Fund

The Debt Service fund is used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.

City of Dearborn, Michigan

Description of Nonmajor Funds Year Ended June 30, 2008

Enterprise Funds

These funds report operations that provide services to citizens financed primarily by a user charge or activities where the periodic measurement of net income is deemed appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Golf Course Fund – This fund accounts for the operation of Robert Herndon's Dearborn Hills Public Golf Course.

Seniors Apartment Operating Fund – This fund accounts for operation of the City's Housing Department which administers the Senior Citizen Housing Program. The fund also directly accounts for operation of two senior citizen apartment buildings, Hubbard Manor East and Hubbard Manor West, which consist of a total of 351 apartments. Administrative and other costs are billed to the Dearborn Towers fund and to the Dearborn Housing Commission based on services provided.

Dearborn Towers Fund – This fund accounts for operation of an 88-unit senior citizen apartment building in Clearwater, Florida. The apartment building is intended to provide a Florida retirement home for eligible Dearborn residents.

Internal Service Funds

Internal Service funds are used to account for the financing of goods or services provided by an activity to other departments, funds or component units of the City on a cost-reimbursement basis.

Equipment Replacement Fund – Computers and related equipment, as well as copiers are purchased by this fund for most City departments. Funding for the equipment is received by charging an annual equipment lease fee to each user department. This fund also accounts for the operation of the City's central storeroom.

Fleet Replacement Fund – Replacement vehicles for General fund departments are purchased from this fund and are funded through annual equipment lease fees charged to the departments.

Workers' Compensation and Employee Insurance Fund – This fund accounts for reserves established to support future expenditures for indemnity claims arising from work-related injuries. The City is self-insured for \$500,000 per occurrence with unlimited excess coverage and uses an insurance reserve method to determine funding requirements. The fund also handles employee life and dental insurance. Life insurance coverage is provided by an outside insurance company. Dental insurance is on a reimbursement basis with Delta Dental.

Fleet and General Liability Insurance Fund – This fund accounts for reserves established for both fleet and general liability insurance and related claims against the City. The City retains the first \$1,000,000 per occurrence. The first layer of insurance is \$5,000,000 per occurrence. The excess layer is \$10,000,000 per occurrence.

Fiduciary Funds

Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments and for other funds.

Agency Fund – This fund accounts for deposit of monies held by the City government in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds.

Imprest Payroll Fund – This fund acts as a payroll-clearing mechanism to aggregate and distribute payroll deductions. Its use relates primarily to internal control and convenience in cash management.

19th District Court – This fund accounts for monies collected by the court as bonds or for eventual distribution to the City as the district control unit or the State of Michigan.

Pension Trust Funds – The City operates three retirement systems, which are accounted for in three separate funds, that cover all full-time employees not covered by the defined contribution plan. These funds include the General Employees' Retirement System fund (Closed), covering all full-time general employees (excluding sworn police and fire), the Revised Police and Fire (Open) Retirement System fund, which covers police and fire employees hired since 1956, and the Policemen's and Firemen's (Closed) Retirement System fund, which covers police and fire employees hired prior to establishment of the revised system.

Retiree Death Benefit Fund – This fund accounts for reserves established to support future expenditures for death benefit claims. The City is self-insured.

Postemployment Health Care Fund – This fund accounts for amounts reserved to pay future postemployment health insurance expenses. While primarily set aside for this purpose, resources remain available to the general creditors of the City. Funding is determined by actuarial studies to stabilize budget requirements as a percentage of pay.

City of Dearborn, Michigan

	Nonmajor				
	Major Street & Trunkline Fund	Local Street Fund	Camp Dearborn Operating Fund	Drug Law Enforcement Fund	Library Aid Fund
Assets					
Cash and cash equivalents	\$ 1,572,030	\$ 1,457,473	\$ 2,836,410	\$ 1,487,579	\$ -
Accounts receivable (Net)	8,063	3,941	12,396	-	-
Property taxes receivable	-	-	-	-	-
Accrued interest receivable	25,083	23,256	24,839	23,288	-
Due from other funds	520,447	737,323	-	-	-
Due from other governments	779,429	228,059	-	-	-
Inventories	-	-	11,499	-	-
Investments, long-term	1,289,953	1,195,952	-	1,197,680	-
Total assets	\$ 4,195,005	\$ 3,646,004	\$ 2,885,144	\$ 2,708,547	\$ -
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 82,050	\$ 604,406	\$ 148,751	\$ 16,382	\$ -
Accrued liabilities	-	-	81,667	-	-
Deposits/refunds payable	-	-	219,785	-	-
Due to other funds	96,912	-	1,060	-	-
Due to other governments	-	-	1,799	-	-
Debt obligations	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Claims payable	-	-	-	-	-
Total liabilities	178,962	604,406	453,062	16,382	-
Fund Balances:					
Reserve for encumbrances	2,063,808	2,040,126	51,497	3,140	-
Reserve for debt service	-	-	-	-	-
Reserve for inventory	-	-	11,499	-	-
Unreserved - Designated	1,752,294	862,430	1,402,433	964,325	-
Unreserved - Undesignated	199,941	139,042	966,653	1,724,700	-
Total fund balances	4,016,043	3,041,598	2,432,082	2,692,165	-
Total liabilities and fund balances	\$ 4,195,005	\$ 3,646,004	\$ 2,885,144	\$ 2,708,547	\$ -

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008**

Special Revenue Funds

Community Development Fund	Tele-communications Fund	Designated Purposes Fund	Total Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ 574,751	\$ 2,323,272	\$10,251,515	\$ 472,486	\$ 10,724,001
-	186,044	56,122	266,566	-	266,566
-	-	-	-	11,029	11,029
-	9,168	2,705	108,339	4,140	112,479
36,827	-	-	1,294,597	31,340	1,325,937
104,267	-	-	1,111,755	-	1,111,755
-	-	-	11,499	-	11,499
-	471,456	-	4,155,041	-	4,155,041
<u>\$ 141,094</u>	<u>\$ 1,241,419</u>	<u>\$ 2,382,099</u>	<u>\$17,199,312</u>	<u>\$ 518,995</u>	<u>\$ 17,718,307</u>

\$ 63,122	\$ 3,566	\$ 20,796	\$ 939,073	\$ 149	\$ 939,222
-	6,668	216	88,551	-	88,551
940	-	217,964	438,689	-	438,689
77,032	157	-	175,161	1,506	176,667
-	84	142	2,025	-	2,025
-	-	-	-	167,485	167,485
-	-	-	-	9,498	9,498
-	-	-	-	18,507	18,507
<u>141,094</u>	<u>10,475</u>	<u>239,118</u>	<u>1,643,499</u>	<u>197,145</u>	<u>1,840,644</u>

18,665	940	125,961	4,304,137	-	4,304,137
-	-	-	-	321,850	321,850
-	-	-	11,499	-	11,499
-	7,114	2,017,020	7,005,616	-	7,005,616
<u>(18,665)</u>	<u>1,222,890</u>	<u>-</u>	<u>4,234,561</u>	<u>-</u>	<u>4,234,561</u>
<u>-</u>	<u>1,230,944</u>	<u>2,142,981</u>	<u>15,555,813</u>	<u>321,850</u>	<u>15,877,663</u>
<u>\$ 141,094</u>	<u>\$ 1,241,419</u>	<u>\$ 2,382,099</u>	<u>\$17,199,312</u>	<u>\$ 518,995</u>	<u>\$ 17,718,307</u>

City of Dearborn, Michigan

	Nonmajor				
	Major Street & Trunkline Fund	Local Street Fund	Camp Dearborn Operating Fund	Drug Law Enforcement Fund	Library Aid Fund
Revenues					
Taxes, assessments and penalties on taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues:					
State sources	4,882,032	1,682,457	-	-	-
Federal sources	-	-	-	-	-
Charges for services	-	-	362,013	-	-
Fines and forfeits	-	-	329	1,023,366	-
Rents and royalties	-	-	1,516,502	-	-
Miscellaneous revenue	10,258	2,480	24,126	19,142	-
Private source contributions	1,043	-	-	-	-
Investment income	189,076	132,942	117,933	132,477	-
Total revenues	5,082,409	1,817,879	2,020,903	1,174,985	-
Expenditures					
General government	-	-	-	-	-
Public safety	-	-	-	621,620	-
Public works	3,090,033	6,884,891	-	-	-
Recreation and culture	-	-	1,596,980	-	-
Community improvement	-	-	-	-	-
Utilities	-	-	280,496	50,505	-
Capital outlay	-	-	68,942	472,611	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	3,090,033	6,884,891	1,946,418	1,144,736	-
Revenues Over (Under) Expenditures	1,992,376	(5,067,012)	74,485	30,249	-
Other Financing Sources (Uses)					
Proceeds from the issuance of long-term debt	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-
Transfers in	519,000	4,172,337	252,105	-	-
Transfers out	(3,095,674)	(5,812)	-	(43,033)	(135,412)
Total other financing sources (uses)	(2,576,674)	4,166,525	252,105	(43,033)	(135,412)
Net Change in Fund Balances	(584,298)	(900,487)	326,590	(12,784)	(135,412)
Fund Balances - Beginning of Year	4,600,341	3,942,085	2,105,492	2,704,949	135,412
Fund Balances - End of Year	\$ 4,016,043	\$ 3,041,598	\$ 2,432,082	\$ 2,692,165	\$ -

**Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended June 30, 2008**

Special Revenue Funds

Community Development Fund	Tele- communications Fund	Designated Purposes Fund	Total Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 2,384,650	\$ 2,384,650
-	-	-	6,564,489	-	6,564,489
1,576,435	-	-	1,576,435	-	1,576,435
-	-	89,586	451,599	-	451,599
-	-	-	1,023,695	-	1,023,695
-	703,467	-	2,219,969	-	2,219,969
201,938	4,366	69,418	331,728	-	331,728
-	-	144,657	145,700	-	145,700
-	44,258	70,788	687,474	101,355	788,829
<u>1,778,373</u>	<u>752,091</u>	<u>374,449</u>	<u>13,001,089</u>	<u>2,486,005</u>	<u>15,487,094</u>
-	-	350,353	350,353	2,275	352,628
-	-	6,358	627,978	-	627,978
-	-	7,802	9,982,726	-	9,982,726
-	384,609	969,470	2,951,059	-	2,951,059
1,009,653	-	-	1,009,653	-	1,009,653
-	-	-	331,001	-	331,001
-	-	-	541,553	-	541,553
-	-	-	-	2,445,000	2,445,000
-	-	-	-	796,206	796,206
<u>1,009,653</u>	<u>384,609</u>	<u>1,333,983</u>	<u>15,794,323</u>	<u>3,243,481</u>	<u>19,037,804</u>
768,720	367,482	(959,534)	(2,793,234)	(757,476)	(3,550,710)
-	-	-	-	3,536,000	3,536,000
-	-	-	-	(3,520,000)	(3,520,000)
-	-	364,086	5,307,528	953,290	6,260,818
(768,720)	(63,497)	-	(4,112,148)	-	(4,112,148)
<u>(768,720)</u>	<u>(63,497)</u>	<u>364,086</u>	<u>1,195,380</u>	<u>969,290</u>	<u>2,164,670</u>
-	303,985	(595,448)	(1,597,854)	211,814	(1,386,040)
-	926,959	2,738,429	17,153,667	110,036	17,263,703
<u>\$ -</u>	<u>\$ 1,230,944</u>	<u>\$ 2,142,981</u>	<u>\$ 15,555,813</u>	<u>\$ 321,850</u>	<u>\$ 15,877,663</u>

City of Dearborn, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Major Street & Trunkline Fund Year Ended June 30, 2008

	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Intergovernmental revenues:					
State sources	\$ 4,765,250	\$ 4,882,032	\$ 116,782	\$ -	\$ 4,882,032
Miscellaneous revenue	-	10,258	10,258	-	10,258
Private source contributions	-	1,043	1,043	-	1,043
Investment income	335,000	189,076	(145,924)	-	189,076
Total revenues	5,100,250	5,082,409	(17,841)	-	5,082,409
Expenditures - Public works	6,909,510	5,153,841	1,755,669	(2,063,808)	3,090,033
Revenues Over (Under) Expenditures	(1,809,260)	(71,432)	1,737,828	2,063,808	1,992,376
Other Financing Sources (Uses)					
Transfers in	519,000	519,000	-	-	519,000
Transfers out	(3,109,007)	(3,095,674)	13,333	-	(3,095,674)
Total other financing sources (uses)	(2,590,007)	(2,576,674)	13,333	-	(2,576,674)
Net Change in Fund Balances	(4,399,267)	(2,648,106)	1,751,161	2,063,808	(584,298)
Fund Balances - Beginning of Year	4,600,341	4,600,341	-	-	4,600,341
Reserved for Encumbrances	-	2,063,808	2,063,808	(2,063,808)	-
Fund Balances - End of Year	\$ 201,074	\$ 4,016,043	\$ 3,814,969	\$ -	\$ 4,016,043

City of Dearborn, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Local Street Fund Year Ended June 30, 2008

	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Intergovernmental revenues:					
State sources	\$ 1,679,000	\$ 1,682,457	\$ 3,457	\$ -	\$ 1,682,457
Miscellaneous revenue	-	2,480	2,480	-	2,480
Investment income	128,000	132,942	4,942	-	132,942
Total revenues	1,807,000	1,817,879	10,879	-	1,817,879
Expenditures - Public works	9,962,275	8,925,017	1,037,258	(2,040,126)	6,884,891
Revenues Over (Under) Expenditures	(8,155,275)	(7,107,138)	1,048,137	2,040,126	(5,067,012)
Other Financing Sources (Uses)					
Transfers in	4,549,362	4,172,337	(377,025)	-	4,172,337
Transfers out	(50,071)	(5,812)	44,259	-	(5,812)
Total other financing sources (uses)	4,499,291	4,166,525	(332,766)	-	4,166,525
Net Change in Fund Balances	(3,655,984)	(2,940,613)	715,371	2,040,126	(900,487)
Fund Balances - Beginning of Year	3,942,085	3,942,085	-	-	3,942,085
Reserved for Encumbrances	-	2,040,126	2,040,126	(2,040,126)	-
Fund Balances - End of Year	\$ 286,101	\$ 3,041,598	\$ 2,755,497	\$ -	\$ 3,041,598

City of Dearborn, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Camp Dearborn Operating Fund Year Ended June 30, 2008

