

# COMPREHENSIVE ANNUAL FINANCIAL REPORT



**For the Year Ended**

**June 30, 2012**

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# **CITY OF DEARBORN, MICHIGAN**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the Year Ended June 30, 2012**

### ***MAYOR***

John B. O'Reilly, Jr.

### ***CITY COUNCIL***

#### **Council President**

Thomas P. Tafelski

#### **Council President Pro-Tem**

Suzanne Sareini

#### **Council Members**

Mark Shooshanian  
Robert A. Abraham  
Brian O'Donnell  
Nancy A. Hubbard  
David Bazy

James J. O'Connor  
Finance Director/Treasurer

# 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, 2011

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



*Christopher P. Morrill*

President

*Jeffrey R. Emer*

Executive Director

	Page
<b>INTRODUCTORY SECTION</b>	
Letter of Transmittal.....	i-x
Mission Statement .....	xi
City of Dearborn Map.....	xii
Organizational Chart.....	xiii
List of Principal Officials .....	xiv
<b>FINANCIAL SECTION</b>	
Independent Auditor’s Report .....	1-2
Management’s Discussion & Analysis .....	3-18
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets.....	19
Statement of Activities.....	20-21
Fund Financial Statements	
Balance Sheet – Governmental Funds .....	22
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets .....	23
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	24
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities ...	25
Statement of Net Assets – Proprietary Funds.....	26-27
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds.....	28-29
Statement of Cash Flows – Proprietary Funds.....	30-33
Statement of Net Assets – Fiduciary Funds .....	34
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds .....	35
Statement of Net Assets – Component Units .....	36-37
Statement of Activities – Component Units .....	38-39
Notes to Financial Statements.....	41-87
Required Supplementary Information:	
Schedule of Funding Progress:	
Chapter 21 Policemen’s and Firemen’s Retirement System .....	89
Chapter 22 General Employees’ Retirement System .....	90
Chapter 23 Police and Fire Retirement System .....	91
Postemployment Healthcare Fund.....	92
Budgetary Comparison Schedule – General Fund .....	93-94
Notes to Required Supplementary Information .....	95-96
Other Supplementary Information:	
Description of Nonmajor Funds .....	99-101
Combining Balance Sheet – Nonmajor Governmental Funds .....	102-103
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds.....	104-105
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual:	
Major Street & Trunkline Fund.....	106
Local Street Fund.....	107
Camp Dearborn Operating Fund .....	108
Drug Law Enforcement Fund .....	109

# City of Dearborn, Michigan

## Contents

	Page
<b>FINANCIAL SECTION (Continued)</b>	
Community Development Fund .....	110
Telecommunications Fund .....	111
Designated Purposes Fund.....	112
Debt Service Fund.....	113
Capital Projects Fund .....	114
Combining Statement of Net Assets – Nonmajor Enterprise Funds.....	116
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Nonmajor Enterprise Funds .....	117
Combining Statement of Cash Flows – Nonmajor Enterprise Funds .....	118-119
Combining Statement of Net Assets – Internal Service Funds .....	120-121
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Internal Service Funds .....	122-123
Combining Statement of Cash Flows – Internal Service Funds .....	124-127
Combining Statement of Net Assets – Fiduciary Pension & Other Employee Benefits Funds.....	128-129
Combining Statement of Changes in Fiduciary Net Assets – Fiduciary Pension & Other Employee Benefits Funds.....	130-131
Combining Statement of Net Assets – Fiduciary Agency Funds.....	132
Statement of Changes in Assets and Liabilities – Fiduciary Agency Funds.....	133-134
<b>STATISTICAL AND CONTINUING DISCLOSURES SECTION</b>	
Statistical and Continuing Disclosures Section Contents.....	135
Net Assets by Component – Last Ten Fiscal Years.....	136-137
Changes in Governmental Net Assets – Last Ten Fiscal Years .....	138-139
Changes in Business-type Net Assets – Last Ten Fiscal Years.....	140-141
Fund Balances, Governmental Funds – Last Ten Fiscal Years .....	142-143
Changes in Fund Balances, Governmental Funds – Last Ten Fiscal Years .....	144-145
Revenue Sharing Payments, State of Michigan - Last Ten Fiscal Years .....	146
History of Sewage System Rates – Last Ten Fiscal Years.....	147
Taxable Value and Assessed Value of Taxable Property – Last Ten Fiscal Years ....	148-149
Direct and Overlapping Property Tax Rates – Last Ten Fiscal Years.....	150-151
Principal Property Taxpayers – Next Year, Current Year and Nine Years Previous..	152
Principal Sewage Utility Customers .....	153
Property Taxes Levied, Collected and Outstanding – Last Ten Fiscal Years .....	154-155
Ratios of Outstanding Debt – Last Ten Fiscal Years .....	156-157
Ratios of General Bond Debt Outstanding – Last Ten Fiscal Years.....	158-159
Computation of Legal Debt Margin – Last Ten Fiscal Years .....	160-161
Computation of Direct and Overlapping Bonded Debt – General Obligation Bonds.	162
Sewage Disposal System Limited Tax Revenue Bonds – Revenue Bond Coverage - Last Ten Fiscal Years .....	163
Water Supply System Limited Tax Revenue Bonds – 2011 Fiscal Year .....	164
Demographic and Economic Statistics – Last Ten Fiscal Years.....	165
Principal Employers – Current Year and Nine Years Previous.....	166
Full-Time-Equivalent Government Employees – Last Ten Fiscal Years .....	168-169
Capital Asset Statistics – Last Ten Fiscal Years .....	170-171
Operating Indicators – Last Ten Fiscal Years .....	172-173
<b>FEDERAL AWARDS SUPPLEMENTAL INFORMATION SECTION.....</b>	<b>1-18</b>



# CITY OF DEARBORN

## *Home Town of Henry Ford*

JAMES J. O'CONNOR  
Finance Director/Treasurer

### DEPARTMENT OF FINANCE ACCOUNTING DIVISION

JOHN B. O'REILLY, JR.  
MAYOR

November 26, 2012

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, 2012, is submitted with this letter. The City's Finance Department prepared this report pursuant to requirements of both the City Charter and Michigan law, and also to comply with continuing disclosure requirements for outstanding bonds.

This letter is designed to complement the Management Discussion & Analysis (MD&A) as required by Generally Accepted Accounting Principles and the Governmental Accounting Standards Board (GASB) Statement No. 34. This letter should be read in conjunction with the complementary MD&A that 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's management.

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  
November 26, 2012

## **INDEPENDENT AUDIT**

State of Michigan statutes and the 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, LLP, whose reports are included, has performed the independent audit for fiscal year 2012.

## **FORM OF GOVERNMENT/CITY PROFILE**

The City of Dearborn is located in southeast Michigan and borders the City of Detroit to the east. The 2010 census reported a population of 98,153, and current estimates indicate the population is growing. 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 comprised 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, who is appointed by the respective commission. 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. Mayor O'Reilly served as Council President and was a Councilmember for total service of seventeen years. He is very knowledgeable about the internal operations and the community history. In February 2007, Mayor O'Reilly was elected to succeed Mayor Michael Guido who had passed away during a term of office. Mayor O'Reilly was re-elected in November 2009 to serve a full four-year term. The citizens have a clear preference for continuity in leadership that enables Dearborn to build and maintain a premium level of public services.

## **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, and Fire and Rescue. Residential Services and Economic & Community Development departments perform the building permit and inspection work of the public safety function in addition to other core duties. The City includes the 19<sup>th</sup> District Court with the City serving as the funding unit for this State judicial operation. The Department of Public Works manages the sanitation division, infrastructure projects and general repair and maintenance of City property.

Culture and Recreation encompasses a main library and two branch libraries, a Historical Museum and a robust Recreation Department including neighborhood parks, several large community parks, a dual ice surface arena and the Ford Community & Performing Arts Center. The City has separate Economic & Community Development and Housing departments. Legal, Finance, Human Resources, Assessment, Management Information Systems 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 sewage treatment. The City is responsible for complying with the federal mandated reduction in sewer overflows. This mandate has resulted in substantial capital and operating costs to the community for the construction of enhanced sewer infrastructure. Retention facilities and sewer separation have both been employed depending on the service area. The waterways will be cleaner and the secondary benefit to the community is new water and sewer lines, and new roadways in the construction areas.

The Recreation Department operates an 18-hole golf course and the Housing Department manages four retirement buildings. The November 2007 election included a ballot proposal and the voters authorized the sale of the retirement building in Clearwater. The City sold the property in May of 2012 and the corresponding enterprise fund was closed to the General Fund. 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 and a third for general full-time personnel. All three pension systems were closed with the following operation durations: Policemen and Firemen April 1, 1943 to July 1, 1956, Revised Police and Fire July 1, 1956 to July 1, 2005 (Police) and May 1, 2009 (Fire), General Employees July 1, 1951 to January 1 through July 1, 2002 depending on the labor group. As of April 2009 the police and fire new hires have the option to participate in the Municipal Employees Retirement System (MERS) defined benefit program, which is a State-wide program. All full-time personnel not covered by one of these pension plans participate in the defined contribution plan.

Transmittal Letter  
November 26, 2012

### **COMPONENT UNITS**

The City currently has four component units 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 pay debt service and to fund future redevelopment of both the East and West Dearborn Business Districts. The Brownfield Redevelopment Authority was created to account for the redevelopment of environmentally contaminated and other under-utilized sites within the City.

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

### **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 Improvement 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**

A new Governor was elected in November 2010 and he is focused on positioning the State to have an attractive business climate. The Legislature is supporting the effort and passing bills aligned with the Governor's direction. Some of the legislation is favorable for municipalities, but there is great concern regarding proposals to discontinue business personal property taxation. It will be very important that an equivalent replacement revenue stream be provided if this property tax component is phased out.

The automotive industry has a major effect on the economy of the State of Michigan and Dearborn as the home of Ford Motor Company. Alan Mullaly, President and Chief Executive Officer of Ford, has led the company from a weakened position to a high performer in the automotive sector in a relatively short time period. Ford continues to be in financially superior condition relative to the other U.S. auto manufacturers. The Ford World Headquarters and Engineering Center is located in Dearborn in addition to the Ford Rouge Manufacturing Complex.

As Ford restructured and downsized, about 2 million square feet of office, flex and lab space was vacated and is not expected to be needed by Ford. This space continues to be backfilled with health care, education, university student housing and other auto supplier uses. The backfilling strategy is diversifying Dearborn's economic base. Both start-up and more mature businesses/institutions are moving into this space. Much of the vacated space was class A or B and is ready to re-occupy with very little modification.

The Ford assembly plant in Dearborn was completely rebuilt during the Heritage Plant makeover of the Rouge complex about 10 years ago with an investment of about \$2 billion. During that makeover, the flexible platform system was used to make the plant globally competitive for

Transmittal Letter  
November 26, 2012

decades. Ford's most popular truck, the F-150 is manufactured there, but the plant can easily be retrofitted to make any product line because of the platform technology. The site remains a mainstay of Ford's production facilities, and holds a special place in the hearts of the family as the realization of Henry Ford's and later Bill Ford Jr's. dream as the most advanced auto manufacturing complex in both the 20th and 21st Centuries.

The latest investment by Ford Motor Company at the Rouge Complex signals an ongoing and significant commitment by the global automaker to it's headquarters community. Approximately \$305 million is currently being invested in the Stamping Plant to modernize this aspect of the facility. This will increase the stamping plant employee count from an existing total of 422 to 956, for a total of 534 new jobs. As important, is the overall investment in the Rouge Complex over nearly a century to keep this vertically integrated manufacturing center competitive in the global marketplace. Total investment to modernize the Rouge is over \$2.5 Billion in the last decade. This has resulted in the Rouge being a State-of-the-Art component of the overall Ford Motor Company production assets. This is clearly evidenced by the decisions made during the last economic downturn, when plants elsewhere in America were closed and a shift was added to the Dearborn Truck Plant to maximize efficient output.

Another imminent investment by Ford in Dearborn is an anticipated \$135 million in the electrification laboratory at the Research and Engineering (R&E) Center, to accelerate the opportunities to bring additional propulsion options to the Ford stable of available vehicles. The R&E Center employs over 12,000 engineers and is currently in the process of adding 1,000 more. The local investments in Dearborn are impressive and the overall picture for Ford is also bright. While 1,000 engineers are being added in Dearborn, the Company has targeted the addition of up to 7,000 engineers company-wide. This is a strong indicator of Ford's perception of progress on their Way Forward plan, and the overall condition and capabilities of the firm.

In 2004, Severstal North America, Inc. purchased the assets of Rouge Steel. Following the acquisition, Severstal invested \$580 million in rebuilding and upgrading steel producing facilities. Severstal N.A. continues to invest in their North American headquarters site and mill in Dearborn. During 2012, the company dedicated new cold rolling and galvanizing mills, at a cost of \$750 million. This brings Severstal's investment in the modernization of the Dearborn mill to over \$1.7 Billion over the last seven years. The next target for the property is to add a \$300+ million Continuous Annealing Line (CAL), which produces high strength, light weight steel which significantly contributes toward meeting targeted federal CAFE standards. The market for this new steel is unlimited because of its physical characteristics, which can shave nearly half the weight from a modern production vehicle without sacrificing safety. Lighter vehicles translate into 7-10 mpg increases in fuel economy, or as examples, a 30+ mpg full size pickup truck or 50+ mpg compact.

The plant will be state-of-the-art when completed, and capable of producing lightweight high strength steel along with a variety of other products needed by automakers around the world. This plant should be productive for at least 30 years going forward and employs 1,500-2,000 workers.

Oakwood Health Systems, Dearborn's largest employer of health care professionals, remains a growing health care employer, with over 12,000 employees in four hospitals. Approximately 4,000 of the staff members are located in Dearborn at the headquarters and main hospital sites. In 2011, Oakwood opened a new Medical Office Building in the heart of downtown East Dearborn, which will employ about 500 health care professionals and represents an investment of \$45+ million. Oakwood is also making significant moves related to its Dearborn headquarters presence.

Transmittal Letter  
November 26, 2012

This large employer has purchased the last remaining vacant site of over 70 acres in Dearborn, positioning for a future replacement hospital and related facilities. The current Oakwood flagship facility has received significant upgrades, but has grown to fill its landlocked site and is beginning to spill over across Oakwood Boulevard. The property across the Boulevard includes the new large site, plus the opportunity to acquire an available school, which will benefit both the Dearborn Public Schools and the Oakwood Health System. Additionally, Oakwood has recently moved into a new corporate headquarters site, which consists of two buildings which were remodeled and joined via an atrium to improve their image and increase efficiency.

The University of Michigan-Dearborn has embarked on an ambitious plan to partner with private developers to build student housing for this commuter campus. Currently, the project, named The Union at Dearborn, which starts with 500 beds, has broken ground directly across Evergreen Road from the UM-D Main Campus for occupancy in the fall of 2013. Based on the instantaneous success of student housing added to the UM-Flint campus three years ago, the second phase of 400 additional beds to The Union at Dearborn will be added in 2014. UM-D's market study for student housing has indicated a potential to house 2,500-3,000 students on or near the Dearborn campus. This provides another important economic development opportunity for Dearborn as strategically placing these housing products will also benefit other important development districts. Two areas in particular, in addition to the first phase at Fairlane Town Center, include Dearborn's West Downtown District, and the Transit Oriented Development (TOD) area adjacent to the new intermodal passenger rail station currently under construction.

The City of Dearborn has three important and progressive projects that are contributors to encouraging growth and a sustainable future for Dearborn. The first is the Dearborn Intermodal Passenger Rail Station. This \$28 million station has been 100% funded by the Federal Railroad Administration to relocate and expand Dearborn's passenger rail facilities to accommodate Midwest intercity high speed rail service and establish commuter rail service in Southeast Michigan through the important first corridor connecting Ann Arbor to Detroit via Dearborn. The station will be operated by AMTRAK as part of the Wolverine service between Detroit and Chicago. This station represents not only improved rail service, but increased transportation alternatives for individuals seeking other means than personal automobiles to meet their transportation needs. Additionally, it improves connectivity between rail access and The Henry Ford, Michigan's largest tourist attraction, Dearborn's West Downtown District and the UM-D and Henry Ford Community College campuses. For these reasons, the new intermodal station is also an important piece of the City's quality of life enhancement strategy to attract young professionals and their families to the community.

The second City project of great importance is the Artspace project in Dearborn's East Downtown District. Artspace is a non-profit organization with a proven track record of success in thirty communities across America; providing affordable and interesting studio and living space for artists. The investment in an "Artspace" project provides the necessary catalyst to see its host district experience growth and investment. In the Dearborn case, Artspace has been working with the community for several years to determine Artspace feasibility. With that feasibility proven, the next step was to select a location, and an interesting turn of events led to the possibility of Artspace using the existing City Hall (their best choice alternative) for the project. As the Artspace site selection process was occurring, a modern office building adjacent to the City's Civic Campus was coming out of a bankruptcy process. This building represented an opportunity to relocate the City's administrative headquarters to a modern and far more efficient open office concept. The City is currently pursuing both of these projects, with Artspace as the proposed tenant for the historic City Hall complex, and the City's administrative headquarters moving to a modern office building.

Transmittal Letter  
November 26, 2012

The relocation of City Hall to the Civic Campus is the third of the City's three important current projects. Every Mayor of Dearborn for the past forty years has targeted the opportunity to share an administrative center at the Civic Campus with the Dearborn Public Schools. This is a model that would save money, increase efficiency of both institutions, and provide better customer service to their constituent communities. However, the dream could never previously be realized because no Mayor would abandon the historic Dearborn City Hall complex without a viable re-use opportunity. As Artspace is the perfect user to re-occupy the former City Hall and serve as an anchor for a future arts district, the opportunity now exists to fulfill the dream of developing a modern Dearborn Administrative Center (DAC). Given that the building identified to become the DAC is a twelve year old modern office building, the City can achieve a result that has 1/3 the operating costs of the historic City Hall, all the space needed for both the City's and Schools' administrative needs, and a purchase price of 1/3 the original value of this structure when built in the year 2000. It provides a unique opportunity to address capital and operating cost issues that could not otherwise be achieved.

In the November 2011 election, City of Dearborn voters approved two ballot proposals for a 3.5 operating millage Charter increase and to establish 1 mill for the library. The millage proposals are consistent with the 2010 Community Task Force recommendations, which consisted of a diverse set of resident and business community representatives.

The City has downsized 214 general (no reduction to public safety) full-time positions since 2001, reduced or modified the compensation package, enhanced efficiencies, closed lower demand facilities, and adjusted the program/service mix. These efforts have produced cost savings of at least \$15 million annually. The efforts to date have been successful, but continued efforts to cut costs to hedge against escalating legacy costs for pensions, retiree health care, increases in other operating costs and general inflation are necessary. The taxpayer supported millages combined with the ongoing rightsizing efforts and labor concessions are moving the City closer to an annual break-even status. It is expected that at least 20 more positions will be eliminated in the 2013/2014 budget. Labor contracts continue to settle with employee concessions including 20% health care premium cost sharing, 4% pension cost sharing or reduced matching depending on the system, and other concessions that produce savings or performance gains.

The October 2012 single family unit home supply is 292 according to the multi-listing service. This count is down from the peak of approximately 1,100 units in 2009-2010. The historical normal range was between 500 and 650 units. The average duration for homes to remain on the market is approximately 100 days. The demand/supply equation is stabilizing property values. Homes with large lots continue to be purchased, completely demolished, and replaced with 4,000 +/- square foot new home construction.

For the past several years, the City's budget has reflected a much greater use of reserves than has actually been used as reflected below (in millions).

	<u>Adopted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>
2010-2011	\$3.9	\$8.6	\$.9
2011-2012	\$5.3	\$10.4	\$1.8

Transmittal Letter  
November 26, 2012

The fiscal year 2012-2013 budget includes \$4.6 million of General Fund reserve use. However, the Police budget for staffing is based on 205 Charter mandated positions and the Police union agreed to reduce this to a minimum of 180 positions. Therefore, positions already vacated will remain vacant and will be removed from future budgets. The City did not budget for any labor concessions that could not be realized at the start of the fiscal year. However, many concessions have been agreed to recently that will be reflected in future budgets.

The downsizing and cost cutting efforts, labor concessions, and voter authorized tax millage increase have substantially improved the City's financial outlook. While more changes are necessary, the approach is more of a continuous improvement instead of crisis oriented cutting. However, it is important that hard decisions continue to be made to position for longterm success.

Moody's Investor Service September 27, 2011 Rating Update summary is as follows:

"Affirmation of the Aa2 GOULT rating reflects the City's ongoing reliance on the automobile industry with substantial employment and tax base concentration in Ford Motor Company (corporate family rated Ba2/positive outlook), which has remained profitable in the current year; recent declines in financial reserves while maintaining healthy liquidity; and modest debt burden with limited near-term borrowing plans. The negative outlook reflects Moody's expectation that the City's economy and financial operations will continue to face pressure over the near term. While the automobile industry has experienced a modest recovery, the City's significant dependence on Ford Motor Company continues to expose the City's tax base and operations to potential challenges. Furthermore, declining property tax revenues may challenge the City's ability to maintain structurally balanced operations in the coming year. The Aa3 GOLT rating is one notch below the GOULT rating due to the limited levy available to pay for debt service. Debt service on the GOLT bonds is payable from all operating funds of the City, which are subject to levy limits."

## **MASTER PLAN AND ZONING UPDATE**

Mayor O'Reilly assembled a Community Task Force in January 2010 to look at planning for a sustainable financial future in today's volatile economic climate. This effort consisted of nine months of hard work by 31 community leaders and arrived at a consensus of recommended actions in a five year strategic plan called Dearborn Vision 2016. On a parallel track, the City's overall Master Plan was due for an update to provide a twenty-five year vision of the future for Dearborn's next quarter century. Change is inevitable and history has shown that how communities plan for and cope with it defines growth opportunities and sustainability. Therefore, the master planning process has the goal of producing a blueprint for land use, transportation, economic investment, environment and cultural stewardship of the City. In recognition of the importance of land use and its ultimate value to the City's financial viability, the four committee chairs from the Vision 2016 will also participate in the Master Plan update to provide continuity between these two important and related efforts. The Master Plan will recognize the need to balance the interests of residents, businesses, and Dearborn's large daytime working population. It is a reflection of the social contract whereby property owners are deemed to have the right to use and enjoy their property, but also the responsibility to respect the community's interest by ensuring that the use of their property does not create negative impacts. The Plan must create reasonable and realistic future expectations so that land is developed and used in a way that both benefits the property owner and respects the community's interests. The City has retained a consultant to help navigate the planning process, which will be completed in 2012. Once a new

Transmittal Letter  
November 26, 2012

Master Plan is adopted, it provides the necessary basis for the City to write and enforce zoning laws that set forth how property owners and new investors can develop and use their land.

### **NEIGHBORHOOD STABILIZATION PROGRAM**

The City continues to take an active role to stem the negative impact of vacated homes due to the mortgage crisis. The City purchases 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 either private developers that construct new modern homes or, if the lot size is less than 40 feet, it is split and offered for sale to the adjoining neighbors as side yard. The result is an upgrade to the housing stock that protects City neighborhoods. The City is currently holding in excess of \$7.4 million of property in land inventory (lower of cost or market value).

### **OTHER INITIATIVES**

CSO: The Federally mandated Combined Sewer Overflow (CSO) project continues to be a major endeavor. A revised National Pollution Discharge Elimination System permit was negotiated with the Michigan Department of Environmental Quality (MDEQ) which provides for completion of all projects by 2030. Three retention caissons are operational or close to completion, two are expected to be scheduled for demolition, and the remaining unit is being redesigned. Two construction locations resulted in lawsuits with favorable settlements for the City and one location lawsuit is pending.

While there was recovery for the settled lawsuit and additional recovery is expected, \$60 million of non-performing assets were removed from the Sewer Fund utility balance sheet in fiscal year 2009-2010 and an additional \$6 million was removed for fiscal year 2010-2011. Future projects mostly involve sewer separation and will be scheduled over the coming years. These will be financed by reserves, annual capital appropriations, and debt, primarily low-interest State Revolving Fund Loans and will be part of the capital infrastructure budgets.

### **AWARDS**

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, 2011. This was the thirteenth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized CAFR. This report satisfies both GAAP (Generally Accepted Accounting Principles) and applicable legal requirements.