	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Charges for Services:					
Use and admission	\$ 265,500	\$ 229,226	\$ (36,274)	\$ -	\$ 229,226
Sales	172,600	132,787	(39,813)	-	132,787
Fines and forfeits	2,500	329	(2,171)	-	329
Rents and royalties:					
Golf course	167,512	167,520	8	-	167,520
Oil exploration	167,500	134,571	(32,929)	-	134,571
Facilities	1,169,100	1,214,411	45,311	-	1,214,411
Miscellaneous revenue	27,100	24,126	(2,974)	-	24,126
Investment income	89,000	117,933	28,933	-	117,933
Total revenues	2,060,812	2,020,903	(39,909)	-	2,020,903
Expenditures					
Recreation and culture	1,718,961	1,620,451	98,510	(23,471)	1,596,980
Utilities	302,200	280,496	21,704	-	280,496
Capital outlay	1,525,226	96,968	1,428,258	(28,026)	68,942
Total expenditures	3,546,387	1,997,915	1,548,472	(51,497)	1,946,418
Revenues Over (Under) Expenditures	(1,485,575)	22,988	1,508,563	51,497	74,485
Other Financing Sources (Uses)					
Transfers in	252,105	252,105	-	-	252,105
Transfers out	-	-	-	-	-
Total other financing sources (uses)	252,105	252,105	-	-	252,105
Net Change in Fund Balances	(1,233,470)	275,093	1,508,563	51,497	326,590
Fund Balances - Beginning of Year	2,105,492	2,105,492	-	-	2,105,492
Reserved for Encumbrances	-	51,497	51,497	(51,497)	-
Fund Balances - End of Year	\$ 872,022	\$ 2,432,082	\$ 1,560,060	\$ -	\$ 2,432,082

City of Dearborn, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Drug Law Enforcement Fund Year Ended June 30, 2008

	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Fines and forfeits	\$ -	\$ 1,023,366	\$ 1,023,366	\$ -	\$ 1,023,366
Miscellaneous revenue	-	19,142	19,142	-	19,142
Investment income	107,000	132,477	25,477	-	132,477
Total revenues	107,000	1,174,985	1,067,985	-	1,174,985
Expenditures					
Public safety	746,743	624,760	121,983	(3,140)	621,620
Utilities	69,800	50,505	19,295	-	50,505
Capital outlay	537,020	472,611	64,409	-	472,611
Total expenditures	1,353,563	1,147,876	205,687	(3,140)	1,144,736
Revenues Over (Under) Expenditures	(1,246,563)	27,109	1,273,672	3,140	30,249
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	(936,277)	(43,033)	893,244	-	(43,033)
Total other financing sources (uses)	(936,277)	(43,033)	893,244	-	(43,033)
Net Change in Fund Balances	(2,182,840)	(15,924)	2,166,916	3,140	(12,784)
Fund Balances - Beginning of Year	2,105,492	2,704,949	599,457	-	2,704,949
Reserved for Encumbrances	-	3,140	3,140	(3,140)	-
Fund Balances - End of Year	<u>\$ (77,348)</u>	<u>\$ 2,692,165</u>	<u>\$ 2,769,513</u>	<u>\$ -</u>	<u>\$ 2,692,165</u>

City of Dearborn, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Library Aid Fund Year Ended June 30, 2008

	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Intergovernment revenues:					
State sources	\$ -	\$ -	\$ -	\$ -	\$ -
Investment income	-	-	-	-	-
Total revenues	-	-	-	-	-
Expenditures					
Recreation and culture	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	-	-	-	-	-
Revenues Over (Under) Expenditures	-	-	-	-	-
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	(135,412)	(135,412)	-	-	(135,412)
Total other financing sources (uses)	(135,412)	(135,412)	-	-	(135,412)
Net Change in Fund Balances	(135,412)	(135,412)	-	-	(135,412)
Fund Balances - Beginning of Year	135,412	135,412	-	-	135,412
Reserved for Encumbrances	-	-	-	-	-
Fund Balances - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Dearborn, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Community Development Fund Year Ended June 30, 2008

	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Intergovernmental revenues:					
Federal sources	\$ 4,130,036	\$ 1,576,435	\$ (2,553,601)	\$ -	\$ 1,576,435
Miscellaneous revenue	174,399	201,938	27,539	-	201,938
Total revenues	4,304,435	1,778,373	(2,526,062)	-	1,778,373
Expenditures					
Community improvement	2,318,163	1,027,447	1,290,716	(17,794)	1,009,653
Total expenditures	2,318,163	1,027,447	1,290,716	(17,794)	1,009,653
Revenues Over (Under) Expenditures	1,986,272	750,926	(1,235,346)	17,794	768,720
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	(1,986,272)	(769,591)	1,216,681	871	(768,720)
Total other financing sources (uses)	(1,986,272)	(769,591)	1,216,681	871	(768,720)
Net Change in Fund Balances	-	(18,665)	(18,665)	18,665	-
Fund Balances - Beginning of Year	-	-	-	-	-
Reserved for Encumbrances	-	18,665	18,665	(18,665)	-
Fund Balances - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Dearborn, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Telecommunications Fund Year Ended June 30, 2008

	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Rents and royalties	\$ 535,000	\$ 703,467	\$ 168,467	\$ -	\$ 703,467
Miscellaneous revenue	2,000	4,366	2,366	-	4,366
Investment income	28,000	44,258	16,258	-	44,258
Total revenues	565,000	752,091	187,091	-	752,091
Expenditures					
Recreation and culture	497,372	385,549	111,823	(940)	384,609
Capital outlay	1,400	-	1,400	-	-
Total expenditures	498,772	385,549	113,223	(940)	384,609
Revenues Over (Under) Expenditures	66,228	366,542	300,314	940	367,482
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	(70,612)	(63,497)	7,115	-	(63,497)
Total other financing sources (uses)	(70,612)	(63,497)	7,115	-	(63,497)
Net Change in Fund Balances	(4,384)	303,045	307,429	940	303,985
Fund Balances - Beginning of Year	926,959	926,959	-	-	926,959
Reserved for Encumbrances	-	940	940	(940)	-
Fund Balances - End of Year	<u>\$ 922,575</u>	<u>\$ 1,230,944</u>	<u>\$ 308,369</u>	<u>\$ -</u>	<u>\$ 1,230,944</u>

City of Dearborn, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Designated Purposes Fund Year Ended June 30, 2008

	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Charges for services	\$ 89,290	\$ 89,586	\$ 296	\$ -	\$ 89,586
Miscellaneous revenue	69,419	69,418	(1)	-	69,418
Investment income	70,788	70,788	-	-	70,788
Private source contributions	144,658	144,657	(1)	-	144,657
Total revenues	374,155	374,449	294	-	374,449
Expenditures					
General government	447,100	374,896	72,204	(24,543)	350,353
Public safety	96,273	6,358	89,915	-	6,358
Public works	208,690	7,802	200,888	-	7,802
Health and welfare	785	-	785	-	-
Recreation and culture	2,731,322	1,070,888	1,660,434	(101,418)	969,470
Total expenditures	3,484,170	1,459,944	2,024,226	(125,961)	1,333,983
Revenues Over (Under) Expenditures	(3,110,015)	(1,085,495)	2,024,520	125,961	(959,534)
Other Financing Sources (Uses)					
Transfers in	371,586	364,086	(7,500)	-	364,086
Transfers out	-	-	-	-	-
Total other financing sources (uses)	371,586	364,086	(7,500)	-	364,086
Net Change in Fund Balances	(2,738,429)	(721,409)	2,017,020	125,961	(595,448)
Fund Balances - Beginning of Year	2,738,429	2,738,429	-	-	2,738,429
Reserved for Encumbrances	-	125,961	125,961	(125,961)	-
Fund Balances - End of Year	\$ -	\$ 2,142,981	\$ 2,142,981	\$ -	\$ 2,142,981

City of Dearborn, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Debt Service Fund Year Ended June 30, 2008

	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Taxes, assessments and penalties on taxes	\$ 2,360,200	\$ 2,384,650	\$ 24,450	\$ -	\$ 2,384,650
Investment income	78,000	101,355	23,355	-	101,355
Total revenues	2,438,200	2,486,005	47,805	-	2,486,005
Expenditures					
General government	14,975	2,275	12,700	-	2,275
Debt service:					
Principal	2,445,000	2,445,000	-	-	2,445,000
Interest and fiscal charges	844,400	796,206	48,194	-	796,206
Total expenditures	3,304,375	3,243,481	60,894	-	3,243,481
Revenues Over (Under) Expenditures	(866,175)	(757,476)	108,699	-	(757,476)
Other Financing Sources (Uses)					
Proceeds from issuance of long-term debt	-	3,536,000	(3,536,000)	-	3,536,000
Payment to refunded bond escrow agent	-	(3,520,000)	3,520,000	-	(3,520,000)
Transfers in	970,676	953,290	17,386	-	953,290
Transfers out	-	-	-	-	-
Total other financing sources (uses)	970,676	969,290	1,386	-	969,290
Net Change in Fund Balances	104,501	211,814	(107,313)	-	211,814
Fund Balances - Beginning of Year	110,036	110,036	-	-	110,036
Fund Balances - End of Year	\$ 214,537	\$ 321,850	107,313	\$ -	\$ 321,850

City of Dearborn, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Capital Projects Fund Year Ended June 30, 2008

	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Intergovernmental revenues:					
State sources	\$ 121,128	\$ 25,969	\$ (95,159)	\$ -	\$ 25,969
Federal sources	1,169,513	125,657	(1,043,856)	-	125,657
Charges for services <i>(added row 9/16)</i>	1,032,066	920	(1,031,146)	-	920
Miscellaneous revenue	200	371,846	371,646	-	371,846
Private source contributions	197,289	34,047	(163,242)	-	34,047
Investment income	485,000	527,281	42,281	-	527,281
Total revenues	3,005,196	1,085,720	(1,919,476)	-	1,085,720
Expenditures					
Capital outlay	20,372,635	4,756,009	15,616,626	(2,008,158)	2,747,851
Debt service:					
Principal	580,000	580,000	-	-	580,000
Interest and fiscal charges	214,445	192,855	21,590	-	192,855
Total expenditures	21,167,080	5,528,864	15,638,216	(2,008,158)	3,520,706
Revenues Over (Under) Expenditures	(18,161,884)	(4,443,144)	13,718,740	2,008,158	(2,434,986)
Other Financing Sources (Uses)					
Transfers in	7,838,629	8,188,224	349,595	-	8,188,224
Transfers out	-	-	-	-	-
Total other financing sources (uses)	7,838,629	8,188,224	349,595	-	8,188,224
Net Change in Fund Balances	(10,323,255)	3,745,080	14,068,335	2,008,158	5,753,238
Fund Balances - Beginning of Year	21,748,916	21,748,916	-	-	21,748,916
Reserved for Encumbrances	-	2,008,158	2,008,158	(2,008,158)	-
Fund Balances - End of Year	\$11,425,661	\$27,502,154	\$ 16,076,493	\$ -	\$27,502,154

City of Dearborn, Michigan

Combining Statement of Net Assets Nonmajor Enterprise Funds June 30, 2008

	Golf Course	Seniors Apartment Operating Fund	Dearborn Towers Fund	Total Nonmajor Enterprise Funds
Assets				
Current assets:				
Cash and cash equivalents	\$ 90,975	\$ 4,594,270	\$ 547,697	\$ 5,232,942
Accounts receivable (Net)	-	31,853	-	31,853
Accrued interest receivable	2,175	73,302	8,691	84,168
Due from other funds	151,506	-	-	151,506
Prepaid items	-	29,456	72,425	101,881
Inventories	63,706	-	-	63,706
Total current assets	<u>308,362</u>	<u>4,728,881</u>	<u>628,813</u>	<u>5,666,056</u>
Noncurrent assets:				
Restricted cash and investments:				
Debt service	162,446	-	-	162,446
Investments, long-term	-	3,769,653	446,960	4,216,613
Capital assets (Net)	3,005,352	3,925,499	679,923	7,610,774
Total noncurrent assets	<u>3,167,798</u>	<u>7,695,152</u>	<u>1,126,883</u>	<u>11,989,833</u>
Total assets	<u>3,476,160</u>	<u>12,424,033</u>	<u>1,755,696</u>	<u>17,655,889</u>
Liabilities				
Current liabilities:				
Accounts payable	32,943	42,493	51,475	126,911
Accrued interest payable	2,412	-	-	2,412
Accrued liabilities	36,506	23,423	-	59,929
Deposits/refunds payable	72,375	125,598	35,284	233,257
Due to other governments	5,423	-	-	5,423
Due to other funds	96,214	658	-	96,872
Deferred revenue	24,676	1,321	4,194	30,191
Current portion of long-term debt	197,026	-	-	197,026
Total current liabilities	<u>467,575</u>	<u>193,493</u>	<u>90,953</u>	<u>752,021</u>
Noncurrent liabilities:				
Other liabilities	31,619	149,576	-	181,195
Long-term debt, net of current portion	2,001,552	-	-	2,001,552
Advance from other funds	182,767	-	-	182,767
Total noncurrent liabilities	<u>2,215,938</u>	<u>149,576</u>	<u>-</u>	<u>2,365,514</u>
Total liabilities	<u>2,683,513</u>	<u>343,069</u>	<u>90,953</u>	<u>3,117,535</u>
Net Assets				
Invested in capital assets, net of debt	624,007	3,925,499	679,923	5,229,429
Restricted for:				
Debt Service	162,446	-	-	162,446
Unrestricted	6,194	8,155,465	984,820	9,146,479
Total net assets	<u>\$ 792,647</u>	<u>\$ 12,080,964</u>	<u>\$ 1,664,743</u>	<u>\$ 14,538,354</u>

City of Dearborn, Michigan

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets Nonmajor Enterprise Funds Year Ended June 30, 2008

	Golf Course	Seniors Apartment Operating Fund	Dearborn Towers Fund	Total Nonmajor Enterprise Funds
Operating Revenues				
Sales	\$ 592,815	\$ -	\$ -	\$ 592,815
Charges for services	465,888	940,875	-	1,406,763
Rents and royalties	224,760	1,832,416	651,175	2,708,351
Miscellaneous	75,185	18,652	15,734	109,571
Total operating revenues	<u>1,358,648</u>	<u>2,791,943</u>	<u>666,909</u>	<u>4,817,500</u>
Operating Expenses				
Personnel services	697,300	1,479,825	-	2,177,125
Contractual services	63,745	95,379	176,910	336,034
Insurance and bonds	3,750	80,949	116,893	201,592
Utilities	47,840	137,085	139,286	324,211
Repairs and maintenance	19,123	460,533	102,143	581,799
Supplies	83,988	47,410	45,752	177,150
Cost of sales	169,491	-	-	169,491
Cost of rentals	4,998	2,310	-	7,308
Taxes	-	-	153,093	153,093
Depreciation	265,447	242,697	30,964	539,108
Other	61,760	4,846	6,667	73,273
Total operating expenses	<u>1,417,442</u>	<u>2,551,034</u>	<u>771,708</u>	<u>4,740,184</u>
Operating Income (Loss)	(58,794)	240,909	(104,799)	77,316
Nonoperating Revenues (Expenses)				
Investment income	20,675	393,608	48,510	462,793
Other interest	(170,811)	-	-	(170,811)
Total nonoperating revenues (expenses)	<u>(150,136)</u>	<u>393,608</u>	<u>48,510</u>	<u>291,982</u>
Income (Loss) before Transfers	(208,930)	634,517	(56,289)	369,298
Transfers				
Transfers in	150,000	-	-	150,000
Transfers out	-	-	-	-
Net transfers	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>150,000</u>
Net Income (Loss)	(58,930)	634,517	(56,289)	519,298
Net Assets - Beginning of Year	<u>851,577</u>	<u>11,446,447</u>	<u>1,721,032</u>	<u>14,019,056</u>
Net Assets - End of Year	<u>\$ 792,647</u>	<u>\$ 12,080,964</u>	<u>\$ 1,664,743</u>	<u>\$ 14,538,354</u>