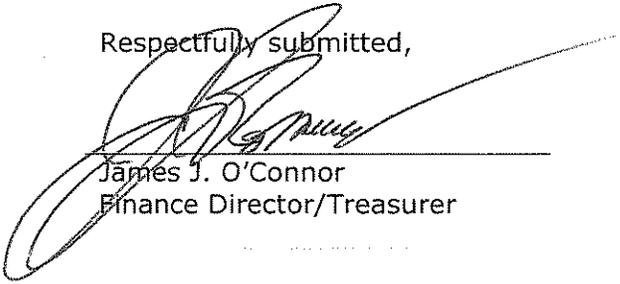
A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Transmittal Letter  
November 26, 2012

**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.

Respectfully submitted,

A large, stylized handwritten signature in black ink, appearing to read 'James J. O'Connor', is written over a horizontal line. The signature is highly cursive and extends significantly to the left and right of the line.

James J. O'Connor  
Finance Director/Treasurer

## CITY OF DEARBORN MISSION STATEMENT

### PREAMBLE

Dearborn has a reputation for providing outstanding public service. For over 80 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 deliver superior public service and earn the public's trust every day in everything we do.**

### 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

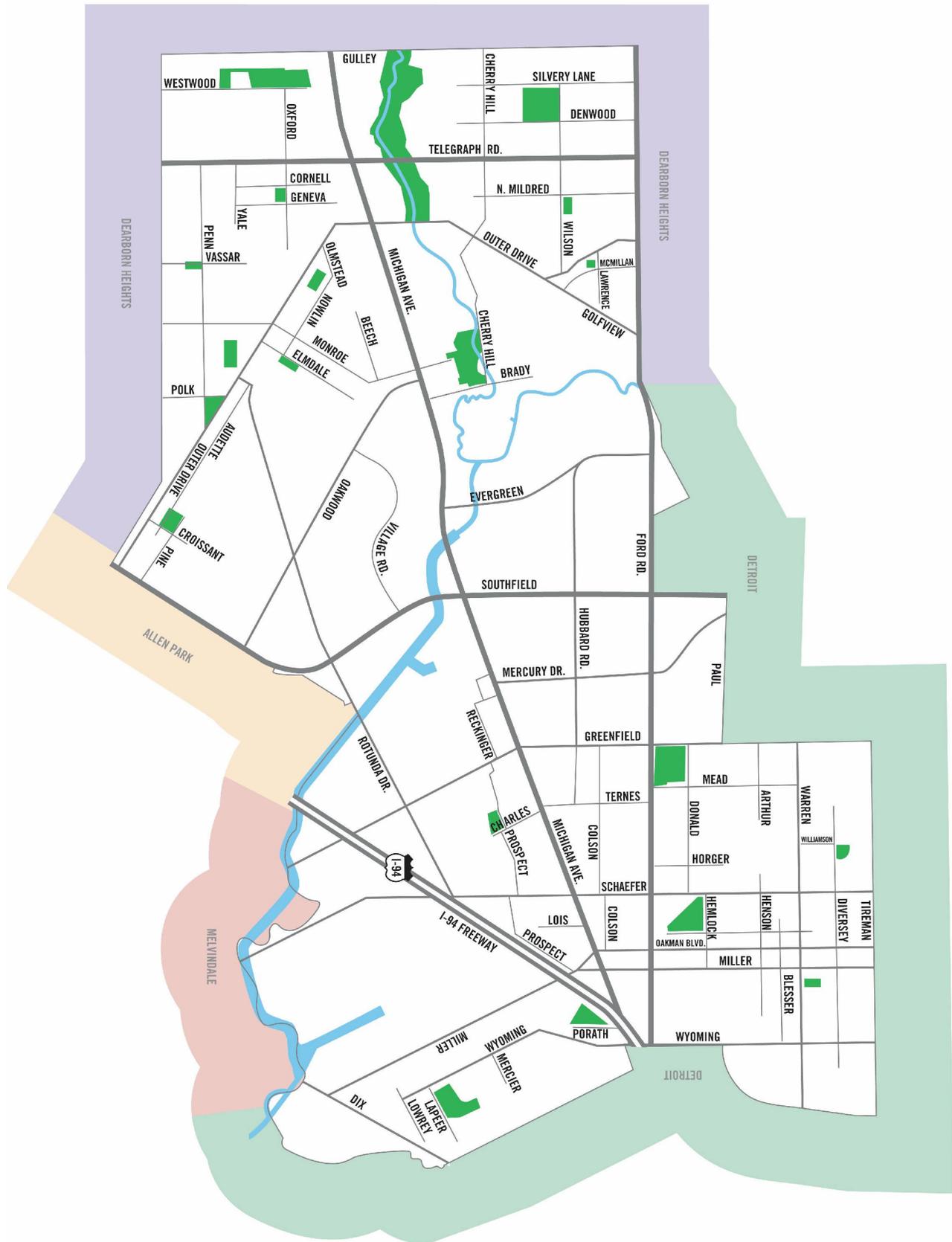
City employees are expected to:

- ◆ 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

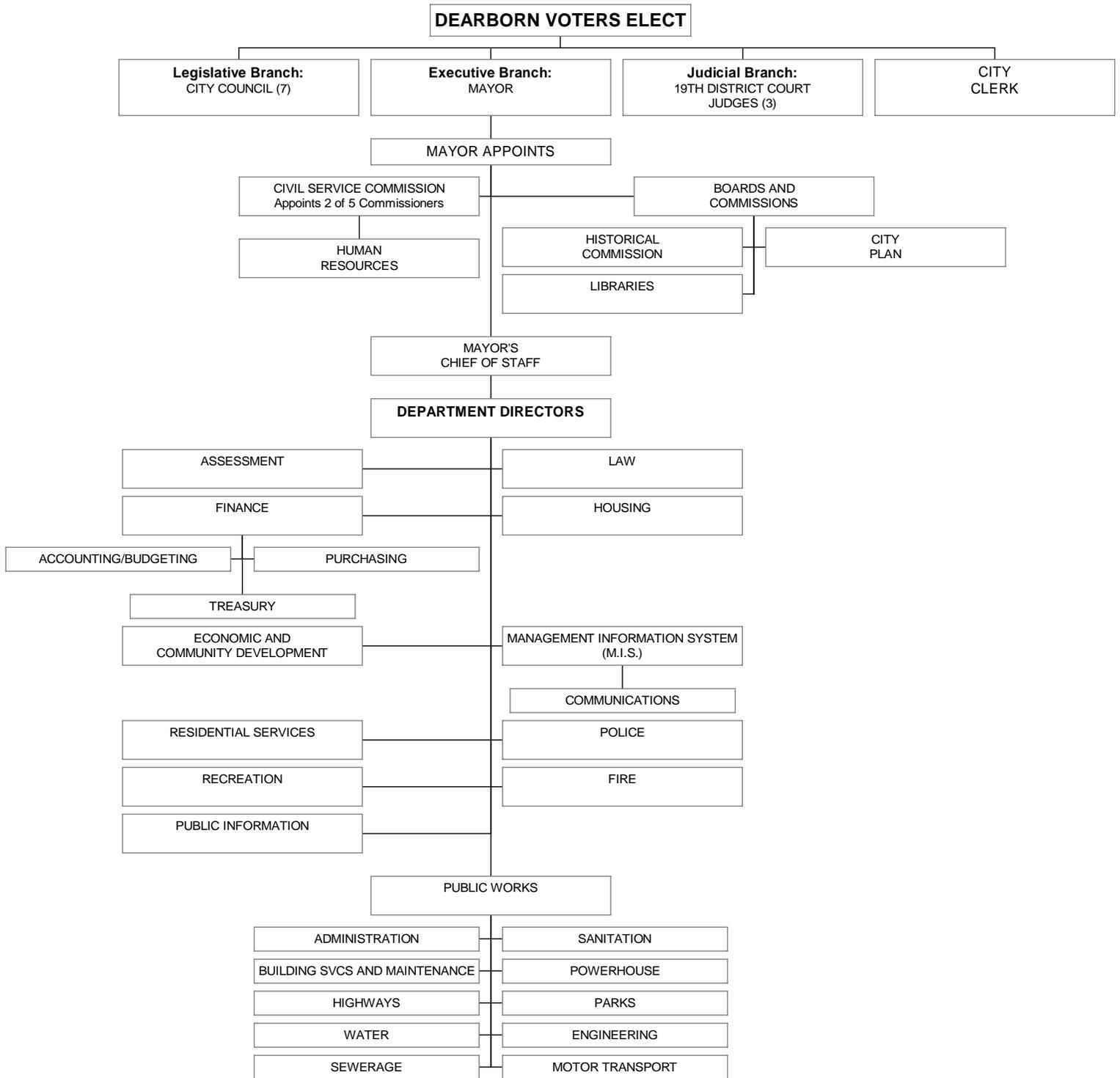
The City administration will:

- ◆ 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

# CITY OF DEARBORN



# DEARBORN'S ORGANIZATIONAL CHART



**CITY OF DEARBORN, MICHIGAN**

**List of Principal Officials**

**June 30, 2012**

<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	Suzanne Sareini
Council Members	Mark Shooshanian Robert A. Abraham Brian O'Donnell Nancy A. Hubbard David Bazzy
City Assessor	Gary Evanko
City Engineer	M. Yunus Patel
City Librarian	Maryanne Bartles
City Planner	Vacant
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	Vacant
Management Information Systems Director	Doug Feldkamp
Purchasing Agent	Vacant
Fire Chief	Vacant
Housing Director	Vacant
Museum Chief Curator	Kirt Gross
Police Chief	Ronald Haddad
Public Works Director	James Murray
Public Information Director	Mary Laundroche
Recreation Director	Greg Orner
Residential Services Director	Nicholas Siroscopy

## 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, Michigan (the "City") as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Dearborn, Michigan'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, Michigan as of June 30, 2012 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2012 on our consideration of the City of Dearborn, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Plante & Moran, PLLC*

November 26, 2012

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, 2012. 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.

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

# City of Dearborn, Michigan

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## Management's Discussion & Analysis June 30, 2012

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

# City of Dearborn, Michigan

## Management's Discussion & Analysis June 30, 2012

### 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	
	FY2012	FY2011	FY2012	FY2011	FY2012	FY2011
Current and other assets	\$ 81.2	\$ 82.5	\$ 98.3	\$ 98.6	\$ 179.5	\$ 181.1
Capital assets	140.1	136.9	378.0	375.4	518.1	512.3
Total assets	221.3	219.4	476.3	474.0	697.6	693.4
Long-term liabilities	23.8	25.8	211.5	227.9	235.3	253.7
Other liabilities	12.7	11.3	25.2	23.9	37.9	35.2
Total liabilities	36.5	37.1	236.7	251.8	273.2	288.9
Net assets:						
Invested in capital assets, net of debt	133.3	126.5	153.6	144.4	286.9	270.9
Restricted	12.7	9.5	13.8	9.5	26.5	19.0
Unrestricted (deficit)	38.8	46.3	72.2	68.3	111.0	114.6
Total net assets	\$ 184.8	\$ 182.3	\$ 239.6	\$ 222.2	\$ 424.4	\$ 404.5

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 \$424.4 million as of June 30, 2012. 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 4.9% or \$19.9 million from \$404.5 million to \$424.4 million. Of this change, a \$2.5 million increase is related to Governmental Activities and the remaining \$17.4 million is included in the Business-type Activities. Specific information about these changes follows.

Governmental activities - Total assets increased by 0.9% or \$1.9 million from \$219.4 million to \$221.3 million due to increases of \$3.2 million in capital assets, \$2.6 million in receivables from other governments and \$1.8 million in prepayments offset by a \$5.7 million unrealized loss on land inventory held for resale. The decrease in total liabilities of \$0.6 million is the result of increases in accounts payable, amounts due for tax refunds and in the net OPEB liability for postemployment health insurance offset by decreases in long-term debt.

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

# City of Dearborn, Michigan

## Management's Discussion & Analysis June 30, 2012

Business-type activities - The most significant change in business-type activities is related to capital assets and long-term liabilities associated with the Combined Sewer Overflow (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)**

<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 18.3	\$ 18.9	\$ 50.3	\$ 47.2	\$ 68.6	\$ 66.1
Operating grants	10.8	11.2	-	-	10.8	11.2
Capital grants	10.2	3.6	1.2	4.8	11.4	8.4
General revenues:						
Taxes	64.8	65.0	16.2	15.7	81.0	80.7
Intergovernmental revenue	8.4	8.3	-	-	8.4	8.3
Investment earnings	0.1	0.2	0.1	0.3	0.2	0.5
Gain on sale of assets	-	-	5.4	-	5.4	-
Other general revenues	0.2	0.3	1.5	0.1	1.7	0.4
<b>Total revenues</b>	<b>112.8</b>	<b>107.5</b>	<b>74.7</b>	<b>68.1</b>	<b>187.5</b>	<b>175.6</b>
<b>Program expenses</b>						
General government	12.0	12.2	-	-	12.0	12.2
Public safety	59.1	62.2	-	-	59.1	62.2
Public works	17.5	18.1	-	-	17.5	18.1
Health & welfare	-	0.4	-	-	-	0.4
Recreation & culture	20.7	22.0	-	-	20.7	22.0
Community improvement	6.0	5.3	-	-	6.0	5.3
Interest on long-term debt	0.2	0.4	-	-	0.2	0.4
Housing	-	-	3.0	3.3	3.0	3.3
Golf course	-	-	1.3	1.4	1.3	1.4
Parking	-	-	2.1	2.1	2.1	2.1
Sewer	-	-	30.3	23.3	30.3	23.3
Water	-	-	15.4	15.3	15.4	15.3
<b>Total expenses</b>	<b>115.5</b>	<b>120.6</b>	<b>52.1</b>	<b>45.4</b>	<b>167.6</b>	<b>166.0</b>
Excess (deficiency) before special items & transfers						
	(2.7)	(13.1)	22.6	22.7	19.9	9.6
Special items						
	-	-	-	(5.5)	-	(5.5)
Transfers						
	5.2	-	(5.2)	-	-	-
<b>Increase (decrease) in net assets</b>	<b>\$ 2.5</b>	<b>\$ (13.1)</b>	<b>\$ 17.4</b>	<b>\$ 17.2</b>	<b>\$ 19.9</b>	<b>\$ 4.1</b>

### Table 2 Comments:

Governmental activities – Governmental activities increased the City's net assets by \$2.5 million. Revenues overall increased \$5.3 million, primarily due to \$5.1 million in capital grant funding for the Intermodal Passenger Rail Station project. Expenditures decreased \$5.1 million over last year, substantially due to \$1.7 million in reductions in staffing and programs in the Libraries, Recreation and Parks departments as well as a \$2.5 million decrease in the contributions to the

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

# City of Dearborn, Michigan

## Management's Discussion & Analysis June 30, 2012

Fleet and General Liability Insurance fund and a \$0.6 million reduction in accrued compensated absences for Public Safety activities.

Business-type activities – Business-type activities increased the City's net assets by \$17.4 million during the year. A substantial portion of the net increase is \$16.1 million in tax revenue used to pay down the principal on CSO debt, with an additional \$1.2 million in capital grants primarily related to the CSO project and a gain of \$5.4 million on the sale of the Dearborn Towers property in Clearwater, Florida. These revenue increases were offset by increased expenses in the Sewer fund including a \$2.6 million increase in depreciation related to CSO assets placed into service, a \$1.7 million increase in contractual services and a \$1.4 million increase in the cost of sales.

### 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 \$7.5 million below the final budget amount. This can be attributed primarily to savings in personnel costs as well as the departments' efforts to be conscientious of all costs incurred and to look for ways to save the City money.

### Capital Assets and Debt Administration

#### Capital Assets

At the end of fiscal year 2012, the City had approximately \$518 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	
	FY2012	FY2011	FY2012	FY2011	FY2012	FY2011
Land	\$ 6,250,344	\$ 4,170,381	\$ 5,821,324	\$ 5,952,512	\$ 12,071,667	\$ 10,122,893
Right-of-ways	37,818	37,818	-	-	37,818	37,818
Construction in progress	4,472,867	775,573	53,244,976	250,076,297	57,717,844	250,851,870
Infrastructure assets	56,418,412	54,574,467	-	-	56,418,412	54,574,467
Buildings & improvements	64,075,031	66,449,628	33,092,110	34,063,320	97,167,141	100,512,948
Equipment	8,841,699	10,838,036	39,218,045	1,518,457	48,059,744	12,356,493
Water system	-	-	54,650,396	47,516,583	54,650,396	47,516,583
Sewer system	-	-	191,948,892	36,304,899	191,948,892	36,304,899
Total	\$ 140,096,171	\$ 136,845,903	\$ 377,975,743	\$ 375,432,068	\$ 518,071,914	\$ 512,277,971

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

# City of Dearborn, Michigan

## Management's Discussion & Analysis June 30, 2012

### Table 3 Comments:

This year's major changes included:

#### Governmental activities:

##### Machinery & Equipment:

Vehicles	\$ (1,563,682)
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##### Construction in progress:

Intermodal Passenger Rail Facility (IPRF)	\$ 5,367,687
Crowley Park Expansion	103,900
Camp Dearborn Lake 5 Shore Improvements	76,976
Camp Dearborn Resort Cabins	453,590
	<hr/>
	\$ 6,002,153

Infrastructure assets, net increase due to cost less depreciation	\$ 1,843,945
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Buildings and improvements, net change due to completed projects less depreciation	\$ (2,374,597)
--	----------------

#### Business-type activities

Machinery and Equipment, net change due to completed projects less depreciation	\$ 37,697,340
---	---------------

##### Construction in progress (net change)

Sewer Fund	(185,584,071)
Water Fund	(2,926,902)
	<hr/>
	\$ (188,510,973)

Buildings and improvements, net change due to completed projects less depreciation	\$ (368,974)
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Additional information on the City of Dearborn's capital assets can be found in Note 3 on pages 56-57 of this report.

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

# City of Dearborn, Michigan

## Management's Discussion & Analysis June 30, 2012

### Debt

At fiscal 2012 year-end, the City had approximately \$231.7 million in bonds and notes outstanding versus \$242.0 last fiscal year – a decrease of 4.3% - as shown in Table 4.

**Table 4  
Outstanding Debt, at Year-end**

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY2012	FY2011	FY2012	FY2011	FY2012	FY2011
General obligation bonds (backed by City)	\$ 6,765,244	\$ 10,277,268	\$213,248,466	\$218,182,845	\$ 220,013,710	\$228,460,113
Revenue bonds and notes (backed by specific tax and fee revenue)	-	-	11,665,007	13,589,363	11,665,007	13,589,363
Total	<u>\$ 6,765,244</u>	<u>\$ 10,277,268</u>	<u>\$224,913,473</u>	<u>\$231,772,208</u>	<u>\$ 231,678,717</u>	<u>\$242,049,476</u>

The City continues to draw State Revolving Fund (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 58-66 of this report.

### Fiscal Year 2013 Budgets & Rates

The fiscal year 2013 General Fund budget for revenue is estimated at \$99,936,241 with appropriations of \$104,570,063 leaving \$4,633,822 use of fund balance.

The primary revenue of the General Fund is property taxes with the tax rate the controllable component within limits of law. In fiscal year 2008 the 13.6275 operating millage generated \$63.2 million. For fiscal year 2013 levying the same 2008 13.6275 millage would generate \$47.1 million producing a difference of \$16.1 million in 5 years. The reason is that \$1.2 billion or 26% of property taxable value has declined (\$4.6 billion to \$3.4 billion taxable value change). The property is all still here, the people are still here, and the municipal service expectations have not changed. But a substantial amount of operating tax revenue evaporated rapidly with the market decline.

The November 2011 voter-authorized five year sunset 3.5 mills operating millage combined with the 15 mill base Charter millage produce \$63.9 million, which is equivalent tax revenue to fiscal year 2008. The 4.3275 (32%) operating mill increase since 2008 basically restored the revenue lost by property tax value declines and serves as a restoration millage, not additional tax income. The 2013 budget includes the 18.5 mills and corresponding revenue.

The federally-mandated and resident voted Combined Sewer Overflow (CSO) debt service expense has increased 53% from \$9.8 million requiring 1.6 mills in fiscal year 2008 to \$18.6 million requiring 4.77 mills for fiscal year 2013. The fact that property tax values were falling at the same time this debt service (principal and interest payments) was increasing masked some of

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

# City of Dearborn, Michigan

## Management's Discussion & Analysis June 30, 2012

the property tax value declines and hid the fact that this voted debt millage was fully expected to result in increased taxes for all taxpayers.

This perplexed some taxpayers because they knew that their property value was declining significantly but they did not see the tax bill decreasing consistent with the property value. This can be referred to as the CSO debt millage neutralization.

The Ford Community and Performing Arts Center debt millage and the garbage and rubbish millage are purpose-dedicated and adjusted to cover the associated costs. These millages increased with the declining property values and this increase covered any cost inflation, but most of the increase was associated with maintaining the income level. Again it appears as if the rates were increased and would generate correspondingly more income, but that is not the reality.

The fiscal year 2012 budget included the \$6 million sale of Dearborn Towers which was completed. This was a one-time event and therefore is not reflected in the fiscal year 2013 budget. Rates and fees continue to be adjusted with income overall reflective of the economy and economic activity.

The primary expense of the General Fund is personnel and this cost is driven by staff counts and the corresponding labor agreement provisions. Dearborn is the only community in the State that has Charter-mandated Police staffing and is one of a few communities that has Charter-mandated Fire staffing. The budget reflects 121 firefighters and 205 sworn police officers totaling 326 mandated positions of the total full-time staffing count of 697. The fiscal year 2001 City-wide budget included 911 full-time positions. The non-public safety staff has declined 37% or (214 positions) from 585 in 2001 to 371 as of the date of this memo. In the current year alone 43 full-time positions were eliminated and seven more are removed for fiscal year 2013.

The position reductions and compensation package amendments, along with other efficiency gains, resulted in no inflation for the non-public safety operations from fiscal year 2001 to 2011 (last audited and completed year). Conversely, Police increased \$12 million or 57% and Fire increased \$6.7 million or 62% for the same period. For fiscal year 2004 and prior the public safety operations consumed about 50% of the property tax revenues. By fiscal year 2008 this increased to 63%, 2010 to 77%, and 2012 86% (2012 is a budget figure). Public safety costs increased over this same period from \$34.6 million in fiscal year 2004 to \$45.7 million in 2008, to \$50 million in 2010, and over \$54 million was budgeted for 2012. For fiscal year 2013 the public safety budget is estimated at \$57.1 million. At 15 operating mills tax revenue is estimated to be \$52 million and at 18.5 mills \$64 million. The public safety budget would exceed the entire operating tax levy without the restoration millage and consumes 89% on a budgetary basis using just the operating millage.

From fiscal year 2004 through 2011 Police pay increases (non-compounding) total 17%, Fire 19%, and general employees 3%. All employee pension systems have been closed for several years with defined contribution plans available to all employees, and a revised defined benefit plan for public safety. Public safety new hires are the only new employees that are still eligible for retiree health care.

Outside of staffing levels, the compounding inflation of employee and retiree health care costs is a significant concern. The City has moved to self-insured status for one of the health care providers which has been favorable to date and is evaluating moving to a self-insured product for

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

# City of Dearborn, Michigan

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## Management's Discussion & Analysis June 30, 2012

the other provider. Employees will start paying 20% of the health care premiums starting July 1, 2012 in addition to other cost sharing for office visits and drugs. Other than the migration to Medicare Advantage, nothing has changed for retirees. Health care premiums have increased between 5% and 15% per year. A 10% increase on the \$17 million annual cost represents \$1.7 million. A two year in a row 10% increase consumes an entire tax mill (\$3.4 million) in just a two year time horizon. Without substantial inflationary controls on the health care industry, the health care benefit is unsustainable.

Legacy costs associated with pension funding are also a challenge. The closing of the systems accelerates funding requirements. There are currently more retirees than active employees and this situation will continue. The City, in cooperation with other communities, has repeatedly requested that the State of Michigan pass a law allowing communities to issue debt (bonds) for these legacy costs to spread the costs over time. It remains an attractive option as interest rates remain very low.

Operating inflationary costs for gasoline, utilities, and supplies continue to drive modest growth of expenses. For the most part these trends are market-based and cost control must come from operational efficiency gains. The conflict lies in the property value growth cap imposed by Proposal A of 1994 and cost inflation.

For reference, one tax mill now generates \$3.4 million and in 2008 generated \$4.6 million. An average general employee costs \$65,000 each and a public safety position costs \$100,000 each inclusive of all benefit components. For context purposes, in order to cover the \$4.6 million use of fund balance with staffing cuts, the equivalent of 71 general employees or 46 public safety positions would have to be eliminated.