City of Dearborn, Michigan

Combining Statement of Cash Flows Nonmajor Enterprise Funds Year Ended June 30, 2008

	Golf Course	Seniors Apartment Operating Fund	Dearborn Towers Fund	Total Nonmajor Enterprise Funds
Cash Flows from Operating Activities				
Receipts from customers	\$ 1,248,030	\$ 2,780,662	\$ 645,308	\$ 4,674,000
Payments to suppliers	(516,007)	(804,121)	(709,195)	(2,029,323)
Payments to employees	(693,902)	(1,470,713)	-	(2,164,615)
Other receipts (payments)	136,945	13,806	9,067	159,818
Net cash provided (used) by operating activities	115,849	502,308	(54,820)	563,337
Cash Flows from Noncapital Financing Activities				
Repayment of advance from other funds	(78,733)	-	-	(78,733)
Operating transfers in	150,000	-	-	150,000
Net cash provided by noncapital financing activities	71,267	-	-	71,267
Cash Flows from Capital and Related Financing Activities				
Principal paid on debt	(118,022)	-	-	(118,022)
Interest paid on debt	(188,102)	-	-	(188,102)
Net cash provided (used) by capital and related financing activities	(306,124)	-	-	(306,124)
Cash Flows from Investing Activities				
Net sale (purchase) of investments	-	(807,300)	(51,512)	(858,812)
Investment income	20,704	367,970	46,182	434,856
Net cash provided (used) by investing activities	20,704	(439,330)	(5,330)	(423,956)
Net Increase (Decrease) in Cash and Cash Equivalents	(98,304)	62,978	(60,150)	(95,476)
Cash and Cash Equivalents - Beginning of Year	351,725	4,531,292	607,847	5,490,864
Cash and Cash Equivalents - End of Year	\$ 253,421	\$ 4,594,270	\$ 547,697	\$ 5,395,388
Cash and Cash Equivalents - Unrestricted	\$ 90,975	\$ 4,594,270	\$ 547,697	\$ 5,232,942
Cash and Cash Equivalents - Restricted	162,446	-	-	162,446
Cash and Cash Equivalents - End of Year	\$ 253,421	\$ 4,594,270	\$ 547,697	\$ 5,395,388

City of Dearborn, Michigan

Combining Statement of Cash Flows Nonmajor Enterprise Funds Year Ended June 30, 2008

	Golf Course	Seniors Apartment Operating Fund	Dearborn Towers Fund	Total Nonmajor Enterprise Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ (58,794)	\$ 240,909	\$ (104,799)	\$ 77,316
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	265,447	242,698	30,964	539,109
Change in assets and liabilities:				
Accounts receivable	-	(27,044)	-	(27,044)
Due from other governments	-	38,760	-	38,760
Prepaid items	3,925	14,638	(2,949)	15,614
Inventories	(5,877)	-	-	(5,877)
Accounts payable	(8,403)	478	27,831	19,906
Accrued liabilities	10,280	4,428	-	14,708
Customer deposits	(35,982)	(3,602)	(1,505)	(41,089)
Accrued vacation and sick leave	3,398	9,112	-	12,510
Due to other funds	92,289	(17,326)	-	74,963
Due to other governments	523	-	-	523
Deferred revenue	549	(743)	(4,362)	(4,556)
Net cash provided (used) by operating activities	<u>\$ 115,849</u>	<u>\$ 502,308</u>	<u>\$ (54,820)</u>	<u>\$ 563,337</u>

City of Dearborn, Michigan

Combining Statement of Net Assets Internal Service Funds June 30, 2008

	Equipment Replacement Fund	Fleet Replacement Fund	Workers' Compensation and Employee Insurance Fund	Fleet & General Liability Insurance Fund	Total
Assets					
Current assets:					
Cash and cash equivalents	\$ 1,834,508	\$ 2,000,661	\$ 4,336,416	\$ 4,762,674	\$ 12,934,259
Accounts receivable (Net)	-	-	16,562	-	16,562
Accrued interest receivable	16,078	31,922	67,771	41,736	157,507
Due from other funds	-	-	659	3,498	4,157
Prepaid items	-	-	691,747	969,963	1,661,710
Inventories	1,200	-	-	-	1,200
Total current assets	<u>1,851,786</u>	<u>2,032,583</u>	<u>5,113,155</u>	<u>5,777,871</u>	<u>14,775,395</u>
Noncurrent assets:					
Investment, long-term	-	1,641,673	3,485,233	-	5,126,906
Property, Plant and Equipment - net	788,143	6,633,656	-	-	7,421,799
Total noncurrent assets	<u>788,143</u>	<u>8,275,329</u>	<u>3,485,233</u>	<u>-</u>	<u>12,548,705</u>
Total assets	<u>2,639,929</u>	<u>10,307,912</u>	<u>8,598,388</u>	<u>5,777,871</u>	<u>27,324,100</u>
Liabilities					
Current liabilities:					
Accounts payable	-	-	48,353	8,511	56,864
Due to other governments	-	755	-	245,299	246,054
Total current liabilities	<u>-</u>	<u>755</u>	<u>48,353</u>	<u>253,810</u>	<u>302,918</u>
Noncurrent liabilities:					
Claims payable	-	-	2,351,653	635,738	2,987,391
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>2,351,653</u>	<u>635,738</u>	<u>2,987,391</u>
Total liabilities	<u>-</u>	<u>755</u>	<u>2,400,006</u>	<u>889,548</u>	<u>3,290,309</u>
Net Assets					
Invested in capital assets, net of debt	788,143	6,633,656	-	-	7,421,799
Unrestricted	1,851,786	3,673,501	6,198,382	4,888,323	16,611,992
Total net assets	<u>\$ 2,639,929</u>	<u>\$ 10,307,157</u>	<u>\$ 6,198,382</u>	<u>\$ 4,888,323</u>	<u>\$ 24,033,791</u>

City of Dearborn, Michigan

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets Internal Service Funds Year Ended June 30, 2008

	Equipment Replacement Fund	Fleet Replacement Fund	Workers' Compensation and Employee Insurance Fund	Fleet & General Liability Insurance Fund	Total
Operating Revenues					
Rents and royalties	\$ 897,912	\$ 1,685,926	\$ -	\$ -	\$ 2,583,838
City contributions for insurance premiums	-	-	18,293,016	1,528,100	19,821,116
Miscellaneous	-	168,889	983,413	55,000	1,207,302
Total operating revenues	<u>897,912</u>	<u>1,854,815</u>	<u>19,276,429</u>	<u>1,583,100</u>	<u>23,612,256</u>
Operating Expenses					
Contractual services	-	-	378,554	26,239	404,793
Cost of sales	10,689	2,813	-	-	13,502
Depreciation	253,213	1,307,869	-	-	1,561,082
Insurance and bonds	-	-	118,385	991,363	1,109,748
Insurance benefits	-	-	50,152	-	50,152
Claims and judgments	-	-	15,683,817	697,949	16,381,766
Other	-	-	4,900	62,087	66,987
Total operating expenses	<u>263,902</u>	<u>1,310,682</u>	<u>16,235,808</u>	<u>1,777,638</u>	<u>19,588,030</u>
Operating Income (Loss)	634,010	544,133	3,040,621	(194,538)	4,024,226
Nonoperating Revenues (Expenses)					
Investment income	98,707	159,358	255,064	258,414	771,543
Other interest	(20,204)	-	-	-	(20,204)
Loss on disposal of assets	-	(104,152)	-	-	(104,152)
Total nonoperating revenues (expenses)	<u>78,503</u>	<u>55,206</u>	<u>255,064</u>	<u>258,414</u>	<u>647,187</u>
Income (Loss) before Operating Transfers	712,513	599,339	3,295,685	63,876	4,671,413
Transfers					
Transfers in	-	-	-	250,000	250,000
Transfers out	-	-	-	-	-
Net transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>250,000</u>	<u>250,000</u>
Net Income (Loss)	712,513	599,339	3,295,685	313,876	4,921,413
Net Assets - Beginning of Year	1,927,416	9,707,818	2,902,697	4,574,447	19,112,378
Net Assets - End of Year	<u>\$ 2,639,929</u>	<u>\$ 10,307,157</u>	<u>\$ 6,198,382</u>	<u>\$ 4,888,323</u>	<u>\$ 24,033,791</u>

City of Dearborn, Michigan

	Equipment Replacement Fund	Fleet Replacement Fund
Cash Flows from Operating Activities		
Receipts from customers	\$ 897,912	\$ 1,685,926
Payments to suppliers	(5,386)	(72,866)
Internal activity	-	-
Claims paid	-	-
Other receipts (payments)	-	168,889
Net cash provided (used) by operating activities	<u>892,526</u>	<u>1,781,949</u>
Cash Flows from Noncapital Financing Activities		
Transfers in	-	-
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities		
Principal paid on debt	(505,000)	-
Prepaid interest on debt	(21,585)	-
Acquisition and construction of capital assets	<u>(322,090)</u>	<u>(1,365,430)</u>
Net cash provided (used) by capital and related financing activities	<u>(848,675)</u>	<u>(1,365,430)</u>
Cash Flows from Investing Activities		
Net sale (purchase) of investments	-	(424,529)
Investment income	93,425	147,019
Net cash provided (used) by investing activities	<u>93,425</u>	<u>(277,510)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	137,276	139,009
Cash and Cash Equivalents - Beginning of Year	1,697,232	1,861,652
Cash and Cash Equivalents - End of Year	<u>\$ 1,834,508</u>	<u>\$ 2,000,661</u>

**Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2008**

Workers' Compensation and Employee Insurance Fund	Fleet & General Liability Insurance Fund	Total
\$ 18,287,612	\$ 1,528,100	\$ 22,399,550
(1,283,353)	(1,446,934)	(2,808,539)
(659)	(3,498)	(4,157)
(15,560,385)	(1,483,654)	(17,044,039)
978,513	(7,087)	1,140,315
<u>2,421,728</u>	<u>(1,413,073)</u>	<u>3,683,130</u>
-	250,000	250,000
-	250,000	250,000
-	-	(505,000)
-	-	(21,585)
-	-	(1,687,520)
-	-	(2,214,105)
(1,469,559)	-	(1,894,088)
219,726	252,413	712,583
<u>(1,249,833)</u>	<u>252,413</u>	<u>(1,181,505)</u>
1,171,895	(910,660)	537,520
3,164,521	5,673,334	12,396,739
<u>\$ 4,336,416</u>	<u>\$ 4,762,674</u>	<u>\$ 12,934,259</u>

City of Dearborn, Michigan

	Equipment Replacement Fund	Fleet Replacement Fund
	<u> </u>	<u> </u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ 634,010	\$ 544,133
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	253,213	1,307,869
Change in assets and liabilities:		
Accounts receivable	-	-
Due from other funds	-	-
Prepaid items	-	-
Inventories	20,747	-
Accounts payable	(15,444)	(70,053)
Due to other governments	-	-
Claims payable	-	-
	<u> </u>	<u> </u>
Net cash provided (used) by operating activities	<u>\$ 892,526</u>	<u>\$ 1,781,949</u>

**Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2008**

Workers' Compensation and Employee Insurance Fund	Fleet & General Liability Insurance Fund	Total
\$ 3,040,621	\$ (194,538)	\$ 4,024,226
-	-	1,561,082
(5,404)	-	(5,404)
(659)	(3,498)	(4,157)
(691,747)	12,050	(679,697)
-	-	20,747
(44,515)	3,238	(126,774)
-	(444,620)	(444,620)
123,432	(785,705)	(662,273)
<u>\$ 2,421,728</u>	<u>\$ (1,413,073)</u>	<u>\$ 3,683,130</u>

City of Dearborn, Michigan

	(Closed) General Employees' Retirement System Fund	(Open) Revised Police & Fire Retirement System Fund	(Closed) Policemen's & Firemen's Retirement System Fund
Assets			
Cash and cash equivalents	\$ 1,564,863	\$ 11,118,640	\$ 260,815
Receivables:			
Interest and dividends	330,576	444,849	108,006
Other	136,806	179,531	5,115
Investments, at fair value:			
Long-term bonds	69,248,793	90,091,961	23,429,409
Common stock	14,524,483	26,926,173	2,618,431
Collateral pledged on securities loaned	3,317,592	6,438,794	352,766
Real estate	7,816,147	13,839,130	2,523,831
Mutual funds	44,433,466	107,312,307	8,139,311
Total investments	<u>139,340,481</u>	<u>244,608,365</u>	<u>37,063,748</u>
Total assets	<u>141,372,726</u>	<u>256,351,385</u>	<u>37,437,684</u>
Liabilities			
Accounts payable	98,212	7,556,315	70,070
Deferred revenue	-	24,211	-
Amounts due to broker under securities lending agreement	3,317,592	6,438,794	352,766
Total liabilities	<u>3,415,804</u>	<u>14,019,320</u>	<u>422,836</u>
Net Assets			
Held in trust for pension benefits and other employee benefits	<u>\$ 137,956,922</u>	<u>\$ 242,332,065</u>	<u>\$ 37,014,848</u>

**Combining Statement of Net Assets
Fiduciary Pension & Other Employee Benefits Funds
June 30, 2008**

Retiree Death Benefit Fund	Postemployment Healthcare Fund	Total
\$ 1,849,791	\$ 1,864,625	\$ 16,658,734
29,515	238,181	1,151,127
-	285,428	606,880
1,517,874	15,843,862	200,131,899
-	13,462,463	57,531,550
-	-	10,109,152
-	-	24,179,108
-	-	159,885,084
<u>1,517,874</u>	<u>29,306,325</u>	<u>451,836,793</u>
<u>3,397,180</u>	<u>31,694,559</u>	<u>470,253,534</u>
3,000	-	7,727,597
-	-	24,211
-	-	10,109,152
<u>3,000</u>	<u>-</u>	<u>17,860,960</u>
<u>\$ 3,394,180</u>	<u>\$ 31,694,559</u>	<u>\$ 452,392,574</u>

City of Dearborn, Michigan

	(Closed) General Employees' Retirement System Fund	(Open) Revised Police & Fire Retirement System Fund	(Closed) Policemen's & Firemen's Retirement System Fund
Additions			
Investment income:			
Interest and dividends	\$ 4,966,543	\$ 7,099,313	\$ 1,309,338
Net decrease in value of investments	(5,785,319)	(14,049,298)	(774,564)
Net investment income	<u>(818,776)</u>	<u>(6,949,985)</u>	<u>534,774</u>
Contributions:			
Employer	4,188,718	6,772,131	-
Employee	-	1,088,339	-
Reimbursements	-	-	-
Total contributions	<u>4,188,718</u>	<u>7,860,470</u>	<u>-</u>
Total additions	3,369,942	910,485	534,774
Deductions			
Benefit payments	8,990,031	11,048,819	3,372,180
Refunds of contributions	68,356	449,984	-
Administrative expenses	458,510	794,105	138,637
Total deductions	<u>9,516,897</u>	<u>12,292,908</u>	<u>3,510,817</u>
Change in Net Assets	(6,146,955)	(11,382,423)	(2,976,043)
Net Assets - Beginning of Year	144,103,877	253,714,488	39,990,891
Net Assets - End of Year	<u>\$ 137,956,922</u>	<u>\$ 242,332,065</u>	<u>\$ 37,014,848</u>

**Combining Statement of Changes in Fiduciary Net Assets
Fiduciary Pension & Other Employee Benefits Funds
Year Ended June 30, 2008**

Retiree Death Benefit Fund	Postemployment Healthcare Fund	Total
\$ 164,819	\$ 1,599,707	\$ 15,139,720
-	(2,809,784)	(23,418,965)
<u>164,819</u>	<u>(1,210,077)</u>	<u>(8,279,245)</u>
-	8,950,069	19,910,918
12,924	-	1,101,263
-	454,385	454,385
<u>12,924</u>	<u>9,404,454</u>	<u>21,466,566</u>
177,743	8,194,377	13,187,321
44,500	8,397,269	31,852,799
-	-	518,340
-	67,200	1,458,452
<u>44,500</u>	<u>8,464,469</u>	<u>33,829,591</u>
133,243	(270,092)	(20,642,270)
3,260,937	31,964,651	473,034,844
<u>\$ 3,394,180</u>	<u>\$ 31,694,559</u>	<u>\$ 452,392,574</u>

City of Dearborn, Michigan

Combining Statement of Net Assets Fiduciary Agency Funds June 30, 2008

	Agency Fund	Imprest Payroll Fund	District Court Fund	Total
Assets				
Cash and cash equivalents	\$ 8,495,522	\$ 462,673	\$ 75,000	\$ 9,033,195
Accounts receivable (Net)	11,853	-	189,526	201,379
Due from other funds	4,818	-	-	4,818
Due from other governments	601,151	-	-	601,151
Total assets	<u>\$ 9,113,344</u>	<u>\$ 462,673</u>	<u>\$ 264,526</u>	<u>\$ 9,840,543</u>
Liabilities				
Accounts payable	\$ 277,432	\$ 18,965	\$ 61,019	\$ 357,416
Deposits/refunds payable	8,367,009	-	-	8,367,009
Due to other funds	8,482	659	-	9,141
Due to other governments	369,803	443,049	203,507	1,016,359
Other liabilities	90,618	-	-	90,618
Total liabilities	<u>\$ 9,113,344</u>	<u>\$ 462,673</u>	<u>\$ 264,526</u>	<u>\$ 9,840,543</u>

City of Dearborn, Michigan

Statement of Changes in Assets and Liabilities Fiduciary Agency Funds Year Ended June 30, 2008

Agency Fund:

	Balance June 30, 2007	Additions	Deductions	Balance June 30, 2008
Assets				
Cash and cash equivalents	\$ 7,001,363	\$ 638,217,869	\$ 636,723,710	\$ 8,495,522
Accounts receivable (Net)	14,059	16,230	18,436	11,853
Accrued interest receivable	957	-	957	-
Due from other funds	-	4,818	-	4,818
Due from other governments	589,754	19,968	8,571	601,151
Total assets	\$ 7,606,133	\$ 638,258,885	\$ 636,751,674	\$ 9,113,344
Liabilities				
Accounts payable	\$ 353,888	\$ 188,337,967	\$ 188,414,423	\$ 277,432
Deposits/refunds payable	7,072,238	12,414,253	11,119,482	8,367,009
Special programs	-	108,645	108,645	-
Due to other funds	-	8,482	-	8,482
Due to other governments	46,563	189,690,757	189,367,517	369,803
Other liabilities	133,444	247,698,781	247,741,607	90,618
Total liabilities	\$ 7,606,133	\$ 638,258,885	\$ 636,751,674	\$ 9,113,344

Imprest Payroll Fund:

	Balance June 30, 2007	Additions	Deductions	Balance June 30, 2008
Assets				
Cash and cash equivalents	\$ 35,374	\$ 67,091,798	\$ 66,664,499	\$ 462,673
Accrued interest receivable	225	-	225	-
Due from component units	781	-	781	-
Due from other funds	1,099,482	-	1,099,482	-
Total assets	\$ 1,135,862	\$ 67,091,798	\$ 67,764,987	\$ 462,673
Liabilities				
Payroll deductions payable	\$ 724,421	\$ 24,120,415	\$ 24,825,871	\$ 18,965
Due to other funds	-	22,099,420	22,098,761	659
Due to other governments	411,441	17,610,154	17,578,546	443,049
Other liabilities	-	3,261,809	3,261,809	-
Total liabilities	\$ 1,135,862	\$ 67,091,798	\$ 67,764,987	\$ 462,673

City of Dearborn, Michigan

Statement of Changes in Assets and Liabilities Fiduciary Agency Funds Year Ended June 30, 2008

District Court Fund:

	Balance June 30, 2007	Additions	Deductions	Balance June 30, 2008
Assets				
Cash and cash equivalents	\$ 75,000	\$ 5,269,214	\$ 5,269,214	\$ 75,000
Accounts receivable (Net)	259,381	1,463,434	1,533,289	189,526
Total assets	<u>\$ 334,381</u>	<u>\$ 6,732,648</u>	<u>\$ 6,802,503</u>	<u>\$ 264,526</u>
Liabilities				
Accounts payable	\$ 56,185	\$ 4,009,204	\$ 4,004,370	\$ 61,019
Due to other governments	278,196	2,723,444	2,798,133	203,507
Total liabilities	<u>\$ 334,381</u>	<u>\$ 6,732,648</u>	<u>\$ 6,802,503</u>	<u>\$ 264,526</u>

Total - All Fiduciary Agency Funds:

	Balance June 30, 2007	Additions	Deductions	Balance June 30, 2008
Assets				
Cash and cash equivalents	\$ 7,111,737	\$ 710,578,881	\$ 708,657,423	\$ 9,033,195
Accounts receivable (Net)	273,440	1,479,664	1,551,725	201,379
Accrued interest receivable	1,182	-	1,182	-
Due from component unit	781	-	781	-
Due from other funds	1,099,482	4,818	1,099,482	4,818
Due from other governments	589,754	19,968	8,571	601,151
Total assets	<u>\$ 9,076,376</u>	<u>\$ 712,083,331</u>	<u>\$ 711,319,164</u>	<u>\$ 9,840,543</u>
Liabilities				
Accounts payable	\$ 410,073	\$ 192,347,171	\$ 192,418,793	\$ 338,451
Payroll deductions payable	724,421	24,120,415	24,825,871	18,965
Deposits/refunds payable	7,072,238	12,414,253	11,119,482	8,367,009
Special programs	-	108,645	108,645	-
Due to other funds	-	22,107,902	22,098,761	9,141
Due to other governments	736,200	210,024,355	209,744,196	1,016,359
Other liabilities	133,444	250,960,590	251,003,416	90,618
Total liabilities	<u>\$ 9,076,376</u>	<u>\$ 712,083,331</u>	<u>\$ 711,319,164</u>	<u>\$ 9,840,543</u>

City of Dearborn, Michigan

Statistical and Continuing Disclosures Section

This part of the City of Dearborn comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

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Financial Trends.....	128-139
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	140-147
These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property taxes.	
Debt Capacity.....	148-156
These schedule present 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.	
Demographic and Economic Information.....	157-158
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.	
Operating Information	160-165
These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.

City of Dearborn, Michigan

	Fiscal Year Ended June 30,		
	2002	2003	2004
Governmental Activities:			
Invested in capital assets, net of related debt	\$ 93,090,284	\$ 97,729,862	\$ 96,668,519
Restricted	14,634,583	8,855,356	10,113,127
Unrestricted	55,685,815	67,848,767	74,831,204
Total net assets	<u>\$ 163,410,682</u>	<u>\$ 174,433,985</u>	<u>\$ 181,612,850</u>
Business Type Activities:			
Invested in capital assets, net of related debt	\$ 105,538,716	\$ 111,541,001	\$ 109,651,802
Restricted	6,369,441	6,537,046	15,871,374
Unrestricted	25,365,505	23,481,131	19,800,509
Total net assets	<u>\$ 137,273,662</u>	<u>\$ 141,559,178</u>	<u>\$ 145,323,685</u>
Primary government in total:			
Invested in capital assets, net of related debt	\$ 198,629,000	\$ 209,270,863	\$ 206,320,321
Restricted	21,004,024	15,392,402	25,984,501
Unrestricted	81,051,320	91,329,898	94,631,713
Total net assets	<u>\$ 300,684,344</u>	<u>\$ 315,993,163</u>	<u>\$ 326,936,535</u>

City of Dearborn, Michigan

Net Assets by Component Last Seven Fiscal Years (accrual basis of accounting)

Fiscal Year Ended June 30,			
2005	2006	2007	2008
\$ 100,547,204	\$ 107,826,375	\$ 114,134,870	\$ 117,712,886
10,252,064	31,205,744	31,206,122	35,081,848
72,982,717	50,220,578	52,858,376	52,048,052
<u>\$ 183,781,985</u>	<u>\$ 189,252,697</u>	<u>\$ 198,199,368</u>	<u>\$ 204,842,786</u>
\$ 102,117,776	\$ 133,916,701	\$ 147,719,265	\$ 165,847,821
38,417,150	17,366,288	23,528,470	24,264,408
18,414,591	30,746,205	27,502,015	32,338,924
<u>\$ 158,949,517</u>	<u>\$ 182,029,194</u>	<u>\$ 198,749,750</u>	<u>\$ 222,451,153</u>
\$ 202,664,980	\$ 241,743,076	\$ 261,854,135	\$ 283,560,707
48,669,214	48,572,032	54,734,592	59,346,256
91,397,308	80,966,783	80,360,391	84,386,976
<u>\$ 342,731,502</u>	<u>\$ 371,281,891</u>	<u>\$ 396,949,118</u>	<u>\$ 427,293,939</u>

City of Dearborn, Michigan

	Fiscal Year Ended June 30,		
	2002	2003	2004
Expenses			
General government	\$ 21,730,347	\$ 18,871,321	\$ 17,310,436
Public safety	40,868,279	41,989,725	43,694,680
Public works	20,067,364	17,788,591	18,699,976
Health and welfare	1,285,601	959,491	910,537
Recreation and culture	19,858,453	17,914,835	19,441,507
Community improvement	3,320,005	2,059,947	5,002,834
Interest on long-term debt	1,832,203	1,699,622	2,015,054
Total expenses	<u>108,962,252</u>	<u>101,283,532</u>	<u>107,075,024</u>
Program revenues			
Charges for services			
General government	3,493,392	3,775,406	3,337,927
Public safety	6,497,900	6,403,387	7,573,247
Public works	1,990,516	1,927,063	1,936,530
Health and welfare	163,303	147,129	193,905
Recreation and culture	4,981,832	5,742,031	6,160,059
Community improvement	-	9,900	19,708
Total charges for services	<u>17,126,943</u>	<u>18,004,916</u>	<u>19,221,376</u>
Operating grants and contributions	2,597,130	9,513,651	9,905,623
Capital grants and contributions	10,290,450	2,682,159	4,183,852
Total program revenues	<u>30,014,523</u>	<u>30,200,726</u>	<u>33,310,851</u>
Net (expense) revenue	<u>(78,947,729)</u>	<u>(71,082,806)</u>	<u>(73,764,173)</u>
General revenues			
Property taxes	65,241,844	69,606,407	70,714,812
Intergovernmental revenues	11,880,503	11,588,244	10,362,606
Investment earnings	2,644,794	1,624,449	1,071,777
Miscellaneous	254,347	303,058	370,216
Total general revenues	<u>80,021,488</u>	<u>83,122,158</u>	<u>82,519,411</u>
Gain (loss) on sale of capital assets	(287,978)	(441,656)	(773,009)
Transfers	(4,804,261)	(574,393)	(803,364)
Change in net assets	<u>\$ (4,018,480)</u>	<u>\$ 11,023,303</u>	<u>\$ 7,178,865</u>

City of Dearborn, Michigan

Changes in Governmental Net Assets Last Seven Fiscal Years (accrual basis of accounting)

Fiscal Year Ended June 30,			
2005	2006	2007	2008
\$ 21,122,681	\$ 17,970,243	\$ 18,558,136	\$ 18,093,078
50,323,782	53,815,679	49,236,224	51,371,076
15,991,362	15,735,740	17,551,174	17,922,420
960,649	1,033,980	1,004,187	879,827
20,302,546	20,887,064	19,233,843	19,906,160
3,496,589	3,057,027	2,269,759	2,206,813
1,319,681	1,207,120	1,298,032	969,908
<u>113,517,290</u>	<u>113,706,853</u>	<u>109,151,355</u>	<u>111,349,282</u>
3,205,671	3,688,843	4,014,763	3,987,138
6,990,454	7,604,854	7,290,859	7,279,165
1,808,400	1,784,182	1,989,214	2,589,058
181,967	182,536	176,345	170,208
6,480,262	6,138,877	6,373,706	6,459,188
30,093	7,692	14,000	139,747
<u>18,696,847</u>	<u>19,406,984</u>	<u>19,858,887</u>	<u>20,624,504</u>
9,528,743	11,220,655	10,438,719	9,304,569
4,136,188	4,890,813	1,324,987	1,040,365
<u>32,361,778</u>	<u>35,518,452</u>	<u>31,622,593</u>	<u>30,969,438</u>
<u>(81,155,512)</u>	<u>(78,188,401)</u>	<u>(77,528,762)</u>	<u>(80,379,844)</u>
71,536,045	72,786,959	73,631,345	74,411,232
10,225,375	9,967,910	9,594,061	9,520,440
2,109,219	3,761,071	4,442,283	4,484,831
164,447	127,871	341,677	120,281
<u>84,035,086</u>	<u>86,643,811</u>	<u>88,009,366</u>	<u>88,536,784</u>
-	(215,000)	-	-
<u>(710,439)</u>	<u>(2,769,698)</u>	<u>(1,533,933)</u>	<u>(1,513,522)</u>
<u>\$ 2,169,135</u>	<u>\$ 5,470,712</u>	<u>\$ 8,946,671</u>	<u>\$ 6,643,418</u>