The General Fund equity (fund balance) as of June 30, 2012 is \$19.8 million and the estimate is to use up to \$4.6 million in fiscal year 2013. The gap for the fiscal year 2014 and 2015 is \$7.4 and \$6.3 million respectively. If the budget was fully expended, the fund balance would be almost fully exhausted at June 30, 2015. The annual operating focus must be on efficiency and performance gains, and cost savings. All the labor contracts are currently open and concessions are actively being negotiated. Continued downsizing of assets (facilities, fleet, etc...) and staffing are necessary to avert financial disruptions. The downsizing of the general employee staff, closing of a branch library and some swimming pools, along with the sale of properties demonstrate good strategic corrective movement. This positive action must include public safety operations to effectuate the changes needed.

While it may appear to be a conflicting message, the City cannot lose sight of capital reinvestment to position the City for long-term competitiveness and/or to reduce long term operating costs. It may be difficult for people to understand that resources need to be allocated for capital investment activities at the same time budgets for operating costs are decreasing resulting in reductions to the program/service mix or performance standards.

# City of Dearborn, Michigan

## Management's Discussion & Analysis June 30, 2012

### Fiscal Year 2013 Budgetary Assumptions

Taxable Value decline for fiscal year 2013 is 4.96% and the estimate for fiscal year 2014 is to decrease no more than 3.48% and then level off with very modest growth.

#### Tax Rates and Water/Sewer Rates

Description	Fiscal Year 2011-2012	Fiscal Year 2012-2013	Difference
Tax Millage Rate:			
City Operating	15.00	18.50	3.50
Garbage & Rubbish	1.69	1.94	.25
Library	-	1.00	1.00
Debt Service	5.21	5.42	.21
Total Millage Rate	21.90	26.86	4.96
Water Rate	\$17.62	\$18.80	\$1.18
Sewer Rate	\$31.95	\$34.50	\$2.55

The 3.5 mill operating millage and the one mill library millage were both approved by voters in November 2011. The garbage and debt millages are adjusted to cover costs and offset the continued declining property values. The .65 voted debt millage for the Community Center will expire in fiscal year 2013 with the final debt payments. The voted debt millage for the CSO is a federally mandated (unfunded) clean water compliance initiative which placed a significant long-term financial burden on the community.

The Detroit Water and Sewer Department continues to increase rates charged to the City of Dearborn for fresh water and water treatment. In addition, the CSO facilities constructed are operational or phasing into operation increasing operating costs. Therefore water and sewer rates continue to be adjusted.

Interest income is calculated on banking and investment funds, which earn varying interest rates. The aggregate estimated average annual pool of funds balance of \$176,242,210 derives an estimated average interest rate of:

- o 2012-2013 .40%
- o 2013-2014 .74%
- o 2014-2015 1.11%

Working capital reductions and actual interest rates will impact performance.

Employee compensation rates are based on the current or most recent labor contracts. All contracts will be expired as of June 30, 2012 except for Police Lieutenants and Sergeants, unless settlements are reached prior to the end of the current fiscal year.

Health care increase assumptions are 5.5% on average and based on insurance provider rates. The performance of the self-insurance pool continues to be favorable and in future

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

# City of Dearborn, Michigan

## Management's Discussion & Analysis June 30, 2012

years a rate stabilization credit may be applied. If the public safety labor groups agree to phase out Blue Care Network (BCN) additional savings can be achieved.

Public Act 152 of 2011 (80% / 20% provision) employee cost sharing for health care is budgeted to be applicable to all full-time employees effective July 1, 2012 except for the Lieutenants and Sergeants labor group because their labor contract does not expire until June 30, 2013. The total employee premium cost sharing is estimated to be \$1.4 million.

Pension (Chapter 22 & 23) and post employment health care funding has been broken down into components. There is the normal cost and the unfunded accrued liability (UAL) components associated with the active employees that are budgeted as percentage of payroll. The unfunded accrued liability that is associated with current retirees is budgeted as lump-sum contributions to each system. Given the closed status of these retirement systems, applying the retiree portion of the UAL to the declining residual active members skews the true cost of the individual benefit package and the contribution rates. The process for allocating has been reviewed by Gabriel, Roder, Smith, the City's actuary. It is important to know that the auditors review the contributions received by each trust in relation to the actuarial required funding amount. All of the contributions are set at full funding.

Funding has been restored for fleet replacement (\$996,600) and facility reinvestment (\$1,045,288 of which \$596,921 is associated with specific capital projects). The facility funding is based on 20% of the projected funding need. The fleet funding is intended to accumulate sufficient resources to replace components of the fleet as needed, but not replace the entire fleet. The facility funding is structured to accumulate resources for major capital component repair or replacement.

The technology replacement funding for computers, printers, and copiers continues to be suspended. However there is \$500,000 budgeted for the replacement of the telephone system that is spread over the three years as follows: \$200,000, \$200,000, and \$100,000.

Gasoline assumption is based on \$4 per gallon.

The Planning department is consolidated with the Legal Department.

The Neighborhood Services Division and a majority of the Sanitation Division of the Public Works Department have been consolidated with the Residential Services Department.

The Snow Branch Library will complete decommissioning this summer and can be available for sale in the coming year.

The Historical Department has been downsized to two part-time positions with oversight by the Historical Commission.

The Health Department phase-out decommissioning was finished in the current fiscal year.

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

# City of Dearborn, Michigan

## Management's Discussion & Analysis June 30, 2012

### Major Capital Initiatives

The 2012-2013 funding of the Capital Improvement Plan is \$20,761,525 which is the net of new project funding of \$21,207,712 and use of project reserves and resource reprogramming of \$446,187. 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 General Capital Improvement Fund and the Facilities Fund, Community Development Block Grant Fund, Major Street & Trunkline Fund, Local Street Fund, and the Water and Sewer Funds and by federal aid for street projects, grants and the Wayne County Parks Millage allocation.

#### Property - \$441,388

◆ Land Acquisition for Resale	\$100,000
◆ Wayne County HOME Consortia	341,388

#### Infrastructure - \$16,755,471

◆ Streets	7,253,205
◆ Water	5,496,516
◆ Sewer	3,805,750
◆ Sidewalks, Alleys, Streetscape	200,000

#### Facilities - \$3,564,666

◆ Parks	2,177,383
◆ Libraries	176,657
◆ Public Works Facilities	258,722
◆ Senior Housing	490,000
◆ Recreation Facilities	193,800
◆ Public Safety	123,264

### Development and Progress

Ford Recovery and Investment - Ford Motor Company continues to make good progress on its reinvention plan and has regained a prominent position within the global auto environment. Particularly in North America, their vehicle lineup, sales figures and investment in the future have been significant. For Dearborn this means ongoing stable employment at the World Headquarters, Regent Court Marketing Center and the Research and Engineering complex. Specifically, at least 1,000 new engineers are targeted to be added, which means high paying jobs and potentially new Dearborn residents. Additionally, at the Rouge complex, Ford is currently adding a \$65 million upgrade to the stamping facility, which continues to make the Rouge operations competitive with the most advanced manufacturing plants in the world. Because of its flexible platform design, the Rouge assembly plant will continue to be an integral element of Ford's production capabilities and can accommodate any light truck including the next generation F-150 as it is developed.

Severstal Investment - Severstal is nearly complete with the modernization of its half of the Rouge Complex. The makeover of this once aging steel mill is a success story of saving a facility one day from closing and developing a vision for a 21st century integrated mill of the future. Their \$1.5 billion invested since 2004 has brought this plant to a globally competitive status. The remaining piece of the mill that remains to be added is a Continuous Annealing Line (CAL), and other important advancements will bring their total reinvestment to nearly \$2 billion by 2014.

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

The CAL is a particularly significant addition to the mill as it complements the other investments already made and provides the capstone element to allow significant production of lightweight, high strength steel being demanded by all the Original Equipment Manufacturers (OEM) to meet more stringent Corporate Average Fuel Economy (CAFE) standards. As an example, a current F-150 pickup truck weighs about 5,000 pounds and can get about 21 miles per gallon (mpg) with Eco-Boost technology. Advanced lightweight high strength steel could reduce the weight of the F-150 by 2,000 - 2,500 pounds, thereby increasing safety and improving fuel economy by 6 - 8 mpg, allowing a full size pickup to get nearly 30 mpg. Severstal is committed to building the CAL in Dearborn as soon as financing is complete.

Dearborn Intermodal Passenger Rail Station - A federal grant of \$28.2 million will allow Dearborn to be a regional leader in rail transit for the Detroit Metro area as high speed and commuter services are developed. This station will be strategically located adjacent to the West Dearborn Downtown District, The Henry Ford America's Greatest History Attraction, and the Rouge Gateway Greenway trail, linking Dearborn destinations to the region for non-motorized travel. Once Michigan Department of Transportation (MDOT) acquires the rail corridor between Dearborn and Kalamazoo and upgrades the service capability to 110 miles per hour (mph), travel between Detroit/Dearborn and Chicago will drop to under four hours. The service improvements and the new Dearborn station should be operational in about two years. The Dearborn station will also be an important location on the Ann Arbor to Detroit commuter line, moving metro Detroiters effortlessly via rail to their multiple destinations throughout the region.

University of Michigan-Dearborn (UM-D), Student Housing - UM-D has partnered with University Campus Communities (UCC) to construct the first phase of modern student housing for its campus on the site of the Fairlane Town Center. This project will provide housing for over 500 students by the time the 2013 fall school year begins. This first phase can be expanded to nearly 900 students on the same site, which was formerly an obsolete Ford office/testing facility that is no longer needed by the auto giant. This adaptive reuse is proposed to be complemented by a partnership between the City of Dearborn, UM-D, Wayne County and MDOT to construct a greenway extension from the Rouge Gateway Greenway to link the new student housing to both of the UM-D Dearborn campuses, the new Intermodal Station and the West Downtown District. This student housing project will provide multiple economic development benefits to the Dearborn institutional and business community.

The CSO sewer separation projects are disruptive for the neighborhoods, but when completed there are new streets, curbs, water and sewer infrastructure. This result is very favorable for the community, updates the infrastructure, and reduces service demands on public works for water main breaks and street repairs.

The Moody's bond rating agency affirmed the A1 Sewer Debt and Aa2 General Obligation debt ratings.

### **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 credit crisis and the poor U.S. economic conditions have produced foreclosure in both the residential and commercial real estate markets. The over-supply of property and the low availability of capital have also negatively impacted property values. It is important to note that Proposal A of 1994 limits the amount that tax values can be

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

# City of Dearborn, Michigan

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## Management's Discussion & Analysis June 30, 2012

increased in any given year, but does not limit the amount that values can fall in any given year. The result is a substantially reduced taxable value in a poor market such as this one and the tax value/revenue recovery to break even could take in excess of twenty years.

The State of Michigan is actively looking to phase out business personal property. The result will be a greater shift of property taxation to residential property and a huge loss of operating income currently estimated at \$12 million per year. Replacement income options are being discussed, but history has shown that elected official term limits tend to erode the commitments of the previous elected officials. This income loss will have far reaching impacts, but is most significant for municipalities with industrial operations. It does seem reasonable that a replacement income will be identified and hopefully this will be a reliable ongoing income source.

The State's reduction in revenue sharing to municipalities has been most unfavorable and the continued reductions are a concern. On the expenditure side, health care costs and legacy costs for retirees continue to be high and increasing at a trend much greater than general inflation. Cost savings efforts to date have produced annual savings in excess of \$15 million per year; however the continued challenging economic environment requires continued cost reductions for future budgets. Given the revenue growth restrictions already mentioned, fiscal responsibility and operational effectiveness/efficiencies will need to be the primary focus of every person working at the City.

There are budgetary savings annually that will help to offset budgeted use of fund balance. However, it is important that the budget be brought to a break even status as soon as possible. In addition, the restoration millage includes a five-year sunset and substantial cost reductions will be needed if this millage is not expected to be renewed.

### **The Other Governmental Fund Types**

This section addresses issues concerning other fund types and is not intended to be a detailed review of all funds. Major Street & Trunkline and Local Street Funds rely on State Gas & Weight Tax revenue. The FY2013 estimated Gas & Weight Tax revenue budget for both funds combined increased \$220,000 from FY2012. The demands for street projects are exceeding the resources available and the need for local funding for roads is anticipated to increase in the coming years.

The Camp Dearborn Operating Fund is currently self-sufficient and is budgeted to break even in FY2013. The fund is able to operate at a self-sufficient level due to the non-operating revenues from oil royalties and the land lease of the 27-hole golf course to Mystic Creek. New Amish-style rustic cabins are being built and will be available for rental beginning the summer of 2012. The working capital of this fund will be tight and the equity position will be low.

The voter-authorized one mill resulted in establishing the Library Fund. The General Fund is budgeted to contribute \$2.2 million per year to supplement the millage. Income growth likely will not keep pace with inflationary costs and therefore additional income will be needed or facility and staffing costs will have to be pared back. The City Council has the legal authority to levy up to one additional Library mill.

The grant revenue from the Community Development Block Grant Fund is projected to be \$1,878,564 which provides federal resources to support the low- to moderate-income population.

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

The General Capital Improvement Fund is primarily financed by contributions from other funds. The Capital Improvement Plan is included in this document and presents both projects in progress and scheduled projects.

### **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 intended to be self-supporting in all respects with the West Parking System primarily supported by user paid parking. However, due to decreases in commercial property values and Special Assessment District costs not being billed out, the parking systems will require contributions from the General Fund in the amount of \$610,000. The \$11,308,930 projected retained earnings is the result of debt-financed parking improvements including two decks that will be depreciated over time.

#### **Housing**

The Seniors Apartment Operating Fund is budgeted to use \$509 thousand of reserves for \$555 thousand of capital reinvestment. The working capital and equity of the fund are both financially healthy. The Dearborn Towers Fund is no longer budgeted as the property was sold in fiscal year 2012.

#### **Golf Course**

The operation has struggled due to the poor economic conditions and state of the golf market. All debt payments and liabilities are paid by the income from operations. A consultant worked with the manager to focus on opportunities to grow the business revenues with additional marketing. The full-time staffing at the Golf Course has been reduced to one and the City has outsourced the food component of the club house operation.

#### **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 asset replacement. 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 CSO project. Open-market bonds for phase one were issued in the amount of \$24.5 million and State Revolving Fund loans have been accessed for the other financing. The tax millage rate for fiscal year 2012-2013 is 4.77 mills for debt service to pay the principal and interest payments on these bonds. Each CSO facility is large, complicated to construct, and involves a major construction site. The final phase of the project may require additional revenue bonds.

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

# City of Dearborn, Michigan

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## Management's Discussion & Analysis June 30, 2012

The Sewer budget includes operation and maintenance expenses of Caissons (Facilities), which capture water overflow, screen and add chemicals before going into the Rouge River. Facilities located at Prospect, Military, Outer Drive and a pump house at Greenfield became operational during staggered timing in FY2011 and FY2012. Rainy seasons affect annual overflow driving costs up. These wet years will drive costs up and customer billings down resulting in a double negative for the fiscal year. Budgeted costs are estimates of full year operations using historical part year actual costs and overflows. Costs for repairs of Caissons are also included in the budget.

Additional CSO facilities located at Palmer and Colson, Oakwood and Greenfield Village are in litigation and until settlement is reached, operation and maintenance costs are not included in the budget. These locations are either being modified or replaced with sewer separation projects. Future projects will all be sewer separation projects that are scheduled through 2022.

### **Insurance Funds**

These funds are adequately funded in relation to their purpose and there has been some intentional spend-down or return of excess reserves.

The City has been funding for post employment health care for more than 18 years. Annual contribution rates are set to full normal costs and the unfunded accrued liability budgeted as lump-sum amounts charged to each department based on historical staffing levels. Health care cost increases are at least twice the rate of general inflation, are unsustainable and must be managed.

### **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, 2012

	Primary Government			Component Units (See page 37)
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Current assets:				
Cash and cash equivalents (Note 2)	\$ 58,803,605	\$ 70,371,100	\$ 129,174,705	\$ 4,361,419
Accounts receivable (Net)	2,435,556	10,078,914	12,514,470	-
Accounts receivable (Other)	12,000	-	12,000	-
Unbilled accounts receivable	-	3,976,260	3,976,260	-
Property taxes receivable	102,823	25,662	128,485	-
Interest and penalties on taxes	-	-	-	-
Accrued interest receivable	134,427	173,300	307,727	9,775
Internal balances	86,600	(86,600)	-	-
Due from component units	18,993	-	18,993	-
Due from other governments	5,543,837	133,611	5,677,448	-
Prepaid items	2,419,918	27,374	2,447,292	-
Inventories	7,974,952	1,443,924	9,418,876	-
Total current assets	<u>77,532,711</u>	<u>86,143,545</u>	<u>163,676,256</u>	<u>4,371,194</u>
Noncurrent assets:				
Restricted cash and investments	-	8,489,025	8,489,025	859,458
Investments, long-term	3,646,677	3,708,367	7,355,044	192,288
Capital assets, not being depreciated (Note 3)	10,761,029	59,066,300	69,827,329	-
Capital assets, net of depreciation (Note 3)	<u>129,335,142</u>	<u>318,909,443</u>	<u>448,244,585</u>	<u>-</u>
Total noncurrent assets	<u>143,742,848</u>	<u>390,173,135</u>	<u>533,915,983</u>	<u>1,051,746</u>
Total assets	<u>221,275,559</u>	<u>476,316,680</u>	<u>697,592,239</u>	<u>5,422,940</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	3,425,312	8,660,478	12,085,790	24,925
Accrued interest payable	28,935	1,070,249	1,099,184	-
Accrued liabilities	2,432,031	843,175	3,275,206	3,375
Deposits/refunds payable	681,963	185,282	867,245	-
Due for tax refunds	2,185,284	-	2,185,284	-
Due to other governments	2,086	313,480	315,566	-
Due to primary government	-	-	-	18,993
Deferred revenue	-	108,374	108,374	-
Current portion of long-term debt (Note 4)	3,941,833	14,012,296	17,954,129	185,446
Claims payable	49,505	-	49,505	-
Total current liabilities	<u>12,746,949</u>	<u>25,193,334</u>	<u>37,940,283</u>	<u>232,739</u>
Noncurrent liabilities:				
Liabilities payable from restricted assets	-	-	-	-
Current portion of long term debt payable with restricted assets (Note 4)	-	783,894	783,894	-
Accrued interest payable with restricted assets	-	98,296	98,296	-
Claims payable	1,899,308	-	1,899,308	-
Other liabilities	-	-	-	-
Other liabilities - Other postemployment benefits (Note 7)	13,300,652	-	13,300,652	-
Long-term debt, net of current portion (Note 4)	<u>8,573,490</u>	<u>210,632,299</u>	<u>219,205,789</u>	<u>11,074,252</u>
Total noncurrent liabilities	<u>23,773,450</u>	<u>211,514,489</u>	<u>235,287,939</u>	<u>11,074,252</u>
Total liabilities	<u>36,520,399</u>	<u>236,707,823</u>	<u>273,228,222</u>	<u>11,306,991</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	133,330,927	153,591,879	286,922,806	-
Restricted for:				
Capital projects	-	6,290,064	6,290,064	-
Debt service	83,453	7,525,731	7,609,184	-
Projects, roads and other	12,571,398	-	12,571,398	-
Unrestricted	<u>38,769,382</u>	<u>72,201,183</u>	<u>110,970,565</u>	<u>(5,884,051)</u>
Total net assets	<u>\$ 184,755,160</u>	<u>\$ 239,608,857</u>	<u>\$ 424,364,017</u>	<u>\$ (5,884,051)</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	\$ 11,993,709	\$ 3,890,329	\$ 279,267	\$ 141,144
Public safety	59,102,614	8,044,980	1,352,014	406,345
Public works	17,494,663	81,308	6,520,446	2,339,713
Health and welfare	(2,766)	7,820	-	-
Recreation and culture	20,718,911	6,227,984	1,507,171	135,354
Community improvement	6,013,857	23,511	1,146,727	7,188,897
Interest on long-term debt	252,423	-	-	-
Total governmental activities	<u>115,573,411</u>	<u>18,275,932</u>	<u>10,805,625</u>	<u>10,211,453</u>
Business-type activities:				
Housing	2,990,211	3,151,693	-	-
Golf Course	1,259,035	1,008,256	-	-
Parking	2,084,662	1,579,888	-	1,140,943
Sewer	30,328,151	27,025,311	-	116,032
Water	15,398,293	17,532,486	-	(80,792)
Total business-type activities	<u>52,060,352</u>	<u>50,297,634</u>	<u>-</u>	<u>1,176,183</u>
Total primary government	<u>\$ 167,633,763</u>	<u>\$ 68,573,566</u>	<u>\$ 10,805,625</u>	<u>\$ 11,387,636</u>
Component units:				
West Dearborn Downtown Development Authority	\$ 497,728	\$ -	\$ -	\$ -
East Dearborn Downtown Development Authority	691,325	-	-	-
Brownfield Redevelopment Authority	1,495,657	-	-	-
Economic Development Corporation	7,284	-	-	-
Total component units	<u>\$ 2,691,994</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:  
Property Taxes  
Intergovernmental revenues - Unrestricted  
Investment earnings  
Gain (loss) on sale of capital assets  
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, 2012**

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (7,682,969)	\$ -	\$ (7,682,969)	\$ -
(49,299,275)	-	(49,299,275)	-
(8,553,196)	-	(8,553,196)	-
10,586	-	10,586	-
(12,848,402)	-	(12,848,402)	-
2,345,278	-	2,345,278	-
(252,423)	-	(252,423)	-
<u>(76,280,401)</u>	<u>-</u>	<u>(76,280,401)</u>	<u>-</u>
-	161,482	161,482	-
-	(250,779)	(250,779)	-
-	636,169	636,169	-
-	(3,186,808)	(3,186,808)	-
-	2,053,401	2,053,401	-
<u>-</u>	<u>(586,535)</u>	<u>(586,535)</u>	<u>-</u>
<u>(76,280,401)</u>	<u>(586,535)</u>	<u>(76,866,936)</u>	<u>-</u>
-	-	-	(497,728)
-	-	-	(691,325)
-	-	-	(1,495,657)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,284)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,691,994)</u>
64,815,389	16,147,491	80,962,880	2,995,618
8,374,116	-	8,374,116	-
75,276	103,383	178,659	5,680
-	5,414,116	5,414,116	-
241,611	1,492,129	1,733,740	505,896
5,182,893	(5,182,893)	-	-
<u>78,689,285</u>	<u>17,974,226</u>	<u>96,663,511</u>	<u>3,507,194</u>
2,408,884	17,387,691	19,796,575	815,200
182,346,276	222,221,166	404,567,442	(6,699,251)
<u>\$ 184,755,160</u>	<u>\$ 239,608,857</u>	<u>\$ 424,364,017</u>	<u>\$ (5,884,051)</u>

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

# City of Dearborn, Michigan

## Balance Sheet Governmental Funds June 30, 2012

	General	Capital Projects	Other Governmental Funds (See page 103)	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 20,029,214	\$ 5,744,013	\$ 13,956,688	\$ 39,729,915
Accounts Receivable (Net)	1,830,977	41,735	454,293	2,327,005
Accounts Receivable (Other)	-	12,000	-	12,000
Property taxes receivable	99,393	-	3,430	102,823
Accrued interest receivable	50,463	12,993	27,906	91,362
Due from other funds (Note 5)	787,054	120	157,630	944,804
Due from component units	18,993	-	-	18,993
Due from other governments	2,949,417	1,040,360	1,554,060	5,543,837
Inventories	247,488	6,440,760	1,012,541	7,700,789
Investments, long-term	1,623,887	309,026	689,475	2,622,388
Total assets	<u>\$ 27,636,886</u>	<u>\$ 13,601,007</u>	<u>\$ 17,856,023</u>	<u>\$ 59,093,916</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 1,161,945	\$ 277,955	\$ 1,147,521	\$ 2,587,421
Accrued liabilities	2,627,729	-	59,772	2,687,501
Deposits/refunds payable	238,406	1,930	441,627	681,963
Due to other governments	494	-	1,592	2,086
Due to other funds	2,295,195	32,608	450,384	2,778,187
Debt obligations	-	-	58,227	58,227
Deferred revenue	1,506,794	-	62,133	1,568,927
Claims payable	-	-	81,781	81,781
Total liabilities	<u>7,830,563</u>	<u>312,493</u>	<u>2,303,037</u>	<u>10,446,093</u>
Fund balances:				
Nonspendable:				
Inventories	247,488	6,440,760	8,332	6,696,580
Restricted for:				
Law enforcement activities	-	-	2,761,499	2,761,499
Road construction, preservation, maintenance	-	-	7,918,637	7,918,637
Debt service	-	-	83,453	83,453
Historical museum activities	-	-	887,053	887,053
Community development	-	-	1,004,209	1,004,209
Committed for:				
Subsequent year's budget	-	-	616	616
Capital projects	-	-	183,222	183,222
Fund purpose	-	-	2,705,965	2,705,965
Assigned for:				
Subsequent year's budget	5,075,442	-	-	5,075,442
Capital projects	-	6,847,754	-	6,847,754
Unassigned	14,483,393	-	-	14,483,393
Total fund balances	<u>19,806,323</u>	<u>13,288,514</u>	<u>15,552,986</u>	<u>48,647,823</u>
Total liabilities and fund balances	<u>\$ 27,636,886</u>	<u>\$ 13,601,007</u>	<u>\$ 17,856,023</u>	<u>\$ 59,093,916</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, 2012

Total fund balance for governmental funds		\$ 48,647,823
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	\$ 10,571,815	
Cost of assets, depreciated	130,179,383	
Accumulated depreciation	<u>(63,078,858)</u>	
Total adjustment due to capital assets		77,672,340
2. Some receivables are expected to be collected over several years and are not available to pay for current year expenditures		1,635,927
3. Other assets used in governmental activities are financial resources and therefore are not reported in the governmental funds - inventory		274,163
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	(27,270)	
Noncurrent liabilities, due in one year	(3,450,598)	
Noncurrent liabilities, due in more than one year	(8,177,646)	
Noncurrent liabilities, other postemployment benefits	<u>(13,300,652)</u>	
Total adjustment due to long-term liabilities		(24,956,166)
5. Internal service funds are included as part of governmental activities		<u>81,481,073</u>
Net assets of governmental activities		<u>\$ 184,755,160</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, 2012

	General	Capital Projects	Other Governmental Funds (See page 105)	Total Governmental Funds
<b>Revenues</b>				
Taxes, assessments and penalties on taxes	\$ 63,297,659	\$ -	\$ 2,288,802	\$ 65,586,461
Licenses and permits	2,164,269	-	-	2,164,269
Intergovernmental revenues:				
State sources	9,060,669	26,179	6,558,275	15,645,123
Federal sources	1,546,687	5,331,845	5,238,511	12,117,043
Wayne County parks millage	-	90,000	-	90,000
Other sources	772,087	-	-	772,087
Charges for services	8,163,388	2,435	377,501	8,543,324
Fines and forfeits	3,517,890	-	820,667	4,338,557
Rents and royalties	2,141,619	-	2,643,741	4,785,360
Miscellaneous revenue	509,531	2,534	188,446	700,511
Private source contributions	-	20,000	48,372	68,372
Investment income	48,378	11,304	15,594	75,276
<b>Total revenues</b>	<b>91,222,177</b>	<b>5,484,297</b>	<b>18,179,909</b>	<b>114,886,383</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	11,722,656	-	424,373	12,147,029
Public safety	54,864,917	-	475,228	55,340,145
Public works	9,728,616	-	8,930,375	18,658,991
Health and welfare	10,427	-	-	10,427
Recreation and culture	14,393,757	-	2,036,666	16,430,423
Community improvement	828,901	-	1,206,854	2,035,755
Utilities	-	-	281,736	281,736
Capital outlay	340,667	6,336,052	1,093,940	7,770,659
Debt service - principal	-	-	3,381,696	3,381,696
Debt service - interest and fiscal charges	-	-	361,520	361,520
Unrealized loss on land held for resale	-	4,843,000	896,000	5,739,000
<b>Total expenditures</b>	<b>91,889,941</b>	<b>11,179,052</b>	<b>19,088,388</b>	<b>122,157,381</b>
<b>Revenues Over (Under) Expenditures</b>	<b>(667,764)</b>	<b>(5,694,755)</b>	<b>(908,479)</b>	<b>(7,270,998)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	8,125,874	605,106	5,317,414	14,048,394
Transfers out	(9,220,302)	(1,220,598)	(3,631,023)	(14,071,923)
<b>Total other financing sources (uses)</b>	<b>(1,094,428)</b>	<b>(615,492)</b>	<b>1,686,391</b>	<b>(23,529)</b>
<b>Net Change in Fund Balances</b>	<b>(1,762,192)</b>	<b>(6,310,247)</b>	<b>777,912</b>	<b>(7,294,527)</b>
<b>Fund Balances - Beginning of Year</b>	<b>21,568,515</b>	<b>19,598,761</b>	<b>14,775,074</b>	<b>55,942,350</b>
<b>Fund Balances - End of Year</b>	<b>\$ 19,806,323</b>	<b>\$ 13,288,514</b>	<b>\$ 15,552,986</b>	<b>\$ 48,647,823</b>

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 Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2012

Net change in fund balance - Total Governmental Funds \$ (7,294,527)

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	\$ 12,237,957	
Net book value of assets disposed	(195,154)	
Depreciation	<u>(5,089,172)</u>	
Total excess capital outlay		6,953,631
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.		(549,944)
3. Governmental funds report inventories as expenditures when purchased; however in the statement of activities, the cost of those assets is expensed when used.		204,998
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	3,381,696	
Interest payable	<u>109,097</u>	
Total reduction of long-term liabilities		3,490,793
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	840,688	
Other postemployment benefits	<u>(3,192,365)</u>	
Total expenses not reported in governmental funds		(2,351,677)
6. Internal service funds are included as part of governmental activities.		<u>1,955,610</u>
Change in net assets of governmental activities		<u>\$ 2,408,884</u>

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 116)
	Parking System Funds	Sewer	Water	
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 1,005,140	\$ 56,444,046	\$ 4,225,516	\$ 8,696,398
Accounts receivable (Net)	34,343	310,900	9,729,362	4,309
Property taxes receivable	-	25,662	-	-
Unbilled accounts receivable	-	2,573,752	1,402,508	-
Accrued interest receivable	2,503	141,090	9,673	20,034
Due from other governments	-	48,637	-	84,974
Due from other funds	-	-	-	-
Prepaid items	-	-	-	27,374
Inventories	794,700	185,960	435,560	27,704
Total current assets	<u>1,836,686</u>	<u>59,730,047</u>	<u>15,802,619</u>	<u>8,860,793</u>
Noncurrent assets:				
Restricted cash and investments:				
Construction and equipment	-	6,290,064	-	-
Debt service	101,565	1,901,803	18,560	177,033
Investments, long-term	59,540	2,953,337	230,072	465,418
Capital assets (Net)	<u>16,918,213</u>	<u>294,869,058</u>	<u>61,161,116</u>	<u>5,027,356</u>
Total noncurrent assets	<u>17,079,318</u>	<u>306,014,262</u>	<u>61,409,748</u>	<u>5,669,807</u>
Total assets	<u>18,916,004</u>	<u>365,744,309</u>	<u>77,212,367</u>	<u>14,530,600</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	57,026	5,088,290	3,461,456	53,706
Accrued interest payable	28,648	1,037,490	-	4,111
Accrued liabilities	5,775	646,900	137,150	53,350
Deposits/refunds payable	-	-	9,992	175,290
Due for tax appeals	-	-	-	-
Due to other governments	-	273,850	-	39,630
Due to other funds	120	21,540	51,421	13,519
Deferred revenue	58,920	-	-	49,454
Current portion of long-term debt	<u>763,656</u>	<u>13,123,403</u>	<u>41,250</u>	<u>83,987</u>
Total current liabilities	<u>914,145</u>	<u>20,191,473</u>	<u>3,701,269</u>	<u>473,047</u>
Noncurrent liabilities:				
Current portion of long term debt payable with restricted assets	101,565	491,546	13,750	177,033
Accrued interest payable with restricted assets	-	93,553	4,743	-
Long-term debt, net of current portion	6,116,328	202,297,273	703,812	999,870
Other liabilities	-	86,793	296,119	132,104
Claims payable	-	-	-	-
Total noncurrent liabilities	<u>6,217,893</u>	<u>202,969,165</u>	<u>1,018,424</u>	<u>1,309,007</u>
Total liabilities	<u>7,132,038</u>	<u>223,160,638</u>	<u>4,719,693</u>	<u>1,782,054</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	9,936,664	79,448,382	60,440,367	3,766,466
Restricted for:				
Construction	-	6,290,064	-	-
Debt service	-	7,525,731	-	-
Unrestricted	<u>1,847,302</u>	<u>49,319,494</u>	<u>12,052,307</u>	<u>8,982,080</u>
Total net assets	<u>\$ 11,783,966</u>	<u>\$ 142,583,671</u>	<u>\$ 72,492,674</u>	<u>\$ 12,748,546</u>

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

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

Total	Governmental Activities - Internal Service Funds (See page 121)
\$ 70,371,100	\$ 19,073,690
10,078,914	108,551
25,662	-
3,976,260	-
173,300	43,065
133,611	-
-	1,788,639
27,374	2,419,918
1,443,924	-
86,230,145	23,433,863
6,290,064	-
2,198,961	-
3,708,367	1,024,289
377,975,743	62,423,831
390,173,135	63,448,120
476,403,280	86,881,983
8,660,478	658,050
1,070,249	1,665
843,175	102,100
185,282	-
-	2,185,284
313,480	-
86,600	48,497
108,374	67,000
14,012,296	105,019
25,279,934	3,167,615
783,894	-
98,296	-
210,117,283	108,750
515,016	257,513
-	1,867,032
211,514,489	2,233,295
236,794,423	5,400,910
153,591,879	62,210,062
6,290,064	-
7,525,731	-
72,201,183	19,271,011
\$ 239,608,857	\$ 81,481,073

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 117)
	Parking System Funds	Sewer	Water	
<b>Operating Revenues</b>				
Taxes, assessments and penalties on taxes	\$ -	\$ 16,147,491	\$ -	\$ -
Sales	-	19,814,297	10,857,501	465,852
Charges for services	1,271,731	6,536,076	6,012,908	1,420,913
Fines	307,399	-	-	-
Penalties	758	674,938	662,077	-
Rents and royalties	-	-	-	2,273,184
City contributions for insurance premiums	-	-	-	-
Miscellaneous	130	1,381,428	21,784	88,787
Total operating revenues	<u>1,580,018</u>	<u>44,554,230</u>	<u>17,554,270</u>	<u>4,248,736</u>
<b>Operating Expenses</b>				
Personnel services	182,673	1,741,561	4,042,012	1,871,090
Contractual services	538,920	3,840,478	1,508,310	389,261
Insurance and bonds	44,990	119,186	92,557	200,396
Insurance benefits	-	-	-	-
Claims and judgments	-	-	-	-
Utilities	141,138	270,550	12,119	522,459
Repair and maintenance	144,407	406,415	21,538	144,804
Supplies	51,076	151,836	518,682	133,732
Cost of sales	-	15,756,182	7,608,875	178,567
Cost of rentals	7,917	116,408	-	91,368
Taxes	-	-	-	119,041
Depreciation	571,643	3,699,408	1,321,835	502,038
Other	13,969	379,057	253,483	70,566
Total operating expenses	<u>1,696,733</u>	<u>26,481,081</u>	<u>15,379,411</u>	<u>4,223,322</u>
<b>Operating Income (Loss)</b>	(116,715)	18,073,149	2,174,859	25,414
<b>Nonoperating Revenues (Expenses)</b>				
Investment income	2,428	77,975	11,952	11,028
Gain/(loss) on disposal of assets	-	(3,450)	-	5,417,566
Other interest	(387,929)	(3,847,070)	(18,882)	(25,924)
Total nonoperating revenues (expenses)	<u>(385,501)</u>	<u>(3,772,545)</u>	<u>(6,930)</u>	<u>5,402,670</u>
<b>Income (Loss) before Capital Contributions &amp; Transfers</b>	(502,216)	14,300,604	2,167,929	5,428,084
Capital contributed from grants, developers & other	<u>1,140,943</u>	<u>116,032</u>	<u>(80,792)</u>	<u>-</u>
<b>Income (Loss) before Transfers</b>	638,727	14,416,636	2,087,137	5,428,084
<b>Transfers</b>				
Transfers in	250,000	5,390	613,629	235,000
Transfers out	-	(11,271)	(11,271)	(6,264,370)
Net transfers	<u>250,000</u>	<u>(5,881)</u>	<u>602,358</u>	<u>(6,029,370)</u>
<b>Income (Loss)</b>	888,727	14,410,755	2,689,495	(601,286)
<b>Net Assets - Beginning of Year</b>	10,895,239	128,172,916	69,803,179	13,349,832
<b>Net Assets - End of Year</b>	<u>\$11,783,966</u>	<u>\$142,583,671</u>	<u>\$72,492,674</u>	<u>\$12,748,546</u>

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



# City of Dearborn, Michigan

	Parking System Funds
<b>Cash Flows from Operating Activities</b>	
Receipts from customers	\$ 1,655,900
Payments to suppliers	(1,762,141)
Payments to employees	(182,673)
Internal activity	120
Claims paid	-
Other receipts	-
Other payments	(13,969)
Net cash provided (used) by operating activities	(302,763)
<b>Cash Flows from Noncapital Financing Activities</b>	
Transfers in	250,000
Transfers out	-
Net cash provided (used) by noncapital financing activities	250,000
<b>Cash Flows from Capital and Related Financing Activities</b>	
Taxes, assessments & penalties on taxes	-
Grants and contributions received	1,140,943
Proceeds on the issuance of long term debt	-
Prepaid interest on debt	-
Principal paid on debt	(825,221)
Acquisition and construction of capital assets	(73,186)
Gain on sale of capital assets	-
Interest paid on debt	(391,054)
Net cash provided (used) by capital and related financing activities	(148,518)
<b>Cash Flows from Investing Activities</b>	
Net sale (purchase) of investments	106,137
Investment income	5,397
Net cash provided (used) by investing activities	111,534
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(89,747)
<b>Cash and Cash Equivalents - Beginning of Year</b>	1,196,452
<b>Cash and Cash Equivalents - End of Year</b>	\$ 1,106,705
Cash and Cash Equivalents - Unrestricted	\$ 1,005,140
Cash and Cash Equivalents - Restricted	101,565
<b>Cash and Cash Equivalents - End of Year</b>	\$ 1,106,705

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

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

Business-type Activities Enterprise Funds		Other Enterprise Funds (See page 118)	Total	Governmental Activities - Internal Service Funds (See page 125)
Sewer	Water			
\$ 26,862,081	\$ 16,812,103	\$ 4,130,367	\$ 49,460,451	\$ 28,025,507
(19,914,511)	(8,321,642)	(1,662,589)	(31,660,883)	(7,921,796)
(1,720,650)	(4,026,826)	(1,928,029)	(7,858,178)	-
24,090	56,764	5,519	86,493	(894,160)
-	-	-	-	(21,191,513)
1,381,428	21,784	88,787	1,491,999	676,474
(379,057)	(253,483)	(42,555)	(689,064)	(149,588)
<u>6,253,381</u>	<u>4,288,700</u>	<u>591,500</u>	<u>10,830,818</u>	<u>(1,455,076)</u>
5,390	613,629	235,000	1,104,019	5,571,193
(11,271)	(11,271)	(6,264,370)	(6,286,912)	(364,771)
<u>(5,881)</u>	<u>602,358</u>	<u>(6,029,370)</u>	<u>(5,182,893)</u>	<u>5,206,422</u>
16,147,491	-	-	16,147,491	-
116,032	(80,792)	-	1,176,183	-
7,514,564	16,628	-	7,531,192	-
-	-	-	-	(11,690)
(16,109,765)	-	(280,051)	(17,215,037)	(101,820)
(11,144,216)	(5,452,021)	(28,692)	(16,698,115)	(692,367)
-	-	5,973,632	5,973,632	-
(3,879,573)	(18,659)	(27,286)	(4,316,572)	-
<u>(7,355,467)</u>	<u>(5,534,844)</u>	<u>5,637,603</u>	<u>(7,401,226)</u>	<u>(805,877)</u>
4,235,545	390,702	621,717	5,354,101	1,080,465
203,728	22,781	27,548	259,454	47,651
<u>4,439,273</u>	<u>413,483</u>	<u>649,265</u>	<u>5,613,555</u>	<u>1,128,116</u>
3,331,306	(230,303)	848,998	3,860,254	4,073,585
61,304,607	4,474,379	8,024,433	74,999,871	15,000,105
<u>\$ 64,635,913</u>	<u>\$ 4,244,076</u>	<u>\$ 8,873,431</u>	<u>\$ 78,860,125</u>	<u>\$ 19,073,690</u>
\$ 56,444,046	\$ 4,225,516	\$ 8,696,398	\$ 70,371,100	\$ 19,073,690
8,191,867	18,560	177,033	8,489,025	-
<u>\$ 64,635,913</u>	<u>\$ 4,244,076</u>	<u>\$ 8,873,431</u>	<u>\$ 78,860,125</u>	<u>\$ 19,073,690</u>

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

# City of Dearborn, Michigan

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	Parking System Funds
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>	
Operating income (loss)	\$ (116,715)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	571,643
Change in assets and liabilities:	
Accounts receivable	16,962
Due from other funds	-
Due from other governments	-
Prepaid items	-
Inventories	(794,700)
Accounts payable	(40,647)
Accrued liabilities	1,654
Customer deposits	-
Accrued vacation and sick leave	-
Due to other funds	120
Due to other governments	-
Claims payable	-
Deferred revenue	58,920
Net cash provided (used) by operating activities	\$ (302,763)

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

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

Business-type Activities Enterprise Funds		Other Enterprise Funds (See page 119)	Total	Governmental Activities - Internal Service Funds (See page 127)
Sewer	Water			
\$ 1,925,658	\$ 2,174,859	\$ 25,414	\$ 4,009,216	\$ (2,865,099)
3,699,408	1,321,835	502,038	6,094,924	3,999,957
(114,593)	(723,483)	9,223	(811,891)	140,060
2,550	5,576	-	8,126	(934,531)
(48,637)	-	4,832	(43,805)	-
-	-	80,420	80,420	(1,800,801)
(673)	82,993	39,725	(672,655)	-
254,789	1,350,376	(11,621)	1,552,897	37,816
320,219	7,070	557	329,500	(1,544)
-	3,100	(50,092)	(46,992)	-
20,911	15,186	(56,939)	(20,842)	-
21,540	51,188	5,519	78,367	40,371
172,209	-	35,969	208,178	654,815
-	-	-	-	(726,120)
-	-	6,455	65,375	-
<u>\$ 6,253,381</u>	<u>\$ 4,288,700</u>	<u>\$ 591,500</u>	<u>\$ 10,830,818</u>	<u>\$ (1,455,076)</u>

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, 2012

	Pension & Other Employee Benefits	Agency Funds
	<u>                    </u>	<u>                    </u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 632,332	\$ 6,524,349
Investments - short-term	8,966,776	-
Accounts receivable (Net)	-	267,014
Accrued interest receivable	477,540	-
Other	1,846,960	-
Due from other funds	645,690	-
Due from other governments	-	42,251
Prepaid items	2,500	-
Total current assets	<u>12,571,798</u>	<u>6,833,614</u>
Noncurrent assets - investments:		
Long-term bonds	22,022,630	-
Fixed income mutual funds	143,625,299	-
Common stock	112,358,751	-
Collateral pledged on securities loaned - money market mutual funds	10,023,691	-
Real estate properties	25,609,723	-
Commingled and mutual funds	<u>129,877,007</u>	<u>-</u>
Total noncurrent assets	443,517,101	-
 Total assets	 <u>456,088,899</u>	 <u>\$ 6,833,614</u>
<b>Liabilities</b>		
Accounts payable	1,226,118	\$ 491,031
Payroll deductions payable	-	63,273
Deposits/refunds payable	-	5,366,224
Due to other governments	-	897,460
Due to other funds	465,849	-
Deferred revenue	131	-
Amounts due to broker under securities lending agreement	10,023,691	-
Other liabilities	<u>161,080</u>	<u>15,626</u>
 Total liabilities	 <u>11,876,869</u>	 <u>\$ 6,833,614</u>
<b>Net Assets</b>		
Held in trust for pension benefits and other employee benefits	<u>\$ 444,212,030</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, 2012

	<u>Pension &amp; Other Employee Benefits</u>
<b>Additions</b>	
Investment income:	
Interest and dividends	\$ 8,457,073
Net increase/(decrease) in value of investments	(5,488,193)
Investment/Administrative expenses	<u>(1,867,858)</u>
Net investment income	<u>1,101,022</u>
Contributions:	
Employer	19,722,850
Employee	990,934
Reimbursements	<u>1,104,046</u>
Total contributions	<u>21,817,830</u>
Total additions	22,918,852
<b>Deductions</b>	
Benefit payments	39,691,940
Refunds of contributions	<u>1,675,710</u>
Total deductions	<u>41,367,650</u>
<b>Change in Net Assets</b>	(18,448,798)
<b>Net Assets - Beginning of Year</b>	462,660,828
<b>Net Assets - End of Year</b>	<u><u>\$ 444,212,030</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
<b>Assets</b>			
Cash and cash equivalents	\$ 829,042	\$ 2,448,318	\$ 787,109
Accrued interest receivable	1,876	5,538	1,690
Investments - long-term	44,602	131,719	-
Restricted cash and investments	-	-	859,458
Total assets	<u>875,520</u>	<u>2,585,575</u>	<u>1,648,257</u>
<b>Liabilities</b>			
Accounts payable	5,395	19,530	-
Due to primary government	-	-	18,993
Accrued liabilities	203	3,172	-
Current portion of long-term debt	-	-	185,446
Noncurrent liabilities:			
Other Liabilities	-	5,608	736,138
Bonds payable	-	-	10,332,506
Total liabilities	<u>5,598</u>	<u>28,310</u>	<u>11,273,083</u>
<b>Net Assets - Unrestricted</b>	<u>\$ 869,922</u>	<u>\$ 2,557,265</u>	<u>\$ (9,624,826) (1)</u>

(1) See Note 15

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

**Statement of Net Assets  
Component Units  
June 30, 2012**

Economic Development Corporation	Total
\$ 296,950	\$ 4,361,419
671	9,775
15,967	192,288
-	859,458
313,588	5,422,940
-	24,925
-	18,993
-	3,375
-	185,446
-	741,746
-	10,332,506
-	11,306,991
\$ 313,588	\$ (5,884,051)

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
<b>West Dearborn Development Authority -</b> Community improvement	\$ 497,728	\$ -	\$ -
<b>East Dearborn Development Authority -</b> Community improvement	691,325	-	-
<b>Brownfield Redevelopment Authority -</b> Community improvement	1,495,657	-	-
<b>Economic Development Corporation -</b> Community improvement	7,284	-	-
Total component units	<u>\$ 2,691,994</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, 2012**

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
\$ (497,728)	\$ -	\$ -	\$ -	\$ (497,728)
-	(691,325)	-	-	(691,325)
-	-	(1,495,657)	-	(1,495,657)
-	-	-	(7,284)	(7,284)
<u>(497,728)</u>	<u>(691,325)</u>	<u>(1,495,657)</u>	<u>(7,284)</u>	<u>(2,691,994)</u>
556,205	759,519	1,679,894	-	2,995,618
936	3,180	1,189	375	5,680
14,511	1,000	490,385	-	505,896
<u>571,652</u>	<u>763,699</u>	<u>2,171,468</u>	<u>375</u>	<u>3,507,194</u>
73,924	72,374	675,811	(6,909)	815,200
795,998	2,484,891	(10,300,637)	320,497	(6,699,251)
<u>\$ 869,922</u>	<u>\$ 2,557,265</u>	<u>\$ (9,624,826)</u>	<u>\$ 313,588</u>	<u>\$ (5,884,051)</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.

### 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.

## Note 1 – Summary of Significant Accounting Policies (Continued)

### Discretely Presented Component Units (continued)

#### 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.

#### 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.).

## Note 1 – Summary of Significant Accounting Policies (Continued)

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, 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.

### 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 comprise its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

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).

## Note 1 – Summary of Significant Accounting Policies (Continued)

### 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.

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 fleet replacement, workers' compensation, employee insurance, fleet and general liability insurance, information systems and facilities.

## Note 1 – Summary of Significant Accounting Policies (Continued)

### 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 general employees retirement system, the revised police and fire retirement system and the police and fire retirement system. Fiduciary Agency funds include agency, imprest payroll and district court. Other fiduciary funds are the retiree death benefit fund and postemployment health care fund.

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.).

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.

## Note 1 – Summary of Significant Accounting Policies (Continued)

### 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 long-term debt, compensated absences, claims and judgments and retiree health care benefits are recognized when due.

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.

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. 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 maturities of one year or less from the fiscal year end.

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. Interest is allocated on the basis of time-and-dollar-weighted participation.