City of Dearborn, Michigan

	Fiscal Year Ended June 30,		
	2002	2003	2004
Expenses			
Housing	\$ 2,660,315	\$ 2,979,089	\$ 3,849,819
Golf course	1,659,954	1,590,276	1,542,704
Parking	46,507	447,201	407,820
Sewer	14,472,824	15,253,728	16,964,560
Water	9,725,444	11,212,753	11,158,986
Total expenses	<u>28,565,044</u>	<u>31,483,047</u>	<u>33,923,889</u>
Program revenues			
Charges for services			
Housing	2,838,066	3,008,055	3,128,263
Golf course	1,490,634	1,387,653	1,303,327
Parking	-	475,938	383,650
Sewer	15,081,039	15,883,338	18,442,613
Water	12,162,970	12,321,633	12,115,556
Total charges for services	<u>31,572,709</u>	<u>33,076,617</u>	<u>35,373,409</u>
Operating grants and contributions	-	-	23,775
Capital grants and contributions	15,502	498,029	2,556,992
Total program revenues	<u>31,588,211</u>	<u>33,574,646</u>	<u>37,954,176</u>
Net (expense) revenue	<u>3,023,167</u>	<u>2,091,599</u>	<u>4,030,287</u>
General revenues			
Property taxes	-	-	-
Intergovernmental revenues	-	-	102,836
Investment earnings	1,287,064	782,382	519,669
Miscellaneous	187,135	320,541	138,351
Total general revenues	<u>1,474,199</u>	<u>1,102,923</u>	<u>760,856</u>
Gain (loss) on sale of capital assets	(1,640,838)	516,601	-
Special items-loss on abandoned assets	-	-	(1,830,000)
Transfers	4,804,261	574,393	803,364
Change in net assets	<u>\$ 7,660,789</u>	<u>\$ 4,285,516</u>	<u>\$ 3,764,507</u>
Change in Primary Government net assets			
Change in Governmental net assets	\$ (4,018,480)	\$ 11,023,303	\$ 7,178,865
Change in Business-type net assets	7,660,789	4,285,516	3,764,507
Total Change in Primary Government net assets	<u>\$ 3,642,309</u>	<u>\$ 15,308,819</u>	<u>\$ 10,943,372</u>

City of Dearborn, Michigan

Changes in Business-type Net Assets Last Seven Fiscal Years (accrual basis of accounting)

Fiscal Year Ended June 30,				
	2005	2006	2007	2008
\$	3,064,323	\$ 3,227,297	\$ 3,394,571	\$ 3,322,742
	1,601,870	1,563,400	1,557,375	1,588,253
	473,676	608,254	1,934,091	2,360,226
	17,921,160	16,737,924	16,963,805	17,779,531
	11,122,419	10,717,015	11,518,094	11,525,968
	<u>34,183,448</u>	<u>32,853,890</u>	<u>35,367,936</u>	<u>36,576,720</u>
	3,169,921	3,370,818	3,311,667	3,424,466
	1,347,301	1,300,202	1,322,504	1,283,463
	745,981	389,658	1,103,913	1,640,449
	19,537,082	19,660,321	20,252,157	22,867,177
	11,056,895	15,047,237	14,071,679	16,282,194
	<u>35,857,180</u>	<u>39,768,236</u>	<u>40,061,920</u>	<u>45,497,749</u>
	-	-	-	-
	9,707,284	7,084,833	3,720,899	1,641,423
	<u>45,564,464</u>	<u>46,853,069</u>	<u>43,782,819</u>	<u>47,139,172</u>
	<u>11,381,016</u>	<u>13,999,179</u>	<u>8,414,883</u>	<u>10,562,452</u>
	-	3,218,635	3,540,409	7,408,825
	73,862	-	10,950	503,887
	1,316,732	2,016,375	3,038,305	3,307,537
	143,783	1,075,790	182,076	405,180
	<u>1,534,377</u>	<u>6,310,800</u>	<u>6,771,740</u>	<u>11,625,429</u>
	-	-	-	-
	-	-	-	-
	710,439	2,769,698	1,533,933	1,513,522
\$	<u>13,625,832</u>	<u>23,079,677</u>	<u>16,720,556</u>	<u>23,701,403</u>
\$	2,169,135	\$ 5,470,712	\$ 8,946,671	\$ 6,643,418
	<u>13,625,832</u>	<u>23,079,677</u>	<u>16,720,556</u>	<u>23,701,403</u>
\$	<u>15,794,967</u>	<u>28,550,389</u>	<u>25,667,227</u>	<u>30,344,821</u>

City of Dearborn, Michigan

	As of June 30,			
	1999	2000	2001	2002
General fund				
Reserved	\$ 9,811,958	\$ 15,390,637	\$ 4,017,656	\$ 6,076,610
Unreserved	27,306,636	22,542,248	35,801,751	30,274,711
Total general fund	<u>\$ 37,118,594</u>	<u>\$ 37,932,885</u>	<u>\$ 39,819,407</u>	<u>\$ 36,351,321</u>
 All other governmental funds				
Reserved	\$ 40,693,496	\$ 27,266,116	\$ 26,393,103	\$ 21,238,669
Unreserved, reported in:				
Special revenue funds	5,535,800	2,574,043	1,527,620	3,396,018
Debt service fund	-	-	-	291,545
Capital project fund	249,470	1,304,921	846,795	5,100,079
Total all other governmental funds	<u>\$ 46,478,766</u>	<u>\$ 31,145,080</u>	<u>\$ 28,767,518</u>	<u>\$ 30,026,311</u>

Fund Balances, Governmental Funds
Last Ten Fiscal Years
(accrual basis of accounting)

As of June 30,					
2003	2004	2005	2006	2007	2008
\$ 10,115,777	\$ 11,183,559	\$ 8,433,491	\$ 11,631,922	\$ 8,057,877	\$ 2,903,603
28,042,650	32,060,409	34,158,361	24,705,707	27,656,144	27,091,088
<u>\$ 38,158,427</u>	<u>\$ 43,243,968</u>	<u>\$ 42,591,852</u>	<u>\$ 36,337,629</u>	<u>\$ 35,714,021</u>	<u>\$ 29,994,691</u>
\$ 24,799,034	\$ 28,425,497	\$ 31,208,243	\$ 35,197,980	\$ 36,093,486	\$ 36,269,424
2,639,359	3,033,591	1,003,246	2,182,390	2,820,754	4,246,060
350,940	325,862	-	-	-	-
4,351,008	2,225,393	-	-	98,378	2,864,333
<u>\$ 32,140,341</u>	<u>\$ 34,010,343</u>	<u>\$ 32,211,489</u>	<u>\$ 37,380,370</u>	<u>\$ 39,012,618</u>	<u>\$ 43,379,817</u>

City of Dearborn, Michigan

	Year Ended June 30,			
	1999	2000	2001	2002
Revenues				
Taxes, assessments and penalties on taxes	\$ 60,554,851	\$ 61,157,824	\$ 63,365,685	\$ 65,368,159
Licenses and permits	3,581,248	3,011,125	3,738,384	2,194,914
Intergovernmental revenues:				
State sources	17,302,376	17,461,613	18,571,632	18,273,158
Federal sources	5,427,807	5,829,180	1,854,291	4,392,843
Other sources	140,024	154,600	159,840	201,261
Charges for services	5,520,853	6,165,817	5,077,691	7,807,213
Fines and forfeitures	3,813,800	3,830,334	4,157,970	4,951,743
Rents and royalties	3,730,243	3,640,486	3,881,396	4,441,195
Miscellaneous revenue	2,937,016	1,509,526	1,108,284	1,985,055
Private source contributions	-	-	1,259,156	347,662
Investment income	5,328,131	5,221,675	5,561,743	2,633,805
Total revenues	108,336,349	107,982,180	108,736,072	112,597,008
Expenditures				
General government	14,603,777	14,790,708	15,605,502	19,636,300
Public safety	33,714,411	34,656,797	35,414,787	38,231,736
Public works	16,634,184	17,895,920	16,127,975	21,290,195
Health and welfare	1,781,441	1,753,200	1,427,595	1,245,330
Recreation and culture	11,441,459	10,847,849	12,073,395	15,577,675
Community improvement	2,168,819	2,176,281	1,850,478	2,044,095
Utilities	3,372,766	3,197,104	3,667,627	3,670,306
Capital outlay	13,117,607	32,770,626	22,158,121	12,523,615
Debt service - principal	1,310,000	1,910,000	2,050,000	2,215,000
Debt service - interest	2,208,006	2,074,138	1,961,452	1,839,548
Total expenditures	100,352,470	122,072,623	112,336,932	118,273,800
Revenues Over (Under) Expenditures	7,983,879	(14,090,443)	(3,600,860)	(5,676,792)
Other Financing Sources (Uses)				
Issuance of debt	-	-	-	-
Bond premium and other	-	-	-	-
Payments from (to) escrow agent	-	-	-	-
Transfers in	12,241,170	15,583,919	20,819,314	15,160,852
Transfers out	(12,395,907)	(16,012,871)	(19,847,608)	(17,917,036)
Contribution to component unit	-	-	-	-
Total other financing sources (uses)	(154,737)	(428,952)	971,706	(2,756,184)
Net Change in Fund Balances	7,829,142	(14,519,395)	(2,629,154)	(8,432,976)
Fund Balances - Beginning of year	75,768,218	83,597,360	71,216,079	74,810,606
Fund Balances - End of year	\$ 83,597,360	\$ 69,077,965	\$ 68,586,925	\$ 66,377,630

	Note 1		Note 2	
Debt service as a percentage of noncapital expenditures	4.03%	4.46%	4.45%	3.83%

Note 1 - FY2001 beginning fund balance has been restated to reflect a change in accounting methods.

Note 2 - FY2002 beginning fund balance does not agree with the prior year ending balance due to the implementation of GASB 34.

Changes in Fund Balances, Government Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

Year Ended June 30,						
2003	2004	2005	2006	2007	2008	
\$ 68,535,593	\$ 71,225,476	\$ 71,636,846	\$ 73,074,475	\$ 73,956,411	\$ 74,864,544	
2,567,285	3,012,402	2,484,862	2,211,330	2,354,012	2,103,672	
18,445,599	18,144,074	17,556,775	18,724,037	17,019,551	16,890,767	
3,128,156	4,201,011	4,286,267	5,792,025	3,019,962	1,839,525	
176,453	158,521	174,776	116,796	120,626	232,307	
8,576,251	9,910,066	9,605,652	9,789,794	9,763,643	10,517,161	
4,093,236	3,722,143	3,615,747	4,480,045	4,591,880	4,734,867	
4,824,692	4,860,730	5,066,367	5,206,021	5,216,764	5,598,596	
2,083,898	1,779,416	2,070,831	2,537,007	1,251,339	1,211,475	
286,271	395,049	553,421	257,048	159,203	179,747	
1,623,318	1,071,016	2,108,961	3,761,071	4,442,283	4,484,831	
<u>114,340,752</u>	<u>118,479,904</u>	<u>119,160,505</u>	<u>125,949,649</u>	<u>121,895,674</u>	<u>122,657,492</u>	
16,607,919	17,137,937	17,802,197	17,625,581	16,592,671	17,243,638	
39,361,005	40,209,968	47,448,269	50,596,105	47,815,559	50,531,877	
18,421,532	19,752,523	18,740,517	20,545,286	23,264,645	22,205,870	
985,036	898,637	951,384	1,015,112	1,017,025	918,983	
15,490,932	15,719,462	16,625,373	17,158,608	15,991,058	16,742,339	
2,097,139	4,017,796	1,856,829	2,214,272	1,944,888	1,988,312	
3,987,263	3,840,690	4,060,359	4,464,391	4,302,158	4,607,915	
6,888,289	4,120,128	8,373,440	5,687,117	3,816,566	4,009,106	
2,340,000	2,465,000	2,630,000	2,765,000	3,040,000	3,025,000	
1,707,568	1,842,076	1,347,823	1,229,742	1,242,580	989,061	
<u>107,886,683</u>	<u>110,004,217</u>	<u>119,836,191</u>	<u>123,301,214</u>	<u>119,027,150</u>	<u>122,262,101</u>	
6,454,069	8,475,687	(675,686)	2,648,435	2,868,524	395,391	
-	-	-	-	9,840,000	3,536,000	
-	8,630,000	-	-	285,831	-	
-	(8,475,000)	-	-	(10,125,831)	(3,520,000)	
10,984,992	11,636,915	8,000,313	13,105,908	11,823,416	14,584,454	
(13,517,923)	(13,312,059)	(9,775,597)	(16,303,606)	(13,683,300)	(16,347,976)	
-	-	-	(536,079)	-	-	
<u>(2,532,931)</u>	<u>(1,520,144)</u>	<u>(1,775,284)</u>	<u>(3,733,777)</u>	<u>(1,859,884)</u>	<u>(1,747,522)</u>	
3,921,138	6,955,543	(2,450,970)	(1,085,342)	1,008,640	(1,352,131)	
<u>66,377,630</u>	<u>70,298,768</u>	<u>77,254,311</u>	<u>74,803,341</u>	<u>73,717,999</u>	<u>74,726,639</u>	
<u>\$ 70,298,768</u>	<u>\$ 77,254,311</u>	<u>\$ 74,803,341</u>	<u>\$ 73,717,999</u>	<u>\$ 74,726,639</u>	<u>\$ 73,374,508</u>	
4.01%	4.07%	3.57%	3.40%	3.72%	3.39%	

City of Dearborn, Michigan

Revenue Sharing Payments State of Michigan Last Ten Fiscal Years

<u>Fiscal Year Ending June 30,</u>	<u>Revenue Sharing Payments</u>
1999	\$ 11,294,620
2000	11,280,314
2001	12,282,754
2002	11,767,042
2003	11,094,535
2004	10,017,678
2005	9,872,675
2006	9,783,701
2007	9,510,689
2008	9,458,018
2009	9,609,500 (adopted budget)

Source: City of Dearborn Finance Department

City of Dearborn, Michigan

History of Sewage System Rates Last Ten Fiscal Years

Fiscal Year Ending June 30,	Rates Effective July 1,	Sewer Commodity Rate	Quarterly Sewer Capacity Charges Range	
			From 5/8 inches	To 24 inches
1999	1998	\$ 10.67	\$ 11.87	\$ 5,408.86
2000	1999	11.95	14.75	6,693.60
2001	2000	11.95	14.75	6,693.60
2002	2001	13.20	14.75	6,693.60
2003	2002	15.75	14.75	6,693.60
2004	2003	18.12	17.40	7,996.08
2005	2004	21.81	19.53	11,718.00
2006	2005	20.48	20.84	12,504.00
2007	2006	22.58	19.04	11,424.00
2008	2007	24.05	20.28	12,168.00
2009	2008	28.02	24.47	14,682.00

Note: Maximum sewer capacity charge is calculated on a 24 inch water connection, however beginning in 2006 the largest connection billed is 10 inches.

Source: City of Dearborn ordinance

City of Dearborn, Michigan

Real Property Taxable Value

Tax Year	Fiscal Year	Residential	Commercial	Industrial	Industrial Facilities Tax (IFT)	Total Real
1998	1999	1,492,909,434	744,746,122	305,310,162	51,189,150	2,594,154,868
1999	2000	1,553,991,975	756,515,660	347,101,809	18,867,950	2,676,477,394
2000	2001	1,627,849,973	818,018,779	359,114,973	22,300,250	2,827,283,975
2001	2002	1,721,162,010	862,920,714	362,082,837	21,897,700	2,968,063,261
2002	2003	1,821,761,592	931,693,660	376,411,376	141,545,850	3,271,412,478
2003	2004	1,891,783,975	956,905,879	381,595,698	165,315,700	3,395,601,252
2004	2005	1,975,915,384	978,301,152	388,619,725	178,011,500	3,520,847,761
2005	2006	2,053,916,387	1,011,807,684	392,315,199	176,638,200	3,634,677,470
2006	2007	2,147,398,933	1,046,716,836	378,766,844	83,837,200	3,656,719,813
2007	2008	2,231,816,185	1,076,856,267	385,928,618	83,887,200	3,778,488,270
2008	2009	2,237,411,169	1,078,505,875	386,616,568	84,142,200	3,786,675,812

Note: Under Michigan law, the revenue base is Taxable Value.