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, 2012 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	\$ 2,949,417	\$ 1,040,360	\$ 1,554,060	\$ 5,543,837
Accounts	<u>1,830,977</u>	<u>53,735</u>	<u>454,293</u>	<u>2,339,005</u>
Net receivables	<u>\$ 4,780,394</u>	<u>\$ 1,094,095</u>	<u>\$ 2,008,353</u>	<u>\$ 7,882,842</u>

Revenues are reported net of uncollectible amounts. The amount in the allowance for uncollectibles in the General fund at June 30, 2012 is \$530,000 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	\$ 88,248
SMART	695,610
Other	<u>785,069</u>
Total deferred revenue	<u>\$ 1,568,927</u>

The unbilled accounts receivable in the Enterprise funds were for unbilled consumption of water and sewer as of June 30, 2012.

### 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 \$6.4 million, the Community Development fund has approximately \$1.0 million and the Parking System funds have \$0.8 million invested in land inventory at June 30, 2012.

#### 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. The Brownfield Redevelopment Authority (BRA) fund requires amounts to be set aside for debt service, principal and interest for redevelopment bonds and principal for non-interest bearing loans. These amounts have been classified as restricted assets.

#### Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 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  | 3-15 years  |
| • Land improvements                                    | 15 years    |
| • Infrastructure assets (Roads, bridges and sidewalks) | 15-40 years |
| • Buildings and improvements                           | 10-50 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.

## Note 1 – Summary of Significant Accounting Policies (Continued)

### 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.

### 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. 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 2011 levy that financed operations for the fiscal year ended June 30, 2012 had a taxable value of \$3,847,009,970. The City millage for the fiscal year ended June 30, 2012 was 21.90 mills, consisting of 15.00 mills operating, 1.69 mills for garbage and rubbish and 5.21 mills for debt service. The City was legally empowered, by Section 13.2 of the City Charter and P.A. 298 maximum limit of 18.00 mills for each fiscal year. The rollbacks required by Michigan law are of maximum limit of 18.00 mills for each fiscal year. The rollbacks required by Michigan law are 1917, as amended, for 19.00 mills of authorization with an annual maximum limit of 18.00 mills for each fiscal year. The rollbacks required by Michigan law are applied to the authorized 19.00 mills. The maximum potential millage for the fiscal year ended June 30, 2012 was 18.7254 mills after applicable rollbacks.

The July tax billing is payable without penalty in three equal installments due September 14 and every two months thereafter with the final installment due January 14. The December tax billing is due in full on February 14. Both summer and winter taxes become delinquent if they remain unpaid on March 1. Unpaid real property taxes are returned to the Wayne County Treasurer as delinquent for collection. The amounts of delinquent real property taxes become available to finance expenditures through operation of a County Tax Revolving fund. The City Treasurer is responsible for collection of delinquent personal property taxes. Delinquent personal property taxes and associated penalties not collected within 60 days of fiscal year end are recorded as deferred revenue.

## 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.

### Pension and Other Postemployment Benefit Costs

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

### 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.

### Note 1 – Summary of Significant Accounting Policies (Continued)

#### Fund Equity

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

- Nonspendable: Amounts that are not in spendable form or are legally or contractually required to be maintained intact
- Restricted: Amounts that are legally restricted by outside parties, constitutional provisions or enabling legislation for use for a specific purpose
- Committed: Amounts that have been formally set aside by City Council for use for specific purposes. Commitments are made and can be rescinded only via resolution of City Council
- Assigned: Intent to spend resources on specific purposes expressed by City Council or the Finance Director/Treasurer, who is authorized by resolution approved by City Council to make assignments.
- Unassigned: Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

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

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. In addition, bank deposits in the form of Certificate of Deposit Account Registry Service (CDARS) include out of state certificates of deposit. 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.

### Note 2 –Deposits and Investments (Continued)

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 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 a minimum amount of credit risk to borrowers in the amount of \$162,409 because the aggregate amount the System owes the borrowers is less than the aggregate amount the borrowers owe the System. The collateral held and the fair market value of the underlying securities on loan for the Retirement System as of June 30, 2012 were \$9,861,282 and \$10,023,691, respectively. 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 deposits all funds with Comerica Bank, but only operating funds required to meet current obligations are kept in Comerica Bank accounts. All other non-pension operating funds are invested with Munder Capital Management in securities backed by the federal government. The investment policy adopted by City Council is required by PA 20 of 1943 as amended. The deposit and investment policies of the City of Dearborn, Michigan, comply with applicable state statutes.

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 \$5,272,116 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.

## Note 2 –Deposits and Investments (Continued)

### 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.

### 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	\$1,572,074	.26 years
U.S. Government Obligations	64,551,910	.42 years
<u>Fiduciary Investment Types</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Corporate Bonds	\$11,041,186	10.89 years
Federal Agency/Instrumentality	4,646,224	26.64 years
U.S. Government Obligations	6,061,890	10.56 years
Municipal Bonds	302,246	19.85 years
Fixed Income Mutual Funds	143,625,299	*

\* The weighted average maturity for \$143,625,299 of Fixed Income Mutual Funds is not known based on the information available to the City as of June 30, 2012.

## Note 2 –Deposits and Investments (Continued)

### Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations 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. 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	\$27,967	N/R	
Bank Investment Pool	45,646,555	N/R	
Federal Agency/Instrumentality	1,518,465	AA+	S & P
Federal Agency/Instrumentality	53,609	N/R	

<u>Fiduciary Investment Types</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Bank Investment Pool	\$8,966,776	N/R	
Bank Investment Pool J Funds	571,463	N/R	
Securities Lending Short-term Collateral Investment Pool	10,023,691	N/R	
Corporate Bonds	1,428,283	AAA	S & P
Corporate Bonds	770,173	AA+	S & P
Corporate Bonds	778,190	AA	S & P
Corporate Bonds	398,124	AA-	
Corporate Bonds	2,094,154	A+	S & P
Corporate Bonds	1,730,099	A	S & P
Corporate Bonds	1,754,744	A-	S & P
Corporate Bonds	2,087,420	N/R	
Federal Agency/Instrumentality	4,646,224	N/R	
Municipal Bonds	302,246	AA	S & P
Fixed Income Mutual Funds	143,625,299	*	

\* The credit quality ratings for \$143,625,299 of Fixed Income Mutual Funds are not known based on the information available to the City as of June 30, 2012.

## Note 2 –Deposits and Investments (Continued)

### 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, 2012, the City had more than 5% of its investments in the following:

#### Fiduciary Funds

Comerica Foreign Equity Fund	8.59%
GMO Global Balanced Asset Allocation	8.90%
PIMCO Total Return FD INSTL	13.48%

### Component Units

The component units did not have bank deposits subject to custodial credit risk (uninsured and uncollateralized). No investment securities were held by the counterparty (or the counterparty's trust department), but not in the component unit's name. United States Treasuries, Notes and Bonds totaling \$2,120,560 had a weighted average maturity in years of .69. The component units did not have a concentration of credit risk.

### Note 3 – Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

#### Governmental Activities

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Assets not being depreciated:					
Land	\$ 4,170,381	\$ 2,579	\$ -	\$ 2,077,384	\$ 6,250,344
Right of Ways	37,818	-	-	-	37,818
Construction in progress	775,573	6,387,162	(100,210)	(2,589,658)	4,472,867
Total capital assets not being depreciated	4,983,772	6,389,741	(100,210)	(512,274)	10,761,029
Other capital assets:					
Building & improvements	114,703,814	6,048	(266,325)	443,298	114,886,835
Equipment	41,605,034	1,091,052	(5,521,388)	68,976	37,243,674
Infrastructure assets	90,204,639	5,444,802	-	-	95,649,441
Subtotal	246,513,487	6,541,902	(5,787,713)	512,274	247,779,950
Accumulated depreciation:					
Building & improvements	48,254,186	2,729,797	(172,179)	-	50,811,804
Equipment	30,766,998	2,758,475	(5,123,498)	-	28,401,975
Infrastructure assets	35,630,172	3,600,857	-	-	39,231,029
Subtotal	114,651,356	9,089,129	(5,295,677)	-	118,444,808
Net other capital assets	131,862,131	(2,547,227)	(492,036)	512,274	129,335,142
Net capital assets	\$ 136,845,903	\$ 3,842,514	\$ (592,246)	\$ -	\$ 140,096,171

Depreciation was charged to functions as follows:

Governmental activities:	
General government	\$ 534,684
Public safety	1,889,687
Public works	4,589,497
Health & welfare	1,222
Recreation & culture	2,072,858
Community improvement	1,181
Total governmental activities depreciation expense	\$ 9,089,129

# City of Dearborn, Michigan

## Notes to Financial Statements June 30, 2012

### Note 3 – Capital Assets (Continued)

#### Business-type Activities

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Assets not being depreciated:					
Land	\$ 5,952,512	\$ 28,812	\$ (160,000)	\$ -	\$ 5,821,324
Construction in progress	250,076,297	18,362,916	(9,661,396)	(205,532,841)	53,244,976
Total capital assets not being depreciated	256,028,809	18,391,728	(9,821,396)	(205,532,841)	59,066,300
Other capital assets:					
Land improvements	20,578,621	73,066	-	3,987	20,655,674
Buildings	31,521,520	-	(1,490,540)	779,344	30,810,324
Equipment	4,907,535	394,717	(110,171)	38,953,531	44,145,612
Water system	86,510,533	-	(73,005)	8,344,904	94,782,432
Sewer system	63,032,804	-	(8,822)	157,451,075	220,475,057
Subtotal	206,551,013	467,783	(1,682,538)	205,532,841	410,869,099
Accumulated depreciation:					
Land improvements	6,058,315	679,289	-	-	6,737,604
Buildings	11,978,506	752,252	(1,094,474)	-	11,636,284
Equipment	3,389,078	1,645,209	(106,720)	-	4,927,567
Water system	38,993,950	1,211,092	(73,006)	-	40,132,036
Sewer system	26,727,905	1,807,082	(8,822)	-	28,526,165
Subtotal	87,147,754	6,094,924	(1,283,022)	-	91,959,656
Net other capital assets	119,403,259	(5,627,141)	(399,516)	205,532,841	318,909,443
Net capital assets	\$ 375,432,068	\$ 12,764,587	\$ (10,220,912)	\$ -	\$ 377,975,743

Depreciation was charged to functions as follows:

Business-type activities:	
Parking System	\$ 571,643
Housing	264,244
Golf Course	237,794
Sewer	3,699,408
Water	1,321,835
Total business activities depreciation expense	\$ 6,094,924

### Note 4 – Long-term Debt

#### Outstanding Debt

The following is a summary of the debt outstanding of the City as of June 30, 2012:

	Principal Outstanding	
	Governmental Activities	Business-type Activities
2007 General Obligation Unlimited Tax Refunding Bonds, 3.5% to 4.0%, dated April 5, 2007	\$ 2,070,787	\$ -
2004 General Obligation Limited Tax Refunding Bonds, 2.00% to 4.00%, dated April 23, 2004	3,208,116	
2008 General Obligation Limited Tax Refunding Bonds, 3.25% to 3.75%, dated February 7, 2008	1,486,341	
2004 Capital Improvement General Obligation Limited Tax Bonds, Series A (Non-taxable), 2.75% to 4.55%, dated June 24, 2004		4,209,279
2004 Capital Improvement General Obligation Limited Tax Bonds, Series B (Taxable), 5.90% to 6.00%, dated June 24, 2004		565,671
2006 General Obligation Limited Tax Refunding Bonds, (Taxable), 5.5% to 5.8%, dated April 25, 2006		2,206,599
2008 General Obligation Limited Tax Refunding Bonds, 3.25% to 3.75% dated February 7, 2008		1,260,890
Sewage Disposal System Revenue Bonds, 2%, dated September 29, 1994		480,000
Sewage Disposal System Revenue Refunding Bonds, 2.0% to 4.0%, dated February 17, 2004		6,726,195
Sewage Disposal System Revenue Bonds, 2.25%, dated September 28, 1995		35,000
Sewage Disposal System Revenue Bonds, 2.5%, dated March 28, 2002		3,665,000

### Note 4 – Long-term Debt (Continued)

#### Outstanding Debt

The following is a summary of the debt outstanding of the City as of June 30, 2012:

	Principal Outstanding	
	Governmental Activities	Business-type Activities
2004 Sewage Disposal System General Obligation Unlimited Tax Bonds, 3.0% to 5.0%, dated October 1, 2004	\$ -	\$ 20,757,704
2004 Sewage Disposal System General Obligation Unlimited Tax Bonds, 2.125%, dated September 23, 2004		31,029,705
2005 Sewage Disposal System General Obligation Unlimited Tax Bonds, 1.625% dated September 12, 2005		51,400,676
2006 Sewage Disposal System General Obligation Unlimited Tax Bonds, 1.625%, dated June 22, 2006		5,562,942
2007 Sewage Disposal System General Obligation Unlimited Tax Bonds, 1.625% dated September 20, 2007		90,800,000
2009 Sewage Disposal System General Obligation Unlimited Tax Bonds, 2.50% dated September 28, 2009		5,455,000
2009 Water Supply System Revenue Bonds, 2.50% dated September 28, 2009		758,812
Subtotal	6,765,244	224,913,473
Accumulated sick, vacation and PTO benefits	5,750,079	515,016
Total	\$ 12,515,323	\$ 225,428,489

### 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, 2012 the City's general obligation debt margin amounted to approximately \$173,000,000.

#### Changes in Long-term Debt

The following is a summary of long-term debt transactions of the City for the year ended June 30, 2012:

##### Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Bonds & notes payable - General obligation bonds	\$ 10,277,268	\$ -	\$ (3,512,024)	\$ 6,765,244	\$ 3,584,263
Other liabilities - Compensated absences	6,663,291	133,448	(1,046,660)	5,750,079	357,570
<b>Total governmental activities</b>	<b>\$ 16,940,559</b>	<b>\$ 133,448</b>	<b>\$ (4,558,684)</b>	<b>\$ 12,515,323</b>	<b>\$ 3,941,833</b>

##### Business-type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Bonds & notes payable - General obligation bonds	\$ 218,182,845	\$ 7,514,564	\$ (12,448,943)	\$ 213,248,466	\$ 12,715,894
Revenue bonds	13,589,363	95,941	(2,020,297)	11,665,007	2,080,296
Subtotal	231,772,208	7,610,505	(14,469,240)	224,913,473	14,796,190
Other liabilities - Compensated absences	582,354	36,097	(103,435)	515,016	-
<b>Total business-type activities</b>	<b>\$ 232,354,562</b>	<b>\$ 7,646,602</b>	<b>\$ (14,572,675)</b>	<b>\$ 225,428,489</b>	<b>\$ 14,796,190</b>

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, 2012 (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
2013	\$ 3,584,263	\$ 266,416	\$ 14,796,190	\$ 4,890,782
2014	1,554,423	118,712	15,130,465	4,556,835
2015	818,279	64,400	15,436,716	4,213,458
2016	808,279	32,000	15,731,727	3,851,418
2017	-	-	14,146,356	3,481,115
2018-2022	-	-	70,573,711	12,924,843
2023-2027	-	-	51,545,400	6,605,711
2028-2032	-	-	24,613,265	2,270,038
2033-2037	-	-	2,939,643	218,150
Total	<u>\$ 6,765,244</u>	<u>\$ 481,528</u>	<u>\$ 224,913,473</u>	<u>\$ 43,012,350</u>

#### 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. 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 was 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, 2012, \$1,290,000 of bonds are considered to be defeased and the liability for the bonds has been removed from the Enterprise Funds statement of net assets.

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 the General Obligation Unlimited Tax Bonds that were issued March 18, 1998. 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.

### Note 4 – Long-term Debt (Continued)

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.

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 the General Obligation Unlimited Tax Bonds that were issued June 11, 1998. 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.

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 the outstanding Municipal Building Authority General Obligation Unlimited Tax Bonds that were issued November 15, 1995. 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 was used to construct parking decks, renovate existing lots and implement a paid parking system. The remaining \$2,000,000 of Series A (nontaxable) bonds was 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 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. As a result, at June 30, 2012 \$2,425,000 of bonds are

### Note 4 – Long-term Debt (Continued)

considered to be defeased and the liability for the bonds has been removed from the Internal Services Funds statement of net assets. 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 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% 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% to 7.0%. 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 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.

The City has pledged substantially all revenue of the Sewer fund, net of operating expenses, to repay the above sewer revenue bonds. Proceeds from the bonds provided financing for the construction of a portion of the Combined Sewer Overflow (CSO) project. The bonds are payable solely from the net revenues of the sewer system. The remaining principal and interest to be paid

### Note 4 – Long-term Debt (Continued)

on the bonds is \$7,493,800. During the current year, net revenues of the system were \$6,135,558 compared to the annual debt requirements of \$1,911,450 for these bonds.

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% 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% 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 April 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, 2012 the City has drawn down \$44,104,705 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 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, 2012 the City has drawn down \$64,165,676 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. As of December, 2010 this portion of the project was administratively complete

## Note 4 – Long-term Debt (Continued)

and the final loan amount was \$7,182,942. 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.

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.

On September 28, 2009, 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 \$9,460,000 in principal of General Obligation Sewer Bonds, Series 2009 (Unlimited Tax General Obligation) for the construction of the Combined Sewer Overflow project. The City is obligated to pay interest at 2.50% per annum commencing April 1, 2010 and semiannually thereafter. The first principal payment is due April 1, 2012 and will continue to be due April 1 through 2031. Of the authorized amount, \$3,784,000 is considered an American Recovery and Reinvestment Act (ARRA) grant. The maximum principal repayment will be \$5,676,000.

On September 28, 2009, 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 \$1,655,000 in principal of Water Supply System Revenue Bonds, Series 2009 (Limited Tax General Obligation) for the construction and installing improvements to the City's water supply system. The revised final loan amount was \$1,453,020. The City is obligated to pay interest at 2.50% per annum commencing April 1, 2010 and semiannually thereafter. The first principal payment is due April 1, 2011 and will continue to be due April 1 through 2024. Of the final loan amount, \$581,208 is considered an American Recovery and Reinvestment Act (ARRA) grant. The maximum principal repayment will be \$871,812.

### Note 4 – Long-term Debt (Continued)

#### Changes in Long-term Debt - Component Units

The following is a summary of long-term debt transactions of the component units for the year ended June 30, 2012:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
2009 General Obligation Limited Tax Redevelopment Bonds, Series A (Non-taxable) 5.00% to 5.50%, dated November 10, 2009	\$ 9,688,136	\$ 9,816	\$ -	\$ 9,697,952	\$ (9,554)
2009 General Obligation Limited Tax Redevelopment Bonds, Series B (Taxable) 3.10% to 4.75%, dated November 12, 2009	1,005,000	-	(185,000)	820,000	195,000
Loan due to DCC (see Note 15)	817,931	-	(81,793)	736,138	-
Subtotal	11,511,067	9,816	(266,793)	11,254,090	185,446
Other Liabilities - Compensated Absences	99	5,509	-	5,608	-
Total Component Unit Activities	\$ 11,511,166	\$ 15,325	\$ (266,793)	\$ 11,259,698	\$ 185,446

#### Debt Service Requirements – Component Units

The annual requirements to service all component unit debt outstanding as of June 30, 2012 (excluding sick, vacation and PTO benefits), including both principal and interest, are as follows:

Year Ending June 30	Component Units	
	Principal	Interest
2013	\$ 185,446	\$ 559,868
2014	190,719	552,847
2015	282,801	544,848
2016	288,105	535,712
2017	298,425	525,500
2018-2022	1,682,608	2,447,000
2023-2027	1,766,589	2,082,000
2028-2032	2,224,397	1,573,825
2033-2037	2,930,000	886,875
2038-2042	1,405,000	116,875
Total	\$ 11,254,090	\$ 9,825,350

#### Description of Long-term Debt – Component Units

On November 10, 2009 the Brownfield Redevelopment Authority issued \$9,815,000 in General Obligation Limited Tax Redevelopment Bonds, Series A (non-taxable) with interest rates that range from 5.00% to 5.50%. On November 12, 2009 the Brownfield Redevelopment Authority issued \$1,005,000 in General Obligation Limited Tax Redevelopment Bonds, Series B (taxable) with interest rates that range from 3.10% to 4.75%. The proceeds from these bonds were used to construct a parking deck.

### Note 5 – Interfund Receivables and Payables

The following balances at June 30, 2012 represent interfund receivables and payables:

Receivable Fund	Payable Fund	Amount
<b>Due from/to Other Funds</b>		
General	Capital projects	\$ 32,608
	Nonmajor governmental funds	318,046
	Fiduciary funds	436,400
	Total General	<u>787,054</u>
Capital projects	Parking System	120
Nonmajor governmental funds	General	30,079
	Nonmajor governmental funds	127,551
	Total Nonmajor governmental funds	<u>157,630</u>
Internal service funds	General	1,788,639
Fiduciary funds	General	476,477
	Nonmajor governmental funds	4,787
	Sewer	21,540
	Water	51,421
	Nonmajor enterprise funds	13,519
	Internal service funds	48,497
	Fiduciary funds	29,449
	Total Fiduciary agency funds	<u>645,690</u>
<b>Total</b>		<u><u>\$ 3,379,133</u></u>
<b>Due from/to Component Units</b>		
General	Component units	<u><u>\$ 18,993</u></u>

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, 2012 represent interfund transfers in and out:

Transferred In Fund	Transferred Out Fund	Amount
General	Nonmajor governmental funds	\$ 281,525
	Capital projects	1,215,208
	Internal service funds	364,771
	Nonmajor enterprise funds	6,264,370
	Total General	<u>8,125,874</u>
Capital projects	General	464,100
	Nonmajor governmental funds	118,464
	Sewer	11,271
	Water	11,271
	Total Capital projects	<u>605,106</u>
Nonmajor governmental funds	General	2,701,202
	Nonmajor governmental funds	2,616,212
	Total Nonmajor governmental funds	<u>5,317,414</u>
Parking system	General	250,000
Sewer	Capital projects	5,390
Water	Nonmajor governmental funds	613,629
Nonmajor enterprise funds	General	235,000
Internal service funds	General	5,570,000
	Nonmajor governmental funds	1,193
	Total internal service funds	<u>5,571,193</u>
<b>Total</b>		<u><u>\$ 20,723,606</u></u>

Transfers are used to (1) move revenues from the fund that statute requires to collect them to the funds that statute 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, 2012, the General Fund transferred \$3,725,000 to the Facilities fund for the anticipated purchase of 16901 Michigan Avenue.

## Note 7 – Pension and Other Postemployment Plans

### Employer-Administered Defined Benefit Pension Plans

#### Plan Description

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

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

The plan does not issue a separate stand-alone financial statement.

The plans are all closed to new hired employees. Employees not covered by these plans are eligible for either the City's defined contribution plan, or for Police and Fire, the optional Municipal Employees Retirement System of Michigan (MERS) defined benefit plan.

At June 30, 2011, the date of the most recent actuarial valuation, membership consisted of the following:

	General Employees	Revised Police and Fire	Policemen's and Firemen's
Retirees and beneficiaries currently receiving benefits	608	320	90
Terminated employees entitled to benefits but not yet receiving them	64	10	-
Current active employees	253	234	-

#### 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 collective bargaining units. Police and fire employees participating in the Revised Police and Fire Retirement System contribute five percent of covered wages. General employees participating in the General Employees' Retirement System do not pay into their pension system. Contributions are made primarily by the City's General fund where the majority of pension plan members are employed. Other funds that make contributions include certain special revenue funds, enterprise funds and internal service funds that also have employees that are members of the pension plans.

### Note 7 – Pension and Other Postemployment Plans (Continued)

#### Annual Pension Cost

For the year ended June 30, 2012, the City's annual pension cost of \$11,345,392 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, 2011, 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. 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. Remaining amortization periods are: Chapter 21 plan – zero years; Chapter 22 plan – 23 years; Chapter 23 plan – 19 years. Unfunded actuarial accrued liability for the three pension plans as of June 30, 2011, is as follows:

Chapter 21 plan	-
Chapter 22 plan	\$29,236,225
Chapter 23 plan	\$39,918,947

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:

#### Chapter 21 Plan

	Fiscal Year Ended June 30,		
	2010	2011	2012
Annual pension cost	\$0	\$0	\$0
Percentage of APC contributed	N/A	N/A	N/A
Net pension obligation	-	-	-

#### Chapter 22 Plan

	Fiscal Year Ended June 30,		
	2010	2011	2012
Annual pension cost	\$3,715,449	\$4,206,874	\$3,888,554
Percentage of APC contributed	100	100	100
Net pension obligation	-	-	-

**Note 7 – Pension and Other Postemployment Plans (Continued)**

**Chapter 23 Plan**

	Fiscal Year Ended June 30,		
	2010	2011	2012
Annual pension cost	\$6,004,270	\$7,144,368	\$7,456,838
Percentage of APC contributed	100	100	100
Net pension obligation	-	-	-

**Funded Status and Funding Progress**

	Actuarial Valuation as of June 30, 2011		
	Chapter 21	Chapter 22	Chapter 23
Actuarial value of assets	\$ 31,601,256	\$ 140,395,791	\$ 256,941,006
Actuarial accrued liability	21,493,020	169,632,016	296,859,953
Unfunded AAL	(10,108,236)	29,236,225	39,918,947
Funded ratio	147.0%	82.8%	86.6%
Covered payroll	N/A	14,443,000	18,880,000
UAAL as a percentage of covered payroll	N/A	202.4%	211.4%

The schedule of funding progress for the three defined benefit plans immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time.