Note: Assessed value is determined by the City Assessor. The State of Michigan reviews the City's assessment and assigns a factor to adjust the Assessor's numbers. The State multiplies this factor by the assessed value to arrive at the State Equalized Valuation (S.E.V.) All reported assessed values are equal to the S.E.V. since the factor for Dearborn is 1.00.

Tax Base Composition

A breakdown of the City's tax year 2008 (fiscal year 2009) taxable valuation is as follows:

By Class	Taxable Valuation	Percent of total
Real Property	\$ 3,786,675,812	77.35%
Personal Property	1,108,533,900	22.65%
Total	\$ 4,895,209,712	100.00%

By Use	Taxable Valuation	Percent of total
Commercial	\$ 1,078,505,875	22.03%
Industrial	386,616,568	7.90%
Residential	2,237,411,169	45.71%
Personal	1,192,676,100	24.36%
Total	\$ 4,895,209,712	100.00%

Note: The tax base does not include IFT real or personal taxable values.

Source: City of Dearborn Departments of Assessment, Finance and Economic & Community Development

Taxable Value and Assessed Value of Taxable Property Last Ten Fiscal Years

Personal Property Taxable Value

Personal	Industrial Facilities Tax (IFT)	Total Personal	Total Taxable Value	Direct Tax Rate (mills)	Tax Increment Financing Total Captured Valuation	Assessed Value	Taxable as a % of Assessed Value
1,101,505,350	235,583,450	1,337,088,800	3,931,243,668	15.38	20,377,588	4,115,287,007	95.53%
1,146,611,650	227,276,050	1,373,887,700	4,050,365,094	15.28	29,481,511	4,335,105,048	93.43%
1,038,909,600	263,580,400	1,302,490,000	4,129,773,975	15.33	34,926,761	4,542,072,991	90.92%
999,888,600	342,183,650	1,342,072,250	4,310,135,511	15.33	40,658,385	4,825,232,278	89.32%
937,258,600	345,849,100	1,283,107,700	4,554,520,178	15.32	42,861,215	5,176,232,134	87.99%
900,530,150	326,484,900	1,227,015,050	4,622,616,302	15.29	46,459,726	5,353,056,598	86.35%
852,123,859	347,813,200	1,199,937,059	4,720,784,820	15.27	48,694,724	5,499,856,383	85.83%
828,261,796	383,426,000	1,211,687,796	4,846,365,266	15.86	51,803,120	5,645,658,764	85.84%
739,617,400	370,526,500	1,110,143,900	4,766,863,713	14.75	53,888,169	5,464,185,166	87.24%
733,359,650	341,047,450	1,074,407,100	4,852,895,370	14.67	58,346,185	5,454,579,394	88.97%
661,018,000	447,515,900	1,108,533,900	4,895,209,712	14.67	58,088,358	5,038,391,863	97.16%

City of Dearborn, Michigan

Tax Year	Fiscal Year	Millage Rates - Direct City Taxes				Overlapping Taxes		
		General Operating	Debt	Garbage & Rubbish	Total Direct Taxes	County (1)	Community College (2)	Intermediate School District
Dearborn School District								
1998	1999	13.6800	0.6000	1.1000	15.3800	8.5000	2.5000	2.0000
1999	2000	13.6600	0.5000	1.1200	15.2800	8.4572	2.5000	2.0000
2000	2001	13.6600	0.5500	1.1200	15.3300	8.4039	2.4735	1.9789
2001	2002	13.6500	0.5500	1.1300	15.3300	8.3905	2.4735	1.9753
2002	2003	13.6500	0.5400	1.1300	15.3200	8.6390	2.4735	3.4643
2003	2004	13.6275	0.5400	1.1225	15.2900	8.6361	2.4596	3.4643
2004	2005	13.5900	0.5200	1.1600	15.2700	8.6354	2.4596	3.4643
2005	2006	13.6275	1.1100	1.1225	15.8600	8.6346	3.0000	3.4643
2006	2007	13.6275	1.3000	1.1225	16.0500	8.6266	3.0000	3.4643
2007	2008	13.6275	2.1125	1.0400	16.7800	8.6266	3.0000	3.4643
2008	2009	13.6275	2.0525	1.0400	16.7200	5.6483 *	3.0000	3.4643

* County Winter Millage not available at time of schedule preparation.

Westwood School District

1998	1999	13.6800	0.6000	1.1000	15.3800	8.5000	1.1500	2.0000
1999	2000	13.6600	0.5000	1.1200	15.2800	8.4572	1.0190	2.0000
2000	2001	13.6600	0.5500	1.1200	15.3300	8.4039	1.0000	1.9789
2001	2002	13.6500	0.5500	1.1300	15.3300	8.3905	2.4995	1.9753
2002	2003	13.6500	0.5400	1.1300	15.3200	8.6390	2.4862	3.4643
2003	2004	13.6275	0.5400	1.1225	15.2900	8.6361	2.4862	3.4643
2004	2005	13.5900	0.5200	1.1600	15.2700	8.6354	2.4844	3.4643
2005	2006	13.6275	1.1100	1.1225	15.8600	8.6346	2.4769	3.4643
2006	2007	13.6275	1.3000	1.1225	16.0500	8.6266	2.6915	3.4643
2007	2008	13.6275	2.1125	1.0400	16.7800	8.6266	2.4769	3.4643
2008	2009	13.6275	2.0525	1.0400	16.7200	5.6483 *	TBD *	3.4643

* County Winter Millage not available at time of schedule preparation.

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	Garbage & Rubbish
2008	13.6275	no limit	2.7254

- (1) County rate includes all Wayne County, Huron Clinton Metropolitan Park Authority and Wayne County Transit Authority (Smart) tax rates.
- (2) Henry Ford Community College is part of the Dearborn school system. Westwood school taxpayers pay a Wayne County Community College rate.
- (3) A homeowner's Principal Residence Exemption (P.R.E.) grants up to 18 mill of school tax relief to qualified homeowners (Public Act 105 of 2003, MCL 211.7cc). It is administered by the local assessor and affects the local tax bill. An independent state homestead property tax credit (MCL 206.508 et seq.) to qualified homeowners and renters is administered directly by the Michigan Department of Treasury as additional tax relief.
- (4) Dearborn School's P.R.E rate includes a "Homestead Supplemental" rate. This is applied to P.R.E. tax parcels only.

Source: City of Dearborn Departments of Assessment and Finance

Direct and Overlapping Property Tax Rates Last Ten Fiscal Years

State Education Tax (SET)	Total Tax Rate Before School Taxes	School P.R.E. (4)	Total Tax Rate P.R.E. (3)(4)	Overlapping Taxes School Non - P.R.E.	Total Tax Rate Non - P.R.E.
6.0000	34.3800	8.1500	42.5300	19.9800	54.3600
6.0000	34.2372	8.0900	42.3272	19.9400	54.1772
6.0000	34.1863	8.0247	42.2110	19.9200	54.1063
6.0000	34.1693	8.0247	42.1940	19.9200	54.0893
6.0000	35.8968	9.9447	45.8415	21.8400	57.7368
5.0000	34.8500	9.9521	44.8021	22.0600	56.9100
6.0000	35.8293	10.0760	45.9053	22.4200	58.2493
6.0000	36.9589	9.1588	46.1177	21.9400	58.8989
6.0000	37.1409	9.1610	46.3019	22.1200	59.2609
6.0000	37.8709	9.0181	46.8890	21.8400	59.7109
6.0000	29.1843	3.6146	32.7989	22.1800	TBD *
6.0000	33.0300	3.0000	36.0300	21.0000	54.0300
6.0000	32.7562	3.0000	35.7562	21.0000	53.7562
6.0000	32.7128	2.9709	35.6837	20.9709	53.6837
6.0000	34.1953	2.9376	37.1329	20.9358	55.1311
6.0000	35.9095	2.9026	38.8121	20.8720	56.7815
5.0000	34.8766	2.8790	37.7556	20.8484	55.7250
6.0000	35.8541	2.8274	38.6815	20.4931	56.3472
6.0000	36.4358	2.7767	39.2125	20.1844	56.6202
6.0000	36.8324	2.7392	39.5716	20.7392	57.5716
6.0000	37.3478	-	37.3478	18.0000	55.3478
6.0000	26.1843	-	26.1843	18.0000	TBD *

City of Dearborn, Michigan

Principal Property Taxpayers Next Year, Current Year and Nine Years Previous

Taxpayer	2008			2007			1998		
	Taxable Value	Rank	Percent of total	Taxable Value	Rank	Percent of total	Taxable Value	Rank	Percent of total
Ford Motor Company	\$ 1,021,833,774	1	21.06%	\$ 1,090,095,070	1	22.46%	\$ 1,118,346,934	1	28.16%
Severstal Steel Company	209,883,925	2	4.32%	119,344,800	2	2.46%	-	-	-
Dearborn Industrial Generation	56,889,400	3	1.17%	59,649,925	3	1.23%	-	-	-
Hallwood Management Co	45,551,087	4	0.94%	44,574,472	5	0.92%	38,811,727	6	0.98%
Fairlane Town Center	43,704,400	5	0.90%	44,679,350	4	0.92%	49,266,950	4	1.24%
The ACG (AAA of Michigan)	33,811,623	6	0.70%	39,939,715	6	0.82%	35,246,850	7	0.89%
Detroit Edison	27,239,755	7	0.56%	34,957,091	7	0.72%	40,917,284	5	1.03%
CNL Hospitality Corporation	24,304,000	8	0.50%	24,433,950	9	0.50%	-	-	0.00%
Automotive Components Holding	24,154,394	9	0.50%	25,709,096	8	0.53%	-	-	0.00%
IBM Corporation	19,137,600	10	0.39%	20,402,000	10	0.42%	-	-	-
Rouge Steel Company	-	-	-	-	-	-	147,761,450	2	3.72%
U. S. Leasing Capital	-	-	-	-	-	-	58,015,600	3	1.46%
United Technologies (Essex Group)	-	-	-	-	-	0.00%	22,110,769	9	0.56%
COMDISCO, Inc.	-	-	-	-	-	0.00%	25,124,250	8	0.63%
Henry Ford Village	-	-	-	-	-	-	19,290,050	10	0.49%
Total - ten largest taxpayers	1,506,509,958		31.04%	1,503,785,469		30.99%	1,554,891,864		39.15%
Total - all other taxpayers	3,388,699,754		69.83%	3,349,109,901		69.01%	2,417,052,718		60.85%
Total - all taxpayers	<u>\$ 4,895,209,712</u>		<u>100.87%</u>	<u>\$ 4,852,895,370</u>		<u>100.00%</u>	<u>\$ 3,971,944,582</u>		<u>100.00%</u>

Notes:

Taxes are billed and collected as current beginning in July of one year through February of the following year. Taxable values include Ad Valorem and Industrial Facilities Tax (Act 198) taxable values.

Abated Industrial Facilities taxable value for 1998 taxable year applicable to Ford Motor Company was \$3,705,050 Real and \$80,011,200 Personal Property and Rouge Steel was \$18,643,325 Real and \$34,365,925 Personal Property.

Abated Industrial Facilities Taxable Value for the 2007 tax year applicable to Ford Motor Company was \$32,293,225 Real and \$125,286,275 Personal Property; Severstal Steel Company was \$1,804,000 Real and \$2,856,800 Personal Property; and Dearborn Industrial Generation (DIG) was \$3,012,650 Real and \$51,421,825 Personal Property.

Abated Industrial Facilities Taxable Value for the 2008 tax year applicable to Ford Motor Company was \$32,293,225 Real and \$100,426,850 Personal Property; Severstal Steel Company was \$1,916,500 Real and \$93,766,775 Personal Property; and Dearborn Industrial Generation (DIG) was \$3,012,650 Real and \$49,095,400 Personal Property.

Source: City of Dearborn Department of Assessment

City of Dearborn, Michigan

Principal Sewage Utility Customers

Taxpayer	Fiscal Year Ended June 30, 2008		
	Estimated Sewage Volumes (in cubic feet) (1)	Estimated Sewage Disposal Charges Billed (2)	
	Rank		
Severstal NA	83,345,000	1	\$ 2,100,601
Ford Motor Company	79,320,100	2	2,240,217
Ford Rouge Plant	46,869,400	3	1,169,881
Oakwood Health Care	15,099,500	4	440,512
Henry Ford Village	7,302,100	5	191,812
Dearborn Schools	7,237,100	6	257,155
Hyatt Regency Hotel	4,891,000	7	121,685
Fairlane Town Center	4,106,500	8	126,578
U of M Dearborn	3,521,500	9	98,077
Ritz Carlton	2,574,100	10	68,061
Total - ten largest sewage customers	<u>254,266,300</u>		<u>\$ 6,814,579</u>

Notes:

(1) Sewage customers reported - some utility customers have high water volumes, but do not have their sewage treated (i.e. TPC Michigan golf course).

(2) Sewage disposal charges billed includes commodity, capacity and IWCC charges (passed through from Detroit Water and Sewer Department based on meter size) and sewer base charges applied to fireline charges without any consumption.