**Reserves**

In accordance with legal requirements, the pension plans segregate member contributions and accumulated interest. As of June 30, 2012, the reserves are fully funded as follows:

Chapter 21 plan	None Required
Chapter 22 plan	\$ 418,353
Chapter 23 plan	\$ 9,697,031

### Note 7 – Pension and Other Postemployment Plans (Continued)

#### Financial Statement Information

As of June 30, 2012 the Statement of Net Assets for the three pension plans is as follows:

	General Employees' Retirement System Fund	Revised Police & Fire Retirement System Fund	Policemen's & Firemen's Retirement System Fund
<b>Assets</b>			
Current Assets:			
Cash and cash equivalents	\$ 47,363	\$ 84,336	\$ 57,752
Investments - short-term	1,889,481	3,019,928	462,174
Receivables:			
Accrued interest receivable	79,421	198,883	25,730
Other	1,242,439	379,463	14,573
Due from other funds	357,826	258,415	29,449
Prepaid items	-	-	-
Total current assets	<u>3,616,530</u>	<u>3,941,025</u>	<u>589,678</u>
Noncurrent assets - investments:			
Long-term bonds	2,548	4,537	3,107
Fixed income mutual funds	47,430,538	79,911,383	16,283,378
Common stock	30,850,104	59,392,333	5,581,792
Collateral pledged on securities loaned - money market mutual funds			
	2,733,298	6,548,735	741,658
Real estate properties	5,547,439	18,688,472	1,373,812
Commingled mutual funds	44,140,583	80,529,939	5,206,485
Total noncurrent assets	<u>130,704,510</u>	<u>245,075,399</u>	<u>29,190,232</u>
Total assets	<u>134,321,040</u>	<u>249,016,424</u>	<u>29,779,910</u>
<b>Liabilities</b>			
Accounts payable	93,186	546,230	24,146
Deferred revenue	-	131	-
Amounts due to broker under securities lending agreement			
	2,733,298	6,548,735	741,658
Due to other funds	-	29,449	-
Other liabilities	57,383	91,572	12,125
Total liabilities	<u>2,883,867</u>	<u>7,216,117</u>	<u>777,929</u>
<b>Net Assets</b>			
Held in trust for pension benefits and other employee benefits	<u>\$ 131,437,173</u>	<u>\$ 241,800,307</u>	<u>\$ 29,001,981</u>

### Note 7 – Pension and Other Postemployment Plans (Continued)

For the year ended June 30, 2012 the Statement of Changes in Net Assets for the three pension plans is as follows:

	General Employees' Retirement System Fund	Revised Police & Fire Retirement System Fund	Policemen's & Firemen's Retirement System Fund
<b>Additions</b>			
Investment income:			
Interest and dividends	\$ 2,024,884	\$ 3,709,773	\$ 508,975
Net increase/(decrease) in value of investments	(1,156,283)	(5,191,716)	557,056
Investment/administrative expenses	(520,482)	(1,047,071)	(107,302)
Net investment income	<u>348,119</u>	<u>(2,529,014)</u>	<u>958,729</u>
Contributions:			
Employer	3,888,554	7,456,838	-
Employee	40,636	937,161	-
Total contributions	<u>3,929,190</u>	<u>8,393,999</u>	<u>-</u>
Total additions	4,277,309	5,864,985	958,729
<b>Deductions</b>			
Benefit payments	11,230,313	14,697,886	2,855,899
Refunds of contributions	219,102	1,456,608	-
Total deductions	<u>11,449,415</u>	<u>16,154,494</u>	<u>2,855,899</u>
<b>Change in Net Assets</b>	(7,172,106)	(10,289,509)	(1,897,170)
<b>Net Assets - Beginning of Year</b>	138,609,279	252,089,816	30,899,151
<b>Net Assets - End of Year</b>	<u>\$ 131,437,173</u>	<u>\$ 241,800,307</u>	<u>\$ 29,001,981</u>

## Note 7 – Pension and Other Postemployment Plans (Continued)

### Municipal Employees' Retirement System of Michigan

#### Plan Description

In 2009, The City of Dearborn began participation in the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan. The plan is available to police employees hired on or after July 1, 2005 and fire employees hired on or after May 1, 2009. The MERS plan provides retirement, disability and death benefits to plan members and their beneficiaries. The Municipal Employees' Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for the system. The report may be obtained at their website <http://mersofmich.org>.

#### Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's collective bargaining units and requires a contribution from the employees of five percent of gross wages for Police and Fire employees. Contributions are made by the City's General fund where the Police and Fire members of the MERS plan are employed.

#### Annual Pension Cost

The City began making contributions to the plan on April 1, 2009. Pension cost is as follows:

	Fiscal Year Ended June 30,		
	2010	2011	2012
Annual required contribution (recommended)	\$ 371,921	\$ 460,742	\$ 525,387
Interest on net pension obligation	1,056	1,141	-
Annual pension cost	372,977	461,883	525,387
Amounts contributed:			
Payments of current expenses	(371,921)	(476,142)	(525,387)
Increase in net pension obligation	1,056	(14,259)	-
Pension obligation - beginning of the year	13,203	14,259	-
Pension obligation - end of the year	\$ 14,259	\$ -	\$ -

	Fiscal Year Ended June 30,		
	2010	2011	2012
Annual pension cost	\$ 372,977	\$ 461,883	\$ 525,387
Percentage of APC contributed	99.7%	103.1%	100.0%
Net pension obligation	\$ 14,259	\$ -	\$ -

**Note 7 – Pension and Other Postemployment Plans (Continued)**

**Funded Status and Funding Progress**

	<u>Actuarial Valuation as of:</u>
	<u>12/31/2010</u>
Actuarial value of assets	\$2,265,031
Actuarial accrued liability	1,490,602
Overfunded actuarial accrued liability	(774,429)
Funded ratio	152.0%
Annual covered payroll	3,622,893
Ratio of UAAL to covered payroll	21.4%

**Actuarial Methods and Assumptions**

	<u>Actuarial Valuation as of:</u>
	<u>12/31/2010</u>
Actuarial cost method	Entry age normal
Asset valuation method	10-year smoothed market
Amortization method	Level percentage of payroll
Amortization period	28 years (Open)
Actuarial assumptions:	
Investment rate of return*	8%
Projected salary increases*	1% to 9.4%
*Includes inflation at cost of living adjustment	3 to 4 %

**Other Postemployment Benefit (OPEB) Obligations**

**Plan Description**

The City of Dearborn established the Postemployment Healthcare fund pursuant to Public Act 149 of 1999 to provide for future payments of medical benefits for eligible employees and their spouses and dependents. Qualified employees become eligible for these benefits through age and

### Note 7 – Pension and Other Postemployment Plans (Continued)

years of service. At June 30, 2012 there were 886 retirees or surviving beneficiaries eligible to such coverage.

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 and the plan may be financed on a “pay-as-you-go” basis. The City may make 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. Contributions are made primarily by the City’s General fund where the majority of employees covered by the OPEB plan are employed. Other funds that make contributions include certain special revenue funds, enterprise funds and internal service funds that also have employees that are covered by the OPEB plan.

#### Funding Progress

For the year ended June 30, 2012 the City has estimated the cost of providing retiree health care benefits through an actuarial valuation as of June 30, 2010. 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 of 26 years. Based on that valuation, the City contributed \$9,864,391 in the year ended June 30, 2012 which represents 70.5% of the annual required contribution. An additional \$1,104,046 was contributed from the Federal Government. This represents an additional 7.9% of the annual required contribution.

Annual required contribution (recommended)	\$ 13,974,920
Interest on the prior year's net OPEB obligation	732,851
Less adjustment to the annual required contribution	<u>(546,969)</u>
Annual OPEB cost	14,160,802
Amounts contributed:	
Payments of current expenses	(9,864,391)
Advance funding - Medicare reimbursement	<u>(1,104,046)</u>
Increase in net OPEB obligation	3,192,365
OPEB obligation - beginning of the year	10,108,287
OPEB obligation - end of the year	<u><u>\$ 13,300,652</u></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:

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Annual OPEB Costs	\$ 13,066,259	\$ 14,347,416	\$ 14,160,802
Percentage contributed:			
City of Dearborn	104.9%	67.0%	69.7%
Federal Government	2.6%	2.6%	7.8%
Total contributions	<u>107.5%</u>	<u>69.6%</u>	<u>77.5%</u>
Net OPEB obligation	\$ 5,740,660	\$ 10,108,287	\$ 13,300,652

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

Valuation as of June 30, 2010:

Actuarial value of assets	\$ 35,674,450
Actuarial accrued liability	191,997,781
Unfunded AAL	156,323,331
Funded ratio	18.6%
Annual covered payroll	48,185,248
Ratio of UAAL to covered payroll	324.4%

The schedule of funding progress for the postemployment defined benefit plan immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time.

The following are condensed financial statements for the Postemployment Healthcare Fund as of June 30, 2012:

#### Statement of Net Assets

Assets	
Cash and investments	\$ 42,118,326
Other assets	385,489
Liabilities	(998,956)
Net assets	<u>\$ 41,504,859</u>

#### Statement of Changes in Net Assets

Net investment income	\$ 2,515,614
Contributions	9,481,504
Benefit payments	(10,867,842)
Administrative expenses	(193,003)
Change in net assets	<u>\$ 936,273</u>

### Note 7 – Pension and Other Postemployment Plans (Continued)

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

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

In the June 30, 2010 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 9 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 on a closed basis over 26 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, 2012 was approximately \$40,000.

The following are condensed financial statements for the Retiree Death Benefit Fund as of June 30, 2012:

#### Statement of Net Assets

Assets		
Cash and investments	\$	466,708
Other assets		1,002
Liabilities		-
Net assets	\$	<u>467,710</u>

#### Statement of Changes in Net Assets

Net investment income	\$	577
Contributions		13,137
Benefit payments		(40,000)
Change in net assets	\$	<u>(26,286)</u>

## Note 8 – Retiree Medical Savings Account (RMSA)

The City established retiree medical savings accounts (RMSA) for eligible employees in fiscal year 2010. These funds are to be used by the employee, spouse or dependents to offset the cost of health care during retirement or separation of service. These accounts are for City employees that are not eligible for postemployment health care.

All new general employees hired on or after July 1, 2010 are required to participate in the plan. Additional eligible employees are determined by labor contracts. Employees may also elect to convert into the plan in lieu of retiree health care provided by the City.

The plan is established by the authority of City Council. The benefits are established under provisions of applicable salary plans or union contracts. Benefits depend solely on amounts contributed to the plan and investment performance.

Participating employees are required to contribute \$25 per pay pre-tax withholding from 24 pays per year and the City contributes \$1,500 per year (to be paid monthly at \$125) during employment. City contributions cease at normal retirement age or termination.

Employee contributions are 100% vested while City contributions vest at five or more years of service.

The RMSA plan is administered by Genesis Employee Benefits and the plan custodian is US Bank.

In accordance with the above requirements, the City contributed \$40,000 during the current year and employees contributed \$15,975.

## Note 9 – 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.

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 10 – 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 were hired on or after January 1, 2002, depending on bargaining unit. New police officers were added to the plan as of July 1, 2005. The plan became optional for new police officers and firefighters hired in 2009.

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>General Employees</u>		<u>Police and Fire Employees</u>	
	<u>Employee Contribution</u>	<u>Employer Contribution</u>	<u>Employee Contribution</u>	<u>Employer Contribution</u>
401 plan (required)	2%	4%	5%	5%
457 plan	up to 3%	up to 4%	up to 5%	up to 5%

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 plan

In accordance with the above requirements, the City contributed \$446,536 during the current year and employees contributed \$537,685.

## Note 11 – Risk Management

### Commercial Insurance

The City purchases commercial medical and hospitalization insurance coverage for its employees and eligible retirees. The primary providers are Health Alliance Plan and Blue Cross Blue Shield. A portion of the Blue Cross Blue Shield group is self-insured and under an administrative service contract. Many new hire employees have the option to participate in health savings accounts and may not have access to City-provided retiree health care. A retiree medical savings account is available to employees as an option for funding retirement health care. The amount of settlements has not exceeded insurance or reserve coverage for any of the past five fiscal years.

## Note 11 – Risk Management (Continued)

### Self-insurance

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

### 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 general liability claim. The first layer of insurance is \$10,000,000 per occurrence. The excess layer is \$5,000,000 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 prepared for both general liabilities and at-risk tax claims. Estimates are recorded in the internal service fund type.

### Note 11 – 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 - June 30, 2010	\$ -	\$ 1,359,167	\$ 214,095	\$ 2,532,509
Claims incurred during the year	104,411	332,299	19,212,698	2,123,627
Changes in estimates for claims of prior periods	-	(720,788)	13,918	1,001,407
Payments on claims	<u>(104,411)</u>	<u>(61,817)</u>	<u>(19,212,698)</u>	<u>(2,670,796)</u>
Claims liability - June 30, 2011	-	908,861	228,013	2,986,747
Claims incurred during the year	84,284	370,612	17,965,042	2,841,818
Changes in estimates for claims of prior periods	-	(334,720)	83,538	(1,342,149)
Payments on claims	<u>(84,284)</u>	<u>(43,779)</u>	<u>(17,965,042)</u>	<u>(1,646,625)</u>
Claims liability - June 30, 2012	<u>\$ -</u>	<u>\$ 900,974</u>	<u>\$ 311,551</u>	<u>\$ 2,839,791</u>

### Note 12 – Claims, Litigation and Potential Contract Disallowances

Provision for certain claims (see Note 11) 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, 2012, 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 13 – Commitments for Construction

### General Capital Improvement Fund

The City of Dearborn is constructing an intermodal passenger rail facility and site amenities under a capital contract with the Michigan Department of Transportation pursuant to a Federal Railroad Administration grant. The project costs, estimated to be \$28,204,450, are to be funded by the pass-through grant under the American Recovery and Reinvestment Act of 2009. Project costs incurred as of June 30, 2012 were \$5,107,363.

### Proprietary Funds

The Michigan Department of Environmental Quality issued a revised National Pollution Discharge Elimination System (NPDES) Permit to the City on July 1, 2010 (Permit No. M10025542). It is anticipated that the new basis of design and construction approach will yield cost savings in relation to the original plan both in the cost to build and in the ongoing cost to operate the system. The new permit describes requirements for the elimination of Combined Sewer Overflow (CSO) discharges throughout the City of Dearborn. The new permit includes more sewer separation projects instead of retention type facilities. Sewer separation involves the removal and replacement of roadways and water lines in addition to the two sewer lines.

Unplanned debt of approximately \$20 million will be needed to complete all the Federally mandated projects by the year 2030. The total cost of construction, including engineering and construction for the City's Combined Sewer Overflow project, is estimated at \$440 million. This amount does not include any litigation costs or other costs associated with contractor claims. The City is authorized to issue up to \$314.12 million in bonds to finance these project in combination with Rouge River Wet Weather Demonstration grants and other grants. State Revolving Fund low-interest loans are the preferred financing method and will be pursued to the extent available. As of June 30, 2012 approximately \$247 million in State Revolving Fund low interest loan bonds and \$24.5 million in general obligation bonds have been issued. The City uses resources from the Major Street & Trunkline Fund, Local Street Fund, Water Fund, and Sewer Fund to partially fund the separation projects. In addition to the above special construction projects, the City expects to invest approximately \$500,000 annually in Combined Sewer Collection System separation and rehabilitation projects.

As with many complex construction projects, certain contractor claims have been asserted related to the project with which the City does not agree and is vigorously contesting. The ultimate outcome of pending claims is currently unknown as it relates to possible settlement amounts, parties liable, or financing sources for any portion paid by the City. The City believes that there are adequate provisions for any net losses; it is reasonably possible that the ultimate outcome could differ from management's estimates. However pending claims against the City are not material.

The non-performing assets from the original tunnel project, and the abandonment of Contract 3 and Contract 5, were estimated to cost \$60 million and were expensed in fiscal year 2010 and \$5.5 million in fiscal year 2011. Additional expenses of \$2.1 million were expensed for the current fiscal year, which are primarily related to site remediation. The legal issues with Contract 5 are

### Note 13 – Commitments for Construction (Continued)

still pending. Prior year litigation recoveries on the settled construction cases were in excess of \$9 million. The City continues to seek legal remedies and anticipates favorable results.

Current projects include construction in West Dearborn for Sewer Separation, Phase 1 at Telegraph/Cherry Hill/Martha/River and the design and funding application process for Phase 2 at Telegraph/Buckingham/Outer Drive/Cherry Hill. The City added CSO and sewer separation completed projects of \$197 million to fixed assets during fiscal year 2012.

The Public Works Engineering Division has a comprehensive water main replacement/reconstruction program. The program was developed in anticipation of construction funding being provided through the Michigan Department of Environmental Quality, Drinking Water Revolving Fund (DWRf). In the last two years DWRf funds have been limited and Dearborn water main projects did not score high enough to receive funding. The Engineering Division, under its annual program, plans to replace 10,000 to 12,000 linear feet of aging water mains. Moreover, contingent upon the availability of DWRf financing, the Division is ready to construct additional 12,000 to 15,000 linear feet of water mains and related gate valves and fire hydrants with construction expenditures to be in the range of \$2.5 to \$3 million annually. The water mains in the CSO sewer separation areas will be replaced simultaneously with the sewer separation projects.

### Note 14 – 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, 2011			\$ (10,729,539)
Total code enforcement revenue		\$ 3,499,842	
Related expenses:			
Direct costs	\$ 3,043,948		
Estimated indirect costs	<u>611,139</u>		
Total code enforcement expenses		<u>3,655,087</u>	
Current year surplus (deficit)			<u>(155,245)</u>
Shortfall at June 30, 2012			<u>\$ (10,884,784)</u>

### Note 15 – Brownfield Redevelopment Fund

In 2003, the Dearborn City Council and the Michigan Department of Environmental Quality (MDEQ) approved Brownfield Redevelopment Authority (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 those remediation costs occurred in 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 allowed the BRA to borrow \$600,000 interest-free from the Downriver Community Conference (DCC) and to use the BRA local site remediation revolving fund to repay this loan. The DCC authorized loan amount was increased by \$300,000 in FY09 and another \$140,000 in FY10. The actual remediation costs covered by the DCC loan were \$1,017,931. Upon completion of this project, the DCC converted \$200,000 of the loan amount into a grant. The BRA made the first loan repayment of \$81,793 in April 2012 and the remaining nine annual payments will become due beginning March 1, 2015.

Another key aspect of BRA Plan #7 was the approval by the Michigan Economic Development Corporation (MEGA Board) for tax increment capture to cover eligible activities initially financed by the BRA bond issue (\$10,820,000) that occurred in November 2009. In addition, the East Dearborn Downtown Development Authority has pledged its local tax capture generated from the Redico Redevelopment project to the bond repayment.

In the event that the project does not generate sufficient tax revenue to pay for the bonds issued by the BRA, the City has the right to impose a special assessment on the property owners to cover the cost of the bonds and other eligible expenditures for that year.

Severstal International initiated a major modernization strategy involving an investment of over \$1 billion. The first amended BRA Plan #9 will allow tax increment revenues be reimbursed to Severstal to cover the cost of eligible activities. In addition, the BRA assisted Severstal in obtaining Michigan Business Tax credits.

The BRA's involvement in the redevelopment of the Quality Inn site (Plan #10) consisted of working with the Downriver Community Conference Brownfield Consortium in obtaining a hazardous materials grant (not to exceed \$200,000) and a petroleum grant (up to \$290,000) for site remediation.

BRA Plan #11 for Urban Campus Communities involves demolishing parts of two buildings, expanding floor space, and renovating the new area into state-of-the-art student housing and commercial/retail space. The BRA's involvement in this project includes using tax increment revenues for financing certain eligible activities.

The deficit in the Brownfield Redevelopment Fund resulted when the BRA issued the bonds in November 2009 to finance the construction of an East Dearborn parking deck. The fund deficit will be eliminated as the bonds are paid off.

### Note 16 – Related Party Transactions

The City's Housing Department and the Dearborn Housing Commission were established in 1963 for developing subsidized housing for low-income residents. The Housing Department's staff operates and administers the Senior Citizen Housing Program, which includes both the City owned buildings and the Housing and Urban Development (HUD) buildings, Sisson Manor, Kennedy Plaza and Townsend Towers, as well as the Section 8 rental assistance program. The Dearborn Housing Commission reports the financial information for the HUD programs separately. The Housing Commission was billed \$33,365 for shared office space and \$51,608 for reimbursement of shared costs, including administrative salaries and operating expenses, for the fiscal year ended June 30, 2012.

### Note 17 – Upcoming Reporting Changes

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

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

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

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

## Note 17 – Upcoming Reporting Changes (Continued)

In June 2012, GASB Statement No. 67, *Financial Reporting for Pension Plans*, was issued by the Governmental Accounting Standards Board. This new standard, which replaces the requirements of GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, establishes standards for financial reporting that outline the basic framework for separately-issued pension plan financial reports and specifies the required approach to measure the liability of employer and certain nonemployer contributing entities, about which information is required to be disclosed. GASB Statement No. 67 is required to be adopted for the years beginning after June 15, 2013. For the City, this standard will be adopted for the 2014 fiscal year.

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

## **Required Supplementary Information**

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# City of Dearborn, Michigan

## Chapter 21 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)	UAAL as a Percentage of Covered Payroll
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
6/30/2008	36.6	26.5	(10.1)	1.382	-	N/A
6/30/2009	34.7	24.5	(10.2)	1.416	-	N/A
6/30/2010	33.0	22.3	(10.7)	1.476	-	N/A
6/30/2011	31.6	21.5	(10.1)	1.470	-	N/A

### Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2007	\$ -	N/A
2008	-	N/A
2009	-	N/A
2010	-	N/A
2011	-	N/A
2012	-	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, 2011, 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	0 years
Actuarial assumptions:	
Investment rate of return	7.00%
Cost of living adjustments	4.50%

# City of Dearborn, Michigan

## Chapter 22 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
6/30/2006	\$ 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
6/30/2008	141.2	159.0	17.8	0.888	18.7	94.9
6/30/2009	140.2	163.4	23.2	0.858	18.4	126.3
6/30/2010	139.4	164.1	24.7	0.849	17.5	141.3
6/30/2011	140.4	169.6	29.2	0.828	14.4	202.4

### Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2007	\$4,415,971	100
2008	4,188,718	100
2009	3,922,488	100
2010	3,715,449	100
2011	4,206,874	100
2012	3,888,554	100

The information presented above was determined as part of the actuarial valuations for the years then ended. Additional information as of June 30, 2011, the latest actuarial valuation, follows:

Actuarial cost method	Entry age normal
Amortization method	Level dollar
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% - 7.05%
*Includes inflation at	3.75%
Cost of living adjustment	N/A

# City of Dearborn, Michigan

## Chapter 23 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
6/30/2006	\$ 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
6/30/2008	246.8	262.5	15.7	0.940	20.6	76.4
6/30/2009	249.6	275.6	26.0	0.906	21.2	122.5
6/30/2010	252.1	286.3	34.2	0.881	20.0	170.4
6/30/2011	256.9	296.8	39.9	0.866	18.8	211.4

### Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2007	\$6,124,087	100
2008	6,772,131	100
2009	6,473,115	100
2010	6,004,270	100
2011	7,144,368	100
2012	7,456,838	100

The information presented above was determined as part of the actuarial valuations for the years then ended. Additional information as of June 30, 2011, the latest actuarial valuation, follows:

Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	19 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	3.75%
Cost of living adjustment	Varies by labor contract

# City of Dearborn, Michigan

## Postemployment Healthcare Fund 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)	Ratio (Percent) (a/b)	Covered Payroll (c)	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
6/30/2008	31.7	186.8	155.1	17.0	49.1	316.0
6/30/2010	35.7	192.0	156.3	18.6	48.2	324.4

## 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	67.9
2009	6/30/2006	12,971,247	74.3
2010	6/30/2008	12,997,215	106.0
2011	6/30/2008	14,241,851	67.5
2012	6/30/2010	13,974,920	70.5

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of June 30, 2010 the latest actuarial valuation, follows:

Actuarial cost method                      Individual entry age

Amortization method                      Level percent closed

Amortization period                      26 years

Asset valuation method                      Market

Actuarial assumptions:

Investment rate of return                      6.48%

Projected salary increases                      3.75% - 7.8%

Health care cost trend rate                      9.0% Initial  
3.75% Ultimate

# City of Dearborn, Michigan

## Budgetary Comparison Schedule – General Fund Year Ended June 30, 2012

	Budgeted Amounts (Unaudited)		Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
	Original	Final				
<b>Revenues</b>						
<b>Taxes and Penalties on Taxes</b>						
Current property taxes	\$ 58,676,906	\$ 58,676,906	\$ 58,740,538	\$ 63,632	\$ -	\$ 58,740,538
Property tax administration fee	2,035,000	2,035,000	2,141,592	106,592	-	2,141,592
Penalties and interest on taxes	1,299,000	1,299,000	1,493,663	194,663	-	1,493,663
Payments in lieu of taxes	842,876	842,876	921,866	78,990	-	921,866
Total taxes and penalties on taxes	62,853,782	62,853,782	63,297,659	443,877	-	63,297,659
<b>Licenses and Permits</b>						
Business licenses and permits	235,000	235,000	222,282	(12,718)	-	222,282
Nonbusiness licenses and permits	1,621,025	1,621,025	1,941,987	320,962	-	1,941,987
Total licenses and permits	1,856,025	1,856,025	2,164,269	308,244	-	2,164,269
<b>Intergovernmental Revenues</b>						
State sources:						
Sales and use tax	6,504,857	6,504,857	8,323,647	1,818,790	-	8,323,647
Liquor licenses	65,000	65,000	67,948	2,948	-	67,948
Operators' licenses	3,010	3,010	3,618	608	-	3,618
Judges' salaries	137,172	137,172	137,172	-	-	137,172
Alcohol caseload rebate	18,500	18,500	22,201	3,701	-	22,201
Other state sources	472,949	507,949	506,083	(1,866)	-	506,083
Total state sources	7,201,488	7,236,488	9,060,669	1,824,181	-	9,060,669
Other governmental:						
Federal grants	68,793	3,324,184	1,546,687	(1,777,497)	-	1,546,687
Wayne County library fines	411,600	421,980	683,692	261,712	-	683,692
Other organizations	160,200	160,200	88,395	(71,805)	-	88,395
Total other governmental	640,593	3,906,364	2,318,774	(1,587,590)	-	2,318,774
Total intergovernmental revenues	7,842,081	11,142,852	11,379,443	236,591	-	11,379,443
<b>Charges for Services</b>						
General government:						
Birth and death records	240,000	240,000	213,470	(26,530)	-	213,470
City service fee	1,048,940	1,048,940	1,023,040	(25,900)	-	1,023,040
Other	155,000	155,000	146,933	(8,067)	-	146,933
Total general government	1,443,940	1,443,940	1,383,443	(60,497)	-	1,383,443
Public safety:						
Annual safety inspection	1,393,850	1,393,850	1,445,898	52,048	-	1,445,898
Annual maintenance inspection	592,830	592,830	425,495	(167,335)	-	425,495
Ambulance services	1,849,120	1,849,120	1,876,095	26,975	-	1,876,095
Additional police patrols	197,000	197,000	195,794	(1,206)	-	195,794
Other	206,950	206,950	190,558	(16,392)	-	190,558
Total public safety	4,239,750	4,239,750	4,133,840	(105,910)	-	4,133,840
Health	-	6,500	6,428	(72)	-	6,428
Public works	11,300	11,300	21,534	10,234	-	21,534
Recreation and culture:						
Programs and activities sales	620,109	620,109	666,360	46,251	-	666,360
Sales	157,360	163,134	166,198	3,064	-	166,198
Use and admission fees	1,982,734	1,982,734	1,785,585	(197,149)	-	1,785,585
Total recreation and culture	2,760,203	2,765,977	2,618,143	(147,834)	-	2,618,143
Total charges for services	8,455,193	8,467,467	8,163,388	(304,079)	-	8,163,388
<b>Fines and Forfeitures</b>						
Parking fines	390,000	390,000	307,399	(82,601)	-	307,399
19th District Court fines	2,769,850	2,769,850	3,120,231	350,381	-	3,120,231
Library fines and forfeits	91,000	91,000	88,790	(2,210)	-	88,790
Other fines and forfeits	5,500	5,500	1,470	(4,030)	-	1,470
Total fines and forfeitures	3,256,350	3,256,350	3,517,890	261,540	-	3,517,890
<b>Miscellaneous Revenue</b>						
Franchise fees	21,620	21,620	21,542	(78)	-	21,542
Rents and lease agreements	2,585,934	2,585,934	2,141,619	(444,315)	-	2,141,619
Sale of fixed assets	6,000,000	-	-	-	-	-
Reimbursements	53,900	53,900	126,599	72,699	-	126,599
Other revenue	293,753	354,479	361,390	6,911	-	361,390
Total miscellaneous revenue	8,955,207	3,015,933	2,651,150	(364,783)	-	2,651,150
<b>Investment Income</b>						
	149,968	149,968	48,378	(101,590)	-	48,378
Total revenues	93,368,606	90,742,377	91,222,177	479,800	-	91,222,177

# City of Dearborn, Michigan

## Budgetary Comparison Schedule – General Fund Year Ended June 30, 2012

	Budgeted Amounts (Unaudited)		Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
	Original	Final				
<b>Other Financing Sources</b>						
Camp Dearborn Operating Fund	\$ 200,000	\$ 125,000	\$ 125,000	\$ -	\$ -	\$ 125,000
General Capital Improvement Fund	1,215,208	1,215,208	1,215,208	-	-	1,215,208
Facilities Fund	364,771	364,771	364,771	-	-	364,771
Dearborn Towers Fund	-	6,000,000	6,264,370	264,370	-	6,264,370
Designated Purposes Fund	177,120	177,120	156,525	(20,595)	-	156,525
Total other financing sources	1,957,099	7,882,099	8,125,874	243,775	-	8,125,874
<b>Total revenues and other sources</b>	<b>\$ 95,325,705</b>	<b>\$ 98,624,476</b>	<b>\$ 99,348,051</b>	<b>\$ 723,575</b>	<b>\$ -</b>	<b>\$ 99,348,051</b>
<b>Expenditures</b>						
<b>General Government</b>						
Council	\$ 415,286	\$ 415,286	\$ 365,363	\$ 49,923	\$ -	\$ 365,363
District Court	3,321,397	3,491,397	3,421,897	69,500	(904)	3,420,993
Mayor	916,061	1,011,061	950,385	60,676	-	950,385
City Clerk	900,521	920,521	900,098	20,423	(4,483)	895,615
Law	1,615,691	1,807,191	1,734,260	72,931	(76,390)	1,657,870
Human resources	872,564	872,564	806,677	65,887	(11,829)	794,848
Public works/building services and maintenance	324,267	324,267	344,600	(20,333)	-	344,600
Assessment	1,117,702	1,140,992	989,009	151,983	(63,011)	925,998
Finance:						
Accounting	1,322,552	1,386,335	1,337,751	48,584	(16,000)	1,321,751
Purchasing	418,876	408,876	365,160	43,716	(36)	365,124
Treasurer	737,693	741,524	681,740	59,784	(1,631)	680,109
Total general government	11,962,610	12,520,014	11,896,940	623,074	(174,284)	11,722,656
<b>Public Safety</b>						
Police:						
Operations	34,892,552	35,002,593	31,691,591	3,311,002	(4,682)	31,686,909
Ordinance enforcement	629,370	630,570	522,321	108,249	-	522,321
Fire:						
Operations	19,361,636	19,723,707	18,898,366	825,341	(47,045)	18,851,321
Civil preparedness	167,009	167,259	168,549	(1,290)	-	168,549
Residential Services	1,991,439	1,991,439	1,884,555	106,884	(13,440)	1,871,115
Commercial Services	1,014,826	1,099,226	1,070,604	28,622	-	1,070,604
Neighborhood Services	720,272	741,772	694,658	47,114	(560)	694,098
Total public safety	58,777,104	59,356,566	54,930,644	4,425,922	(65,727)	54,864,917
<b>Public Works</b>						
Administrative	480,638	542,138	518,325	23,813	(1,569)	516,756
Highways	4,219,494	4,408,019	4,428,242	(20,223)	(74)	4,428,168
Central Garage	(24,076)	(32,331)	(394,403)	362,072	(12,765)	(407,168)
Sanitation	5,305,476	5,099,476	4,889,480	209,996	-	4,889,480
Line	331,032	342,032	301,380	40,652	-	301,380
Total public works	10,312,564	10,359,334	9,743,024	616,310	(14,408)	9,728,616
<b>Health and Welfare</b>						
Health	-	13,100	10,427	2,673	-	10,427
<b>Recreation and Culture</b>						
Libraries	4,289,472	4,268,567	4,171,581	96,986	(955)	4,170,626
Public works	2,763,591	3,017,066	3,016,951	115	(63,406)	2,953,545
Recreation:						
Administrative	852,814	853,276	831,716	21,560	(1,650)	830,066
Programs	875,701	880,301	701,900	178,401	-	701,900
Outdoor pools	719,208	718,396	571,530	146,866	(1,983)	569,547
Community center:						
Admin/Athletics	2,257,872	2,290,695	2,262,224	28,471	(1,984)	2,260,240
Cultural arts	1,038,586	1,088,586	1,002,992	85,594	-	1,002,992
Senior services	588,988	588,988	583,357	5,631	-	583,357
Sports arena	1,133,628	1,133,628	1,080,768	52,860	(45)	1,080,723
Historical commission	289,080	289,080	240,977	48,103	(216)	240,761
Total recreation and culture	14,808,940	15,128,583	14,463,996	664,587	(70,239)	14,393,757
<b>Community Improvement</b>						
Community improvement	463,296	637,956	571,299	66,657	(40,644)	530,655
City plan	439,042	439,042	298,396	140,646	(150)	298,246
Total community improvement	902,338	1,076,998	869,695	207,303	(40,794)	828,901
<b>Capital Outlay</b>						
	406,000	420,042	354,512	65,530	(13,845)	340,667
Total expenditures	97,169,556	98,874,637	92,269,238	6,605,399	(379,297)	91,889,941
<b>Other Uses - Transfers out</b>	<b>4,812,803</b>	<b>10,100,303</b>	<b>9,220,302</b>	<b>880,001</b>	<b>-</b>	<b>9,220,302</b>
<b>Total expenditures and other uses</b>	<b>\$ 101,982,359</b>	<b>\$ 108,974,940</b>	<b>\$ 101,489,540</b>	<b>\$ 7,485,400</b>	<b>\$ (379,297)</b>	<b>\$ 101,110,243</b>

# City of Dearborn, Michigan

## Notes to Required Supplementary Information June 30, 2012

### 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:

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.

1. The proposed budgets are reviewed through a series of meetings with the City Council, Mayor, Finance department, department directors, etc.
2. A public hearing is conducted to obtain taxpayers comments.
3. 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 budget statements include \$6,984,000 of budget amendments that were approved subsequent to June 30, 2012 which were related to a transfer of \$680,000 from the General fund to the Fleet and General Liability fund for personal property tax refunds; \$4,843,000 in the Capital Improvements fund and \$896,000 in the Community Development fund for unrealized losses on land inventory held for resale due to a decline in property market values; and \$442,000 in the Major Street & Trunkline fund and \$123,000 in the Local Street fund for the receipt of additional Act 51 Gas & Weight Tax monies.

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

# City of Dearborn, Michigan

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## Notes to Required Supplementary Information June 30, 2012

Capital Projects funds. Encumbrances outstanding at year-end are reported as restrictions, commitments or assignments of fund balances and do not constitute expenditures or liabilities because the commitment will be honored during the subsequent year. The amount of encumbrances outstanding at year end is \$23,814,438. 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.

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## **Other Supplementary Information**

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### **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.

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

**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.

### 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 accounted for operation of an 88-unit senior citizen apartment building in Clearwater, Florida. The apartment building was sold on May 22, 2012 and the remaining assets were transferred to the General Fund.

### 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.

**Information Systems Fund** – Computers and related equipment are purchased by this fund for most City departments. Funding for the equipment, as well as technology projects and the operations of the Information Systems department, is received through annual lease fees to the user departments.

**Facilities Fund** – The repair and maintenance costs for city-owned facilities are accounted for in this fund. Funding for utilities, repair and maintenance and the operations of the Building Services and Powerhouse divisions are received through annual lease fees charged to the user departments.

**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** – The workers' compensation 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. The employee insurance fund 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. The employee insurance fund also includes health insurance for both active employees and retirees.

**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 \$10,000,000 per occurrence. The excess layer is \$5,000,000 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.

**19<sup>th</sup> 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 defined benefit retirement systems, which are accounted for in three separate funds. The systems cover full-time employees not covered by the defined contribution or Municipal Employees Retirement System of Michigan (MERS) plans. The City's three defined benefit plans are all closed to newly hired employees. The funds include the General Employees' Retirement System Fund, covering all full-time general employees (excluding sworn police and fire), the Revised Police and Fire Retirement System Fund, which covers police and fire employees hired since 1956, and the Policemen's and Firemen's Retirement System Fund, which covers police and fire employees hired prior to the establishment of the revised system.

A defined benefit pension plan administered by the Municipal Employees Retirement System of Michigan (MERS) was made available to Police personnel hired on or after July 1, 2005 and Fire personnel hired on or after May 1, 2009. This plan may be elected by Police & Fire employees who are otherwise eligible for the City's defined contribution plan.

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

**Postemployment Healthcare Fund** – This fund accounts for amounts reserved to pay for current and 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	Community Development Fund
<b>Assets</b>					
Cash and cash equivalents	\$ 3,399,414	\$ 3,760,965	\$ 747,838	\$ 2,695,888	\$ -
Accounts receivable (Net)	18,530	-	49,829	-	59,082
Property taxes receivable	-	-	-	-	-
Accrued interest receivable	7,689	8,507	1,688	6,035	-
Due from other funds	11,280	146,350	-	-	-
Due from other governments	963,421	234,158	-	-	356,481
Inventories	-	-	8,332	-	1,004,209
Investments, long-term	182,887	202,339	40,137	143,531	-
<b>Total assets</b>	<b><u>\$ 4,583,221</u></b>	<b><u>\$ 4,352,319</u></b>	<b><u>\$ 847,824</u></b>	<b><u>\$ 2,845,454</u></b>	<b><u>\$ 1,419,772</u></b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 273,932	\$ 615,421	\$ 138,030	\$ 83,955	\$ 35,645
Accrued liabilities	-	-	42,549	-	-
Deposits/refunds payable	-	-	238,390	-	2,790
Due to other funds	127,550	-	2,508	-	318,046
Due to other governments	-	-	1,456	-	-
Debt obligations	-	-	-	-	-
Deferred revenue	-	-	-	-	59,082
Claims payable	-	-	-	-	-
<b>Total liabilities</b>	<b><u>401,482</u></b>	<b><u>615,421</u></b>	<b><u>422,933</u></b>	<b><u>83,955</u></b>	<b><u>415,563</u></b>
Fund Balances:					
Nonspendable:					
Inventories	-	-	8,332	-	-
Restricted for:					
Law enforcement activities	-	-	-	2,761,499	-
Road construction, preservation, maintenance	4,181,739	3,736,898	-	-	-
Debt service	-	-	-	-	-
Historical museum activities	-	-	-	-	-
Community development	-	-	-	-	1,004,209
Committed for:					
Subsequent year's budget	-	-	616	-	-
Capital projects	-	-	182,372	-	-
Fund purpose	-	-	233,571	-	-
<b>Total fund balances</b>	<b><u>4,181,739</u></b>	<b><u>3,736,898</u></b>	<b><u>424,891</u></b>	<b><u>2,761,499</u></b>	<b><u>1,004,209</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 4,583,221</u></b>	<b><u>\$ 4,352,319</u></b>	<b><u>\$ 847,824</u></b>	<b><u>\$ 2,845,454</u></b>	<b><u>\$ 1,419,772</u></b>

# City of Dearborn, Michigan

## Combining Balance Sheet Nonmajor Governmental Funds June 30, 2012

### Special Revenue Funds

Tele-communications Fund	Designated Purposes Fund	Total Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
\$ 1,525,082	\$ 1,604,897	\$13,734,084	\$ 222,604	\$ 13,956,688
289,764	37,088	454,293	-	454,293
-	-	-	3,430	3,430
3,450	59	27,428	478	27,906
-	-	157,630	-	157,630
-	-	1,554,060	-	1,554,060
-	-	1,012,541	-	1,012,541
82,049	38,532	689,475	-	689,475
<u>\$ 1,900,345</u>	<u>\$ 1,680,576</u>	<u>\$17,629,511</u>	<u>\$ 226,512</u>	<u>\$ 17,856,023</u>
\$ 156	\$ 382	\$ 1,147,521	\$ -	\$ 1,147,521
17,223	-	59,772	-	59,772
-	200,447	441,627	-	441,627
2,280	-	450,384	-	450,384
-	136	1,592	-	1,592
-	-	-	58,227	58,227
-	-	59,082	3,051	62,133
-	-	-	81,781	81,781
<u>19,659</u>	<u>200,965</u>	<u>2,159,978</u>	<u>143,059</u>	<u>2,303,037</u>
-	-	8,332	-	8,332
-	-	2,761,499	-	2,761,499
-	-	7,918,637	-	7,918,637
-	-	-	83,453	83,453
-	887,053	887,053	-	887,053
-	-	1,004,209	-	1,004,209
-	-	616	-	616
850	-	183,222	-	183,222
<u>1,879,836</u>	<u>592,558</u>	<u>2,705,965</u>	<u>-</u>	<u>2,705,965</u>
<u>1,880,686</u>	<u>1,479,611</u>	<u>15,469,533</u>	<u>83,453</u>	<u>15,552,986</u>
<u>\$ 1,900,345</u>	<u>\$ 1,680,576</u>	<u>\$17,629,511</u>	<u>\$ 226,512</u>	<u>\$ 17,856,023</u>

# City of Dearborn, Michigan

	Nonmajor				
	Major Street & Trunkline Fund	Local Street Fund	Camp Dearborn Operating Fund	Drug Law Enforcement Fund	Community Development Fund
<b>Revenues</b>					
Taxes, assessments and penalties on taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues:					
State sources	4,846,615	1,711,660	-	-	-
Federal sources	2,179,961	-	-	-	3,058,550
Charges for services	-	-	338,984	-	-
Fines and forfeits	-	-	315	820,352	-
Rents and royalties	-	-	1,518,237	-	-
Miscellaneous revenue	58,537	-	18,463	39,733	21,203
Private source contributions	-	-	-	-	-
Investment income	3,613	3,519	1,295	3,393	-
<b>Total revenues</b>	<b>7,088,726</b>	<b>1,715,179</b>	<b>1,877,294</b>	<b>863,478</b>	<b>3,079,753</b>
<b>Expenditures</b>					
General government	-	-	-	-	-
Public safety	-	-	-	475,228	-
Public works	4,562,759	4,360,339	-	-	-
Recreation and culture	-	-	1,500,109	-	-
Community improvement	-	-	-	-	1,206,854
Utilities	-	-	246,224	35,512	-
Capital outlay	-	-	621,035	472,905	-
Unrealized loss on land held for resale	-	-	-	-	896,000
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
<b>Total expenditures</b>	<b>4,562,759</b>	<b>4,360,339</b>	<b>2,367,368</b>	<b>983,645</b>	<b>2,102,854</b>
<b>Revenues Over (Under) Expenditures</b>	<b>2,525,967</b>	<b>(2,645,160)</b>	<b>(490,074)</b>	<b>(120,167)</b>	<b>976,899</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	234,874	3,451,338	-	-	-
Transfers out	(1,231,008)	(11,271)	(125,000)	(1,193)	(2,068,090)
<b>Total other financing sources (uses)</b>	<b>(996,134)</b>	<b>3,440,067</b>	<b>(125,000)</b>	<b>(1,193)</b>	<b>(2,068,090)</b>
<b>Net Change in Fund Balances</b>	<b>1,529,833</b>	<b>794,907</b>	<b>(615,074)</b>	<b>(121,360)</b>	<b>(1,091,191)</b>
<b>Fund Balances - Beginning of Year</b>	<b>2,651,906</b>	<b>2,941,991</b>	<b>1,039,965</b>	<b>2,882,859</b>	<b>2,095,400</b>
<b>Fund Balances - End of Year</b>	<b>\$ 4,181,739</b>	<b>\$ 3,736,898</b>	<b>\$ 424,891</b>	<b>\$ 2,761,499</b>	<b>\$ 1,004,209</b>

**Combining Statement of Revenues, Expenditures, and  
Changes in Fund Balance  
Nonmajor Governmental Funds  
Year Ended June 30, 2012**

Special Revenue Funds				
Tele-communications Fund	Designated Purposes Fund	Total Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 2,288,802	\$ 2,288,802
-	-	6,558,275	-	6,558,275
-	-	5,238,511	-	5,238,511
-	38,517	377,501	-	377,501
-	-	820,667	-	820,667
1,125,504	-	2,643,741	-	2,643,741
5,476	45,034	188,446	-	188,446
-	48,372	48,372	-	48,372
1,744	707	14,271	1,323	15,594
<u>1,132,724</u>	<u>132,630</u>	<u>15,889,784</u>	<u>2,290,125</u>	<u>18,179,909</u>
369,287	8,045	377,332	47,041	424,373
-	-	475,228	-	475,228
-	7,277	8,930,375	-	8,930,375
402,954	133,603	2,036,666	-	2,036,666
-	-	1,206,854	-	1,206,854
-	-	281,736	-	281,736
-	-	1,093,940	-	1,093,940
-	-	896,000	-	896,000
-	-	-	3,381,696	3,381,696
-	-	-	361,520	361,520
<u>772,241</u>	<u>148,925</u>	<u>15,298,131</u>	<u>3,790,257</u>	<u>19,088,388</u>
360,483	(16,295)	591,653	(1,500,132)	(908,479)
-	48,000	3,734,212	1,583,202	5,317,414
(10,000)	(184,461)	(3,631,023)	-	(3,631,023)
<u>(10,000)</u>	<u>(136,461)</u>	<u>103,189</u>	<u>1,583,202</u>	<u>1,686,391</u>
350,483	(152,756)	694,842	83,070	777,912
<u>1,530,203</u>	<u>1,632,367</u>	<u>14,774,691</u>	<u>383</u>	<u>14,775,074</u>
<u>\$ 1,880,686</u>	<u>\$ 1,479,611</u>	<u>\$ 15,469,533</u>	<u>\$ 83,453</u>	<u>\$ 15,552,986</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, 2012

	Final Budget (Unaudited)	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
<b>Revenues</b>					
Intergovernmental revenues:					
State sources	\$ 4,823,425	\$ 4,846,615	\$ 23,190	\$ -	\$ 4,846,615
Federal sources	5,605,113	2,179,961	(3,425,152)	-	2,179,961
Miscellaneous revenue	53,437	58,537	5,100	-	58,537
Investment income	18,958	3,613	(15,345)	-	3,613
Total revenues	10,500,933	7,088,726	(3,412,207)	-	7,088,726
<b>Expenditures - Public works</b>	11,806,655	6,407,825	5,398,830	(1,845,066)	4,562,759
<b>Revenues Over (Under) Expenditures</b>	(1,305,722)	680,901	1,986,623	1,845,066	2,525,967
<b>Other Financing Sources (Uses)</b>					
Transfers in	294,500	234,874	(59,626)	-	234,874
Transfers out	(1,252,403)	(1,231,008)	21,395	-	(1,231,008)
Total other financing sources (uses)	(957,903)	(996,134)	(38,231)	-	(996,134)
<b>Net Change in Fund Balances</b>	(2,263,625)	(315,233)	1,948,392	1,845,066	1,529,833
<b>Fund Balances - Beginning of Year</b>	2,651,906	2,651,906	-	-	2,651,906
<b>Reserved for Encumbrances</b>	-	1,845,066	1,845,066	(1,845,066)	-
<b>Fund Balances - End of Year</b>	\$ 388,281	\$ 4,181,739	\$ 3,793,458	\$ -	\$ 4,181,739

# City of Dearborn, Michigan

## Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Local Street Fund Year Ended June 30, 2012