Source: City of Dearborn DPW Water Division

City of Dearborn, Michigan

Collection Period July 1 to February 28	Tax Year	Tax Levy as Adjusted	Collections Respective Tax Year	Percent Collected	Delinquent Tax
1998-1999	1998	56,114,743	54,739,079	97.5%	1,375,664
1999-2000	1999	57,839,175	56,724,431	98.1%	1,114,744
2000-2001	2000	58,709,163	57,383,776	97.7%	1,325,387
2001-2002	2001	60,993,513	59,572,542	97.7%	1,420,971
2002-2003	2002	63,690,538	61,096,759	95.9%	2,593,779
2003-2004	2003	64,668,527	62,830,392	97.2%	1,838,135
2004-2005	2004	65,902,430	63,585,712	96.5%	2,316,718
2005-2006	2005	66,782,028	64,661,825	96.8%	2,120,203
2006-2007	2006	66,932,745	64,728,834	96.7%	2,203,911
2007-2008	2007	68,037,423	65,471,370	96.2%	2,566,053
2008-2009	2008	68,012,518	in process of collection		

Tax Year	Delinquent Tax	Collections		
		Fiscal Year 2007-2008	Prior Fiscal Years	Total
1998	1,375,664	-	1,322,013	1,322,013
1999	1,114,744	-	1,104,678	1,104,678
2000	1,325,387	-	1,405,567	1,405,567
2001	1,420,971	1,457	1,671,598	1,673,055
2002	2,593,779	1,318	2,846,867	2,848,185
2003	1,838,135	12,334	1,921,693	1,934,027
2004	2,316,718	48,508	2,499,518	2,548,026
2005	2,120,203	21,147	1,743,120	1,764,267
2006	2,203,911	2,152,172	41,533	2,193,705
2007	2,566,053	2,495,962	-	2,495,962

**Property Taxes Levied, Collected and Outstanding
Last Ten Fiscal Years**

Delinquent Tax Collections	Delinquent Balance as of June 30, 2008	Cumulative Collections (Current and Delinquent)	Percent Collected
1,375,664	-	56,114,743	100.0%
1,114,744	-	57,839,175	100.0%
1,325,387	-	58,709,163	100.0%
1,419,674	1,297	60,992,216	100.0%
2,388,612	255,167	63,485,371	99.7%
1,512,279	325,856	64,342,671	99.5%
1,884,695	432,073	65,470,407	99.3%
2,045,663	74,540	66,707,488	99.9%
2,143,976	59,935	66,872,810	99.9%
2,491,582	74,771	67,962,952	99.9%

Adjustments	Delinquent Balance as of June 30, 2008
(53,651)	-
(10,066)	-
80,180	-
253,381	1,297
509,573	255,167
421,748	325,856
663,331	432,023
(281,396)	74,540
49,749	59,935
4,380	74,471

City of Dearborn, Michigan

	Fiscal Year Ended June 30,			
	1999	2000	2001	2002
Governmental activities:				
General obligation bonds	\$ 42,251,496	\$ 40,345,765	\$ 38,299,929	\$ 36,090,041
Business type activities:				
General obligation bonds	3,465,000	3,356,100	3,237,300	3,108,600
Revenue bonds	27,951,439	26,539,001	25,046,563	23,794,125
Total business type activities	31,416,439	29,895,101	28,283,863	26,902,725
Total debt of the government	\$ 73,667,935	\$ 70,240,866	\$ 66,583,792	\$ 62,992,766
Total residential personal income	NA	\$ 2,100,989,200	\$ 2,100,989,200	\$ 2,100,989,200
Ratio of total debt to personal income	NA	3.34%	3.17%	3.00%
Total population*	95,600	97,775	98,929	99,879
Total debt per capita	\$ 771	\$ 718	\$ 673	\$ 631

Note: The City of Dearborn has no installment purchase agreements, special assessment bonds or capital leases.

* Population statistics are the U.S. Census Bureau estimates for April 1, 2000 and the SEMCOG estimates as of July 1 for all other years as published in Southeast Michigan Council of Governments' "Population and Households in Southeast Michigan, 2000-2008" (September 2008 and earlier).

Ratios of Outstanding Debt Last Ten Fiscal Years

Fiscal Year Ended June 30,						
2003	2004	2005	2006	2007	2008	
\$ 33,752,890	\$ 33,611,717	\$ 30,489,918	\$ 27,217,946	\$ 23,744,725	\$ 20,217,780	
2,970,000	14,889,626	47,132,660	68,401,337	100,993,381	131,853,146	
27,376,520	26,723,565	24,953,267	23,052,972	21,107,676	19,122,380	
30,346,520	41,613,191	72,085,927	91,454,309	122,101,057	150,975,526	
<u>\$ 64,099,410</u>	<u>\$ 75,224,908</u>	<u>\$ 102,575,845</u>	<u>\$ 118,672,255</u>	<u>\$ 145,845,782</u>	<u>\$ 171,193,306</u>	
\$ 2,100,989,200	\$ 2,100,989,200	\$ 2,067,333,614	\$ 2,067,333,614	\$ 2,167,472,786	\$ 2,292,093,612	
3.05%	3.58%	4.96%	5.74%	6.73%	7.47%	
99,824	99,499	99,382	99,909	99,089	101,223	
\$ 642	\$ 756	\$ 1,032	\$ 1,188	\$ 1,472	\$ 1,691	

City of Dearborn, Michigan

Fiscal Year	Limited Tax General Obligation Bonds (LTGO)	Tax Supported Bonds (UTGO)	Less Pledged Det Service Funds	Other General Obligation Debt	Net General Bonded Debt
1998	\$ 19,695,300	\$ 23,860,000	\$ 77,198	\$ -	\$ 43,478,102
1999	19,301,496	22,950,000	349,824	-	41,901,672
2000	18,470,765	21,875,000	198,553	-	40,147,212
2001	17,599,929	20,700,000	247,348	-	38,052,581
2002	16,690,041	19,400,000	291,545	-	35,798,496
2003	15,727,890	18,025,000	350,940	-	33,401,950
2004	17,036,717	16,575,000	325,862	-	33,285,855
2005	15,439,918	15,050,000	514,528	-	29,975,390
2006	13,767,946	13,450,000	159,246	-	27,058,700
2007	12,050,790	11,693,935	110,036	-	23,634,689
2008	10,298,845	9,918,935	321,850	-	19,895,930

* Population statistics are the U. S. Census Bureau estimates for April 1, 2000 and the SEMCOG estimates as of July 1, for other years as published in Southeast Michigan Council of Governments' "Population and Households in Southeast Michigan, 2000-2008" (September 2008 and earlier).

Ratios of General Bond Debt Outstanding Last Ten Fiscal Years

	Taxable Value	Debt as a Percentage of Taxable Value	Population *	Debt per Capita
\$	3,795,435,630	1.15%	93,400	\$ 466
	3,931,243,668	1.07%	95,660	438
	4,050,365,094	0.99%	97,775	411
	4,129,773,975	0.92%	98,929	385
	4,310,135,511	0.83%	99,879	358
	4,554,520,178	0.73%	99,824	335
	4,622,616,302	0.72%	99,499	335
	4,720,784,820	0.63%	99,382	302
	4,846,365,266	0.56%	99,909	271

City of Dearborn, Michigan

Computation of Direct and Overlapping Bonded Debt General Obligation Bonds June 30, 2008

Government Unit	Net Bonded Debt Outstanding	Percentage Applicable to Government	Amount Applicable to Government	Per Capita (2)
Direct - City of Dearborn	\$ 20,217,780	100.00%	\$ 20,217,780	\$ 200
Overlapping (1):				
Dearborn School District	194,802,000	94.78%	184,633,336	1,824
Westwood School District	95,000	6.46%	6,137	-
Wayne County at large	132,276,900	8.36%	11,058,349	109
Wayne County Community College	<u>40,575,000</u>	0.06%	<u>24,345</u>	-
Total Overlapping Debt	<u>367,748,900</u>	53.22%	<u>195,722,167</u>	1,934
Grand Total	<u>\$ 387,966,680</u>	55.66%	<u>\$ 215,939,947</u>	<u>\$ 2,133</u>

Sources:

(1) Overlapping debt figures supplied by the Municipal Advisory Council of Michigan.

(2) Population of 101,223 as estimated in the Southeast Michigan Council of Governments' "Population and Households in Southeast Michigan, 2000-2008" (September 2008 and earlier).

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City of Dearborn, Michigan

	Fiscal Year Ended June 30,			
	1999	2000	2001	2002
Valuation base				
State equalized valuation - excluding IFT values	\$ 3,828,514,407	\$ 4,088,961,048	\$ 4,256,192,341	\$ 4,461,150,928
Plus: equivalent valuation of Act 198 exemptions	286,772,600	246,144,000	285,880,650	364,081,350
Total valuation	<u>\$ 4,115,287,007</u>	<u>\$ 4,335,105,048</u>	<u>\$ 4,542,072,991</u>	<u>\$ 4,825,232,278</u>
Legal Debt limitation - 10% of total valuation	\$ 411,528,701	\$ 433,510,505	\$ 454,207,299	\$ 482,523,228
Calculation of debt subject to limit:				
Total debt	73,823,731	70,487,397	66,583,792	62,992,766
Less: Revenue Bonds not subject to limit	(31,688,083)	(26,539,001)	(25,046,563)	(23,794,125)
Less: Amount available for repayment of general obligation bonds	(349,824)	(198,553)	(247,348)	(291,545)
Net debt subject to limit	<u>41,785,824</u>	<u>43,749,843</u>	<u>41,289,881</u>	<u>38,907,096</u>
Legal debt margin	<u>\$ 369,742,877</u>	<u>\$ 389,760,662</u>	<u>\$ 412,917,418</u>	<u>\$ 443,616,132</u>
Net debt subject to limit as % of debt limit	10.15%	10.09%	9.09%	8.06%

Computation of Legal Debt Margin Last Ten Fiscal Years

Fiscal Year Ended June 30,					
2003	2004	2005	2006	2007	2008
\$ 4,688,837,184	\$ 4,861,255,998	\$ 4,974,031,683	\$ 5,085,594,564	\$ 5,009,821,466	\$ 5,029,634,744
487,394,950	491,800,600	525,824,700	560,064,200	454,363,700	424,944,650
<u>\$ 5,176,232,134</u>	<u>\$ 5,353,056,598</u>	<u>\$ 5,499,856,383</u>	<u>\$ 5,645,658,764</u>	<u>\$ 5,464,185,166</u>	<u>\$ 5,454,579,394</u>
\$ 517,623,213	\$ 535,305,660	\$ 549,985,638	\$ 564,565,876	\$ 546,418,517	\$ 545,457,939
64,099,410	75,224,906	102,575,845	118,672,255	145,845,782	171,193,306
(27,376,520)	(26,723,563)	(24,953,267)	(23,052,972)	(21,107,676)	(19,122,380)
(350,940)	(325,862)	(514,528)	(159,246)	(110,036)	(321,850)
<u>36,371,950</u>	<u>48,175,481</u>	<u>77,108,050</u>	<u>95,460,037</u>	<u>124,628,070</u>	<u>151,749,076</u>
<u>\$ 481,251,263</u>	<u>\$ 487,130,179</u>	<u>\$ 472,877,588</u>	<u>\$ 469,105,839</u>	<u>\$ 421,790,447</u>	<u>\$ 393,708,863</u>
7.03%	9.00%	14.02%	16.91%	22.81%	27.82%

City of Dearborn, Michigan

Sewage Disposal System Limited Tax Revenue Bonds Revenue Bond Coverage Last Ten Fiscal Years

Fiscal Year	Gross Revenues	Operating Expenses (1)	Net Revenue Available for Debt Service	Debt Service Requirement			Coverage
				Principal	Interest	Total	
1999	14,432,112	9,549,518	4,882,594	1,357,374	1,461,463	2,818,837	173%
2000	17,338,960	11,441,651	5,897,309	1,425,000	1,377,498	2,802,498	210%
2001	15,711,210	11,690,400	4,020,810	1,505,000	1,291,876	2,796,876	144%
2002	16,114,625	12,798,449	3,316,176	1,265,000	1,206,391	2,471,391	134%
2003	16,409,603	13,368,916	3,040,687	1,330,000	1,187,154	2,517,154	121%
2004	18,858,158	15,072,744	3,785,414	1,640,000	1,158,476	2,798,476	135%
2005	20,633,639	15,920,043	4,713,596	1,790,000	792,693	2,582,693	183%
2006	21,980,542	13,819,686	8,160,856	1,920,000	737,275	2,657,275	307%
2007	21,563,867	15,945,719	5,618,418	1,965,000	697,588	2,662,588	211%
2008	24,534,731	16,674,416	7,860,315	2,005,000	656,900	2,661,900	295%

City of Dearborn, Michigan

Demographic and Economic Statistics Last Ten Fiscal Years

Fiscal Year	Population	Personal Income (1)	Per Capita Personal Income (2)	Unemployment Rate (3)
1999	95,600	NA	NA	2.0%
2000	97,775	\$ 2,100,989,200	\$ 21,488	1.9%
2001	98,929	2,100,989,200	21,237	2.9%
2002	99,879	2,100,989,200	21,035	3.5%
2003	99,824	2,100,989,200	21,047	4.3%
2004	99,499	2,100,989,200	21,116	5.4%
2005	99,382	2,067,333,614	20,802	5.5%
2006	99,909	2,067,333,614	20,692	5.2%
2007	99,089	2,167,472,786	21,874	4.7%
2008	101,223	2,292,093,612	22,644	7.0%

(1) U.S. Census estimates for April 1, 2000 and the SEMCOG estimates as of July 1 for other years as published in Southeast Michigan Council of Governments' "Population and Households in Southeast Michigan, 2000-2008" (September 2008 and earlier).

(2) U. S. Census Bureau; American Community Survey for Dearborn, Michigan

(3) State of Michigan through Department of Labor & Economic Growth - Labor Market Information.

City of Dearborn, Michigan

Principal Employers Current Year and Nine Years Previous

	2007 (1)			1998 (2)		
	Employees	Rank	Percentage of Total	Employees	Rank	Percentage of Total
Ford Motor Company (3)	47,091	1	66.10%	56,705	1	76.37%
Oakwood Hospital Corporation (3)	7,441	2	10.44%	3,334	3	4.49%
Visteon Corp (HQ) (3)	4,300	3	6.04%	-	-	-
Dearborn Board of Education	2,594	4	3.64%	2,778	4	3.74%
Lear Corp	2,500	5	3.51%	-	-	-
Severstal North America, Inc	2,096	6	2.94%	-	-	-
Auto Club of Michigan	2,000	7	2.81%	2,245	5	3.02%
United Technologies Auto (HQ)	1,266	8	1.78%	1,266	7	1.70%
Dearborn Stamping Plant	1,000	9	1.40%	-	-	-
UM Child Development Center	954	10	1.34%	-	-	-
Rouge Steel Company	-	-	-	3,350	2	4.51%
Carhartt Inc	-	-	-	2,000	6	2.69%
Diemakers Inc	-	-	-	900	8	1.21%
City of Dearborn	-	-	-	880	9	1.19%
Consolidated Rail	-	-	-	795	10	1.07%
	<u>71,242</u>			<u>74,253</u>		

Sources:

(1) 2007 Michigan Manufacturers Directory, 2007 Crain's Book of Lists.

(2) 1986 Michigan Manufacturers Directory, Michigan Community Economic Profiles and Dearborn Economic Development Corporation, Crain's Detroit Business, January 1997.

(3) Employment figures are for the greater Detroit Metropolitan area from the 2007 Michigan Manufacturers Directory and 2007 Crain's Book of Lists.

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City of Dearborn, Michigan

Functions/programs	Full-time-Equivalent Employees as of July 1,		
	2002	2003	2004
Primary government			
Governmental activities:			
General government	220.89	211.78	206.75
Public safety	451.25	462.29	468.60
Public works	118.42	105.95	104.30
Health and welfare	27.90	22.29	23.03
Recreation and culture	314.69	306.86	304.73
Community improvement	21.00	20.65	18.65
Total governmental activities	<u>1,154.15</u>	<u>1,129.82</u>	<u>1,126.06</u>
Business-type activities:			
Housing	25.10	25.10	25.85
Golf course	28.27	28.07	28.07
Parking	-	-	-
Sewer	11.00	11.75	12.75
Water	36.88	36.88	39.67
Total business-type activities	<u>101.25</u>	<u>101.80</u>	<u>106.34</u>
Total primary government	<u>1,255.40</u>	<u>1,231.62</u>	<u>1,232.40</u>
Component unit			
East Dearborn Downtown Development Authority	-	-	-
Total employees	<u>1,255.40</u>	<u>1,231.62</u>	<u>1,232.40</u>

A full-time employee is scheduled to work 2,080 hours per year (including vacation, sick and PTO leaves).

Full-time-equivalent employment is calculated by dividing total labor hours by 2,080.

City of Dearborn, Michigan

Full Time Equivalent Government Employees Last Seven Fiscal Years

Full-time-Equivalent Employees as of July 1,

2005	2006	2007	2008
193.41	190.15	180.12	177.70
448.34	459.38	446.38	442.63
93.09	90.30	84.20	61.66
23.51	23.44	23.05	19.23
288.80	287.38	284.95	278.92
15.31	14.43	13.23	16.03
<u>1,062.46</u>	<u>1,065.08</u>	<u>1,031.93</u>	<u>996.17</u>
22.84	24.69	24.69	25.86
27.83	26.22	25.56	24.36
6.69	5.08	5.08	5.08
12.00	12.00	14.68	17.09
39.84	37.82	34.97	55.73
<u>109.20</u>	<u>105.81</u>	<u>104.98</u>	<u>128.12</u>
<u>1,171.66</u>	<u>1,170.89</u>	<u>1,136.91</u>	<u>1,124.29</u>
1.00	1.00	1.00	1.00
<u>1,172.66</u>	<u>1,171.89</u>	<u>1,137.91</u>	<u>1,125.29</u>

City of Dearborn, Michigan

Functions/programs	Fiscal Year Ended June 30,			
	1999	2000	2001	2002
Public safety				
Police patrol units	NA	NA	49	49
Fire stations	4	4	4	4
Emergency response vehicles	5	5	5	5
Fire suppression vehicles	9	9	9	9
Public works				
Miles of streets				
Major streets	72.25	73.01	73.01	73.01
Local streets	195.00	194.24	194.24	194.24
Recreation and culture				
Parks and recreation				
Parks acreage	324.90	324.90	324.90	324.90
Number of parks	43	43	43	43
Golf course	1	1	1	1
Ice surfaces	2	2	2	2
Libraries				
Branches	4	4	4	4
Collection - number of volumes	NA	NA	301,421	298,413
Utilities				
Water				
Miles of water mains	372.50	372.50	372.50	372.50
Fire hydrants	2,822	2,822	2,822	2,822
Sewer				
Miles of sanitary sewers	79.14	79.14	79.14	79.14
Miles of storm sewers	144.27	144.27	144.27	144.27
Miles of combined sewers	404.35	404.35	404.35	404.35

Source: City of Dearborn Annual Administrative Report and various City departments

Capital Asset Statistics Last Ten Fiscal Years

Fiscal Year Ended June 30,					
2003	2004	2005	2006	2007	2008
49	49	49	49	49	50
4	4	4	4	4	4
5	5	5	6	6	6
9	9	9	9	9	9
73.01	73.01	73.01	73.01	73.01	73.01
194.24	194.24	194.24	194.24	194.24	194.24
324.90	324.90	309.90	309.90	309.90	309.90
43	43	43	43	43	43
1	1	1	1	1	1
2	2	2	2	2	2
4	4	4	4	4	4
296,959	299,908	300,294	302,154	308,988	306,916
372.50	372.50	372.50	372.50	372.67	371.8
2,822	2,822	2,822	2,822	2,824	2,822
79.14	79.14	79.14	79.14	72.82	72.0
144.27	144.27	144.27	144.27	162.26	144.0
404.35	404.35	404.35	404.35	378.16	404.0

City of Dearborn, Michigan

Functions/programs	Fiscal Year Ended June 30,		
	2002	2003	2004
Election data			
Registered voters	39,581	42,064	45,660
District court			
Number of court cases	69,317	66,499	63,705
Building and safety			
Permits issued	10,459	10,898	10,663
Permit inspections conducted	NA	27,299	27,773
Police			
Calls for service	58,377	60,768	59,260
Traffic citations	23,824	21,371	18,846
Parking citations	13,099	15,915	10,191
Fire			
Fire incidents	2,248	2,118	2,149
Emergency medical services incidents	7,219	7,200	7,282
Public works			
Miles of street resurfaced	5.90	5.94	2.35
Curbside refuse collected (tons)	42,445	43,645	49,739
Curbside compost collected (tons)	16,156	8,679	11,160
Curbside recyclables collected (tons)	4,469	4,463	4,626
Leaf collection (cubic yards)	16,742	21,150	18,204
Recreation			
Passholder visits	159,091	172,329	188,000
Library			
Collection - number of volumes	298,413	296,959	299,908
Circulation - number of transactions	1,246,989	1,289,748	1,277,048
Number of visitors	613,942	594,716	594,316
Water			
Number of customers billed	32,935	32,978	32,946
Total consumption (100 cubic feet)	9,699,414	8,743,666	8,002,471
Sewer			
Sewer water conveyed to Detroit (100 cubic feet)	11,876,378	10,986,646	13,202,404

Source: City of Dearborn Annual Administrative Report and various City departments

City of Dearborn, Michigan

Operating Indicators Last Seven Fiscal Years

Fiscal Year Ended June 30,			
2005	2006	2007	2008
51,056	54,882	57,427	57,128
69,090	63,735	68,577	71,052
9,412	9,096	8,173	8,326
28,231	17,165	19,367	20,452
54,432	56,467	58,356	58,723
NA	22,458	21,477	16,784
NA	11,727	20,191	26,967
2,256	2,320	2,032	2,083
7,522	7,475	7,471	7,382
5.40	3.09	1.57	1.28
39,958	44,400	39,043	38,202
8,848	10,800	8,072	7,588
4,046	4,200	3,912	3,824
24,300	19,762	19,888	20,323
199,035	217,124	213,796	198,503
300,294	302,154	308,988	306,916
1,143,446	1,034,882	918,886	860,642
538,527	520,973	489,984	491,259
32,949	32,860	32,818	32,927
7,782,069	7,532,607	6,820,710	7,277,128
11,820,680	11,561,647	11,392,378	11,615,212

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City of Dearborn, Michigan

**Federal Awards
Supplemental Information
June 30, 2008**

City of Dearborn, Michigan

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Dearborn, 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 Dearborn, Michigan for the year ended June 30, 2008, which collectively comprise the City of Dearborn, Michigan's basic financial statements and have issued our report thereon dated November 17, 2008. Those basic financial statements are the responsibility of the management of the City of Dearborn, Michigan. Our responsibility was to express opinions on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 opinion.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dearborn, Michigan's basic financial statements. The accompanying schedule of expenditures of federal awards and reconciliation of basic financial statements federal revenue with schedule of expenditures of federal awards are presented for the purpose of additional analysis and are not required parts of the basic financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

November 17, 2008

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*

To the Honorable Mayor and
Members of the City Council
City of Dearborn, 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 Dearborn, Michigan as of and for the year ended June 30, 2008, which collectively comprise the City of Dearborn, Michigan's basic financial statements and have issued our report thereon dated November 17, 2008. 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.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 Dearborn, 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*.

This report is intended solely for the information and use of the City Council, management, 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 & Moran, PLLC

November 17, 2008



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Report on Compliance with Requirements Applicable to Each Major
Program and on Internal Control Over Compliance
in Accordance with OMB Circular A-133

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

Compliance

We have audited the compliance of the City of Dearborn, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. The major federal programs of the City of Dearborn, 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 Dearborn, Michigan's management. Our responsibility is to express an opinion on the City of Dearborn, Michigan's compliance based on our 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 Dearborn, 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 Dearborn, Michigan's compliance with those requirements.

In our opinion, the City of Dearborn, Michigan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. 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 is described in the accompanying schedule of findings and questioned costs as item 2008-1.

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

Internal Control Over Compliance

The management of the City of Dearborn, Michigan is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Dearborn, Michigan's internal control over compliance with the 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, 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 control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal controls.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2008-1 to be a material weakness.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined above. However, as discussed in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

The City of Dearborn 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 Dearborn, Michigan's response and, accordingly, we express no opinion on it.

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

This report is intended solely for the information and use of the City Council, management, 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 & Moran, PLLC

November 17, 2008

City of Dearborn, Michigan

Schedule of Expenditures of Federal Awards Year Ended June 30, 2008

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Federal Expenditures
U.S. Department of Housing and Urban Development:		
Direct programs:		
Community Development Block Grant	14.218	\$ 1,758,777
Emergency Shelter Grant	14.231	108,645
Dollar Home Sale to Local Governments Program	14.313	1,674,900
Passed through Michigan State Housing Development Authority - Home Investment Partnerships Program - Home Resource Fund:		
Grant Year M2004	14.239	973
Grant Year M2007	14.239	<u>18,623</u>
Total U.S. Department of Housing and Urban Development		3,561,918
U.S. Environmental Protection Agency:		
Passed through County of Wayne, Michigan:		
Rouge River National Demonstration - A (Subgrant)	66.202	1,000,000
Rouge River Wet Weather Demonstration - DPW Yard	66.202	72,229
Passed through Michigan Department of Environmental Quality:		
State Revolving Fund Loan - Combined Sewer Overflow Phase A	66.458	1,386,080
State Revolving Fund Loan - East Dearborn CSO Control Program	66.458	2,360,395
State Revolving Fund Loan - Combined Sewer Overflow Outfall 016	66.458	920,451
State Revolving Fund Loan - Combined Sewer Overflow Phase B Contracts 7 and 8	66.458	<u>3,964,410</u>
Total U.S. Environmental Protection Agency		9,703,565
Federal Transit Administration - Passed through Michigan Department of Transportation - Rail Passenger Station Development Grant	20.500	103,875
U.S. Department of Agriculture - Passed through Michigan Department of Agriculture - Emerald Ash Borer Tree Planting Grant	10.664	20,000
Federal Emergency Management Agency - Passed through Michigan Department of State Police:		
Civil Preparedness Program	97.042	13,981
Hurricane Katrina Assistance Reimbursement	97.084	<u>535</u>
Total Federal Emergency Management Agency		14,516

City of Dearborn, Michigan

Schedule of Expenditures of Federal Awards (continued) Year Ended June 30, 2008

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Federal Expenditures
U.S. Department of Justice:		
Direct programs:		
Bullet-proof Vest Program	16.607	\$ 9,855
Equitable Sharing of Federally Forfeited Property	16.000	796,491
Passed through Michigan Department of State Police:		
2005 State Homeland Security Grant	97.004	21,782
2005 Citizen Corps (CERT) Grant	97.067	661
Passed through Wayne County Sheriff Department:		
2005 Edward Byrne Memorial Justice Assistance Grant Program	16.738	11,728
2006 Edward Byrne Memorial Justice Assistance Grant Program	16.738	45,015
2007 Edward Byrne Memorial Justice Assistance Grant Program	16.738	<u>14,200</u>
Total U.S. Department of Justice		899,732
U.S. Department of Transportation - Passed through Michigan Department of State Police and Downriver Community Conference - Drive Michigan Safely Task Force		
	20.600	<u>25,996</u>
Total federal programs		<u><u>\$ 14,329,602</u></u>

City of Dearborn, Michigan

Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended June 30, 2008

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 1,839,525
Add federal money recorded as a capital contribution from grants on the financial statements	1,072,229
Federal money recorded as a pass-through activity in Trust and Agency Funds	108,645
Add federal money recorded as a liability (combined sewer overflow project)	6,555,024
Add federal money classified as forfeited revenue	796,491
Add federal revenue classified as miscellaneous revenue on financial statements	201,938
Less revenue for prior year expenditures received in current year	(5,045)
Grant receivable not recorded under modified accrual accounting	9,583
Current year expenditures to be reimbursed in subsequent year (combined sewer overflow)	2,076,312
Fair market value of HUD Dollar Homes purchased in current year	<u>1,674,900</u>
Federal expenditures per the schedule of expenditures of federal awards	<u>\$ 14,329,602</u>

City of Dearborn, Michigan

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2008

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Dearborn, Michigan and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Noncash Assistance

The value of the noncash assistance received was determined in accordance with the provisions of OMB Circular A-133.

Summary of Noncash Assistance - The grantee received the following noncash assistance during the year ended June 30, 2008 that is not included on the schedule of expenditures of federal awards:

Federal Program	CFDA Number	Description	Amount
U.S. Department of Agriculture - Food Distribution Program	10.569	Emergency Food Distribution Program	\$ 8,164
U.S. Department of Justice - Homeland Security Grant	97.008	2005 State Homeland Security Grant Program	306,568

Note 3 - Subrecipient Awards

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

Federal Program Title	CFDA Number	Amount Provided to Subrecipients
Community Development Block Grant	14.218	\$ 98,986
Emergency Shelter Grant	14.231	91,488

City of Dearborn, Michigan

Schedule of Findings and Questioned Costs Year Ended June 30, 2008

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness identified? Yes No
- Significant deficiency identified that is not considered to be a material weakness? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness identified? Yes No
- Significant deficiency identified that is not considered to be a material weakness? 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:

CFDA Number	Name of Federal Program or Cluster
66.458	U.S. Environmental Protection Agency - State Revolving Fund Loans
14.218	U.S. Department of Housing and Urban Development - Community Development Block Grant
14.313	U.S. Department of Housing and Urban Development - Dollar Home Sales to Local Governments Program

Dollar threshold used to distinguish between type A and type B programs: \$439,330

Auditee qualified as low-risk auditee? Yes No

City of Dearborn, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2008

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

Reference Number	Findings
2008-1	<p>Finding Type - Material weakness; Material noncompliance</p> <p>Criteria - Management's goal is to adequately identify federal programs and accurately report federal expenditures on the City's schedule of expenditures of federal awards (SEFA).</p> <p>Condition - The City was unaware that the fair market value of homes purchased under the HUD Dollar Homes Program was required to be reported on the City's SEFA. As a result, approximately \$1.7 million was omitted on the preliminary SEFA. In addition, approximately \$2.1 million of federal expenditures related to the SRF program was omitted on the preliminary SEFA. It was management's position that expenditures were not considered federal until the funds have been drawn down from the State Revolving Fund program. After discussion with management during the audit, these amounts were appropriately added to the SEFA.</p> <p>Context - These amounts relate to federal expenditures reported on the SEFA.</p> <p>Effect - Amounts were originally understated by approximately \$3.8 million on the preliminary schedule submitted for audit.</p> <p>Cause - The City applied internal control procedures that are consistent with prior years to determine federal expenditures; however, internal control procedures were not in place to identify a unique federal program such as the HUD Dollar Homes Program and to properly identify SRF expenditures in the correct period. The City has never received communication from HUD to indicate the requirement to report the fair market value of the homes on the SEFA. The City was not aware of this issue. Also, it has always been management's belief that expenditures should not be classified as federal until SRF funds are drawn down. Therefore, expenditures incurred and properly reported in fiscal year 2008 that were not drawn down until the subsequent fiscal year were not reported on the SEFA.</p>

City of Dearborn, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2008

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2008-1 (Continued)	<p data-bbox="418 567 1437 640">Recommendation - We recommend that the City review all expenditures related to federal programs for proper inclusion on the SEFA.</p> <p data-bbox="418 672 1437 825">Views of Responsible Officials and Planned Corrective Actions - The City will include the fair market value of HUD Dollar Homes on the SEFA. The City will also include all SRF expenditures incurred as of year end on the SEFA without regard to the year in which the funds are drawn down.</p>