	Final Budget (Unaudited)	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
<b>Revenues</b>					
Intergovernmental revenues:					
State sources	\$ 1,703,000	\$ 1,711,660	\$ 8,660	\$ -	\$ 1,711,660
Investment income	26,880	3,519	(23,361)	-	3,519
Total revenues	1,729,880	1,715,179	(14,701)	-	1,715,179
<b>Expenditures - Public works</b>	7,659,051	4,921,039	2,738,012	(560,700)	4,360,339
<b>Revenues Over (Under) Expenditures</b>	(5,929,171)	(3,205,860)	2,723,311	560,700	(2,645,160)
<b>Other Financing Sources (Uses)</b>					
Transfers in	3,508,246	3,451,338	(56,908)	-	3,451,338
Transfers out	(23,130)	(11,271)	11,859	-	(11,271)
Total other financing sources (uses)	3,485,116	3,440,067	(45,049)	-	3,440,067
<b>Net Change in Fund Balances</b>	(2,444,055)	234,207	2,678,262	560,700	794,907
<b>Fund Balances - Beginning of Year</b>	2,941,991	2,941,991	-	-	2,941,991
<b>Reserved for Encumbrances</b>	-	560,700	560,700	(560,700)	-
<b>Fund Balances - End of Year</b>	\$ 497,936	\$ 3,736,898	\$ 3,238,962	\$ -	\$ 3,736,898

# City of Dearborn, Michigan

## Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Camp Dearborn Operating Fund Year Ended June 30, 2012

	Final Budget (Unaudited)	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
<b>Revenues</b>					
Intergovernmental revenues:					
State sources	\$ 309,870	\$ -	\$ (309,870)	\$ -	\$ -
Charges for services:					
Use and admission	293,940	208,170	(85,770)	-	208,170
Sales	161,850	130,814	(31,036)	-	130,814
Fines and forfeits	500	315	(185)	-	315
Rents and royalties:					
Golf course	184,682	119,672	(65,010)	-	119,672
Oil exploration	63,000	77,489	14,489	-	77,489
Facilities	1,338,700	1,321,076	(17,624)	-	1,321,076
Miscellaneous revenue	25,900	18,463	(7,437)	-	18,463
Investment income	20,646	1,295	(19,351)	-	1,295
<b>Total revenues</b>	<b>2,399,088</b>	<b>1,877,294</b>	<b>(521,794)</b>	<b>-</b>	<b>1,877,294</b>
<b>Expenditures</b>					
Recreation and culture	1,728,648	1,526,515	202,133	(26,406)	1,500,109
Utilities	276,429	246,705	29,724	(481)	246,224
Capital outlay	1,113,279	631,717	481,562	(10,682)	621,035
<b>Total expenditures</b>	<b>3,118,356</b>	<b>2,404,937</b>	<b>713,419</b>	<b>(37,569)</b>	<b>2,367,368</b>
<b>Revenues Over (Under) Expenditures</b>	<b>(719,268)</b>	<b>(527,643)</b>	<b>191,625</b>	<b>37,569</b>	<b>(490,074)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	-	-	-	-
Transfers out	(125,000)	(125,000)	-	-	(125,000)
<b>Total other financing sources (uses)</b>	<b>(125,000)</b>	<b>(125,000)</b>	<b>-</b>	<b>-</b>	<b>(125,000)</b>
<b>Net Change in Fund Balances</b>	<b>(844,268)</b>	<b>(652,643)</b>	<b>191,625</b>	<b>37,569</b>	<b>(615,074)</b>
<b>Fund Balances - Beginning of Year</b>	<b>1,039,965</b>	<b>1,039,965</b>	<b>-</b>	<b>-</b>	<b>1,039,965</b>
<b>Reserved for Encumbrances</b>	<b>-</b>	<b>37,569</b>	<b>37,569</b>	<b>(37,569)</b>	<b>-</b>
<b>Fund Balances - End of Year</b>	<b>\$ 195,697</b>	<b>\$ 424,891</b>	<b>\$ 229,194</b>	<b>\$ -</b>	<b>\$ 424,891</b>

# City of Dearborn, Michigan

## Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Drug Law Enforcement Fund Year Ended June 30, 2012

	Final Budget (Unaudited)	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
<b>Revenues</b>					
Fines and forfeits	\$ 820,353	\$ 820,352	\$ (1)	\$ -	\$ 820,352
Miscellaneous revenue	39,733	39,733	-	-	39,733
Investment income	23,795	3,393	(20,402)	-	3,393
Total revenues	<u>883,881</u>	<u>863,478</u>	<u>(20,403)</u>	<u>-</u>	<u>863,478</u>
<b>Expenditures</b>					
Public safety	549,049	476,167	72,882	(939)	475,228
Utilities	45,750	35,512	10,238	-	35,512
Capital outlay	592,760	531,944	60,816	(59,039)	472,905
Total expenditures	<u>1,187,559</u>	<u>1,043,623</u>	<u>143,936</u>	<u>(59,978)</u>	<u>983,645</u>
<b>Revenues Over (Under) Expenditures</b>	(303,678)	(180,145)	123,533	59,978	(120,167)
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	-	-	-	-
Transfers out	(151,653)	(1,193)	150,460	-	(1,193)
Total other financing sources (uses)	<u>(151,653)</u>	<u>(1,193)</u>	<u>150,460</u>	<u>-</u>	<u>(1,193)</u>
<b>Net Change in Fund Balances</b>	(455,331)	(181,338)	273,993	59,978	(121,360)
<b>Fund Balances - Beginning of Year</b>	2,882,859	2,882,859	-	-	2,882,859
<b>Reserved for Encumbrances</b>	-	59,978	59,978	(59,978)	-
<b>Fund Balances - End of Year</b>	<u>\$ 2,427,528</u>	<u>\$ 2,761,499</u>	<u>\$ 333,971</u>	<u>\$ -</u>	<u>\$ 2,761,499</u>

# City of Dearborn, Michigan

## Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Community Development Fund Year Ended June 30, 2012

	Final Budget (Unaudited)	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
<b>Revenues</b>					
Intergovernmental revenues:					
Federal sources	\$ 5,925,044	\$ 3,058,550	\$ (2,866,494)	\$ -	\$ 3,058,550
Miscellaneous revenue	74,632	21,203	(53,429)	-	21,203
Sale of land inventory	438,900	-	(438,900)	-	-
Total revenues	<u>6,438,576</u>	<u>3,079,753</u>	<u>(3,358,823)</u>	<u>-</u>	<u>3,079,753</u>
<b>Expenditures</b>					
Community improvement	3,955,868	1,232,305	2,723,563	(25,451)	1,206,854
Unrealized loss on land held for resale	896,000	896,000	-	-	896,000
Total expenditures	<u>4,851,868</u>	<u>2,128,305</u>	<u>2,723,563</u>	<u>(25,451)</u>	<u>2,102,854</u>
<b>Revenues Over (Under) Expenditures</b>	1,586,708	951,448	(635,260)	25,451	976,899
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	-	-	-	-
Transfers out	(3,378,708)	(2,077,542)	1,301,166	9,452	(2,068,090)
Total other financing sources (uses)	<u>(3,378,708)</u>	<u>(2,077,542)</u>	<u>1,301,166</u>	<u>9,452</u>	<u>(2,068,090)</u>
<b>Net Change in Fund Balances</b>	(1,792,000)	(1,126,094)	665,906	34,903	(1,091,191)
<b>Fund Balances - Beginning of Year</b>	2,095,400	2,095,400	-	-	2,095,400
<b>Reserved for Encumbrances</b>	-	34,903	34,903	(34,903)	-
<b>Fund Balances - End of Year</b>	<u>\$ 303,400</u>	<u>\$ 1,004,209</u>	<u>\$ 700,809</u>	<u>\$ -</u>	<u>\$ 1,004,209</u>

# City of Dearborn, Michigan

## Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Telecommunications Fund Year Ended June 30, 2012

	Final Budget (Unaudited)	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
<b>Revenues</b>					
Rents and royalties	\$ 1,022,000	\$ 1,125,504	\$ 103,504	\$ -	\$ 1,125,504
Miscellaneous revenue	6,200	5,476	(724)	-	5,476
Investment income	9,606	1,744	(7,862)	-	1,744
Total revenues	<u>1,037,806</u>	<u>1,132,724</u>	<u>94,918</u>	<u>-</u>	<u>1,132,724</u>
<b>Expenditures</b>					
Recreation and culture	402,818	403,509	(691)	(555)	402,954
General government	440,431	369,287	71,144	-	369,287
Capital outlay	850	-	850	-	-
Total expenditures	<u>844,099</u>	<u>772,796</u>	<u>71,303</u>	<u>(555)</u>	<u>772,241</u>
<b>Revenues Over (Under) Expenditures</b>	193,707	359,928	166,221	555	360,483
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	-	-	-	-
Transfers out	(10,250)	(10,000)	250	-	(10,000)
Total other financing sources (uses)	<u>(10,250)</u>	<u>(10,000)</u>	<u>250</u>	<u>-</u>	<u>(10,000)</u>
<b>Net Change in Fund Balances</b>	183,457	349,928	166,471	555	350,483
<b>Fund Balances - Beginning of Year</b>	1,530,203	1,530,203	-	-	1,530,203
<b>Reserved for Encumbrances</b>	-	555	555	(555)	-
<b>Fund Balances - End of Year</b>	<u>\$ 1,713,660</u>	<u>\$ 1,880,686</u>	<u>\$ 167,026</u>	<u>\$ -</u>	<u>\$ 1,880,686</u>

# City of Dearborn, Michigan

## Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Designated Purposes Fund Year Ended June 30, 2012

	Final Budget (Unaudited)	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
<b>Revenues</b>					
Intergovernmental revenues:					
State sources	\$ 25,000	\$ -	\$ (25,000)	\$ -	\$ -
Charges for services	74,596	38,517	(36,079)	-	38,517
Miscellaneous revenue	82,513	45,034	(37,479)	-	45,034
Investment income	707	707	-	-	707
Private source contributions	48,372	48,372	-	-	48,372
Total revenues	<u>231,188</u>	<u>132,630</u>	<u>(98,558)</u>	<u>-</u>	<u>132,630</u>
<b>Expenditures</b>					
General government	206,613	8,045	198,568	-	8,045
Public safety	26,576	-	26,576	-	-
Public works	188,760	7,277	181,483	-	7,277
Recreation and culture	1,299,310	160,283	1,139,027	(26,680)	133,603
Total expenditures	<u>1,721,259</u>	<u>175,605</u>	<u>1,545,654</u>	<u>(26,680)</u>	<u>148,925</u>
<b>Revenues Over (Under) Expenditures</b>	(1,490,071)	(42,975)	1,447,096	26,680	(16,295)
<b>Other Financing Sources (Uses)</b>					
Transfers in	72,217	48,000	(24,217)	-	48,000
Transfers out	(214,513)	(184,461)	30,052	-	(184,461)
Total other financing sources (uses)	<u>(142,296)</u>	<u>(136,461)</u>	<u>5,835</u>	<u>-</u>	<u>(136,461)</u>
<b>Net Change in Fund Balances</b>	(1,632,367)	(179,436)	1,452,931	26,680	(152,756)
<b>Fund Balances - Beginning of Year</b>	1,632,367	1,632,367	-	-	1,632,367
<b>Reserved for Encumbrances</b>	-	26,680	26,680	(26,680)	-
<b>Fund Balances - End of Year</b>	<u>\$ -</u>	<u>\$ 1,479,611</u>	<u>\$ 1,479,611</u>	<u>\$ -</u>	<u>\$ 1,479,611</u>

# City of Dearborn, Michigan

## Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Debt Service Fund Year Ended June 30, 2012

	Final Budget (Unaudited)	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
<b>Revenues</b>					
Taxes, assessments and penalties on taxes	\$ 2,293,605	\$ 2,288,802	\$ (4,803)	\$ -	\$ 2,288,802
Investment income	2,422	1,323	(1,099)	-	1,323
Total revenues	<u>2,296,027</u>	<u>2,290,125</u>	<u>(5,902)</u>	<u>-</u>	<u>2,290,125</u>
<b>Expenditures</b>					
General government	64,850	47,041	17,809	-	47,041
Debt service:					
Principal	3,381,697	3,381,696	1	-	3,381,696
Interest and fiscal charges	362,164	361,520	644	-	361,520
Total expenditures	<u>3,808,711</u>	<u>3,790,257</u>	<u>18,454</u>	<u>-</u>	<u>3,790,257</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(1,512,684)</u>	<u>(1,500,132)</u>	<u>12,552</u>	<u>-</u>	<u>(1,500,132)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers in	1,583,203	1,583,202	(1)	-	1,583,202
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>1,583,203</u>	<u>1,583,202</u>	<u>(1)</u>	<u>-</u>	<u>1,583,202</u>
<b>Net Change in Fund Balances</b>	<u>70,519</u>	<u>83,070</u>	<u>12,551</u>	<u>-</u>	<u>83,070</u>
<b>Fund Balances - Beginning of Year</b>	<u>383</u>	<u>383</u>	<u>-</u>	<u>-</u>	<u>383</u>
<b>Fund Balances - End of Year</b>	<u>\$ 70,902</u>	<u>\$ 83,453</u>	<u>12,551</u>	<u>\$ -</u>	<u>\$ 83,453</u>

# City of Dearborn, Michigan

## Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Capital Projects Fund Year Ended June 30, 2012

	Final Budget (Unaudited)	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
<b>Revenues</b>					
Intergovernmental revenues:					
State sources	\$ 48,800	\$ 26,179	\$ (22,621)	\$ -	\$ 26,179
Federal sources	29,366,035	5,331,845	(24,034,190)	-	5,331,845
Wayne County parks millage	180,000	90,000	(90,000)	-	90,000
Charges for services	42,223	2,435	(39,788)	-	2,435
Miscellaneous revenue	116,110	2,534	(113,576)	-	2,534
Private source contributions	122,006	20,000	(102,006)	-	20,000
Investment income	93,451	11,304	(82,147)	-	11,304
<b>Total revenues</b>	<b>29,968,625</b>	<b>5,484,297</b>	<b>(24,484,328)</b>	<b>-</b>	<b>5,484,297</b>
<b>Expenditures</b>					
Capital outlay	34,676,247	26,964,382	7,711,865	(20,628,330)	6,336,052
Unrealized loss on land held for resale	4,843,000	4,843,000	-	-	4,843,000
<b>Total expenditures</b>	<b>39,519,247</b>	<b>31,807,382</b>	<b>7,711,865</b>	<b>(20,628,330)</b>	<b>11,179,052</b>
<b>Revenues Over (Under) Expenditures</b>	<b>(9,550,622)</b>	<b>(26,323,085)</b>	<b>(16,772,463)</b>	<b>20,628,330</b>	<b>(5,694,755)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	1,256,503	605,106	(651,397)	-	605,106
Transfers out	(1,224,565)	(1,220,598)	3,967	-	(1,220,598)
<b>Total other financing sources (uses)</b>	<b>31,938</b>	<b>(615,492)</b>	<b>(647,430)</b>	<b>-</b>	<b>(615,492)</b>
<b>Net Change in Fund Balances</b>	<b>(9,518,684)</b>	<b>(26,938,577)</b>	<b>(17,419,893)</b>	<b>20,628,330</b>	<b>(6,310,247)</b>
<b>Fund Balances - Beginning of Year</b>	<b>19,598,761</b>	<b>19,598,761</b>	<b>-</b>	<b>-</b>	<b>19,598,761</b>
<b>Reserved for Encumbrances</b>	<b>-</b>	<b>20,628,330</b>	<b>20,628,330</b>	<b>(20,628,330)</b>	<b>-</b>
<b>Fund Balances - End of Year</b>	<b>\$10,080,077</b>	<b>\$13,288,514</b>	<b>\$ 3,208,437</b>	<b>\$ -</b>	<b>\$13,288,514</b>

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# City of Dearborn, Michigan

## Combining Statement of Net Assets Nonmajor Enterprise Funds June 30, 2012

	Golf Course	Seniors Apartment Operating Fund	Dearborn Towers Fund	Total Nonmajor Enterprise Funds
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 45,141	\$ 8,651,257	\$ -	\$ 8,696,398
Accounts receivable (Net)	-	4,309	-	4,309
Accrued interest receivable	466	19,568	-	20,034
Due from other governments	-	84,974	-	84,974
Prepaid items	-	27,374	-	27,374
Inventories	27,704	-	-	27,704
Total current assets	<u>73,311</u>	<u>8,787,482</u>	<u>-</u>	<u>8,860,793</u>
Noncurrent assets:				
Restricted cash and investments:				
Debt service	177,033	-	-	177,033
Investments, long-term	-	465,418	-	465,418
Capital assets (Net)	2,020,658	3,006,698	-	5,027,356
Total noncurrent assets	<u>2,197,691</u>	<u>3,472,116</u>	<u>-</u>	<u>5,669,807</u>
Total assets	<u>2,271,002</u>	<u>12,259,598</u>	<u>-</u>	<u>14,530,600</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	5,444	48,262	-	53,706
Accrued interest payable	4,111	-	-	4,111
Accrued liabilities	12,528	40,822	-	53,350
Deposits/refunds payable	49,278	126,012	-	175,290
Due to other governments	39,630	-	-	39,630
Due to other funds	2,173	11,346	-	13,519
Deferred revenue	41,718	7,736	-	49,454
Current portion of long-term debt	83,987	-	-	83,987
Total current liabilities	<u>238,869</u>	<u>234,178</u>	<u>-</u>	<u>473,047</u>
Noncurrent liabilities:				
Current portion of long-term debt payable with restricted assets	177,033	-	-	177,033
Other liabilities	17,326	114,778	-	132,104
Long-term debt, net of current portion	999,870	-	-	999,870
Total noncurrent liabilities	<u>1,194,229</u>	<u>114,778</u>	<u>-</u>	<u>1,309,007</u>
Total liabilities	<u>1,433,098</u>	<u>348,956</u>	<u>-</u>	<u>1,782,054</u>
<b>Net Assets</b>				
Invested in capital assets, net of debt	759,768	3,006,698	-	3,766,466
Unrestricted	78,136	8,903,944	-	8,982,080
Total net assets	<u>\$ 837,904</u>	<u>\$ 11,910,642</u>	<u>\$ -</u>	<u>\$ 12,748,546</u>

# City of Dearborn, Michigan

## Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets Nonmajor Enterprise Funds Year Ended June 30, 2012

	Golf Course	Seniors Apartment Operating Fund	Dearborn Towers Fund	Total Nonmajor Enterprise Funds
<b>Operating Revenues</b>				
Sales	\$ 465,852	\$ -	\$ -	\$ 465,852
Charges for services	381,334	1,039,579	-	1,420,913
Rents and royalties	161,070	1,683,164	428,950	2,273,184
Miscellaneous	58,691	28,298	1,798	88,787
Total operating revenues	<u>1,066,947</u>	<u>2,751,041</u>	<u>430,748</u>	<u>4,248,736</u>
<b>Operating Expenses</b>				
Personnel services	483,104	1,387,986	-	1,871,090
Contractual services	113,207	109,024	167,030	389,261
Insurance and bonds	9,407	70,893	120,096	200,396
Utilities	40,612	374,951	106,896	522,459
Repair and maintenance	11,037	100,949	32,818	144,804
Supplies	70,455	52,876	10,401	133,732
Cost of sales	178,567	-	-	178,567
Cost of rentals	22,058	69,310	-	91,368
Taxes	-	-	119,041	119,041
Depreciation	237,794	233,280	30,964	502,038
Other	66,870	2,638	1,058	70,566
Total operating expenses	<u>1,233,111</u>	<u>2,401,907</u>	<u>588,304</u>	<u>4,223,322</u>
<b>Operating Income (Loss)</b>	(166,164)	349,134	(157,556)	25,414
<b>Nonoperating Revenues (Expenses)</b>				
Investment income	149	10,582	297	11,028
Gain/loss on disposal of assets	-	-	5,417,566	5,417,566
Other interest	(25,924)	-	-	(25,924)
Total nonoperating revenues (expenses)	<u>(25,775)</u>	<u>10,582</u>	<u>5,417,863</u>	<u>5,402,670</u>
<b>Income (Loss) before Transfers</b>	(191,939)	359,716	5,260,307	5,428,084
<b>Transfers</b>				
Transfers in	235,000	-	-	235,000
Transfers out	-	-	(6,264,370)	(6,264,370)
Net transfers	<u>235,000</u>	<u>-</u>	<u>(6,264,370)</u>	<u>(6,029,370)</u>
<b>Net Income (Loss)</b>	43,061	359,716	(1,004,063)	(601,286)
<b>Net Assets - Beginning of Year</b>	<u>794,843</u>	<u>11,550,926</u>	<u>1,004,063</u>	<u>13,349,832</u>
<b>Net Assets - End of Year</b>	<u>\$ 837,904</u>	<u>\$ 11,910,642</u>	<u>\$ -</u>	<u>\$ 12,748,546</u>

# City of Dearborn, Michigan

## Combining Statement of Cash Flows Nonmajor Enterprise Funds Year Ended June 30, 2012

	Golf Course	Seniors Apartment Operating Fund	Dearborn Towers Fund	Total Nonmajor Enterprise Funds
<b>Cash Flows from Operating Activities</b>				
Receipts from customers	\$ 989,656	\$ 2,740,760	\$ 399,951	\$ 4,130,367
Payments to suppliers	(403,818)	(771,973)	(486,798)	(1,662,589)
Payments to employees	(506,557)	(1,421,472)	-	(1,928,029)
Internal activity	(5,827)	11,346	-	5,519
Other receipts	58,691	28,298	1,798	88,787
Other payments	(38,859)	(2,638)	(1,058)	(42,555)
Net cash provided (used) by operating activities	93,286	584,321	(86,107)	591,500
<b>Cash Flows from Noncapital Financing Activities</b>				
Transfers in	235,000	-	-	235,000
Transfers out	-	-	(6,264,370)	(6,264,370)
Net cash provided by noncapital financing activities	235,000	-	(6,264,370)	(6,029,370)
<b>Cash Flows from Capital and Related Financing Activities</b>				
Acquisition and construction of capital assets	-	(28,692)	-	(28,692)
Gain on sale of capital assets	-	-	5,973,632	5,973,632
Grants and contributions received	-	-	-	-
Principal paid on debt	(253,070)	(26,981)	-	(280,051)
Interest paid on debt	(27,286)	-	-	(27,286)
Net cash provided (used) by capital and related financing activities	(280,356)	(55,673)	5,973,632	5,637,603
<b>Cash Flows from Investing Activities</b>				
Net sale (purchase) of investments	-	576,464	45,253	621,717
Investment income	332	25,424	1,792	27,548
Net cash provided (used) by investing activities	332	601,888	47,045	649,265
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	48,262	1,130,536	(329,800)	848,998
<b>Cash and Cash Equivalents - Beginning of Year</b>	173,912	7,520,721	329,800	8,024,433
<b>Cash and Cash Equivalents - End of Year</b>	\$ 222,174	\$ 8,651,257	\$ -	\$ 8,873,431
Cash and Cash Equivalents - Unrestricted	\$ 45,141	\$ 8,651,257	\$ -	\$ 8,696,398
Cash and Cash Equivalents - Restricted	177,033	-	-	177,033
<b>Cash and Cash Equivalents - End of Year</b>	\$ 222,174	\$ 8,651,257	\$ -	\$ 8,873,431

# City of Dearborn, Michigan

## Combining Statement of Cash Flows Nonmajor Enterprise Funds Year Ended June 30, 2012

	Golf Course	Seniors Apartment Operating Fund	Dearborn Towers Fund	Total Nonmajor Enterprise Funds
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating income (loss)	\$ (166,164)	\$ 349,134	\$ (157,556)	\$ 25,414
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	237,794	233,280	30,964	502,038
Change in assets and liabilities:				
Accounts receivable	1,106	5,681	2,436	9,223
Due from other governments	-	4,832	-	4,832
Prepaid items	-	-	80,420	80,420
Inventories	39,725	-	-	39,725
Accounts payable	(5,958)	5,273	(10,936)	(11,621)
Accrued liabilities	(200)	757	-	557
Customer deposits	(28,849)	5,832	(27,075)	(50,092)
Accrued vacation and sick leave	(23,453)	(33,486)	-	(56,939)
Due to other funds	(5,827)	11,346	-	5,519
Due to other governments	35,969	-	-	35,969
Deferred revenue	9,143	1,672	(4,360)	6,455
Net cash provided (used) by operating activities	<u>\$ 93,286</u>	<u>\$ 584,321</u>	<u>\$ (86,107)</u>	<u>\$ 591,500</u>

# City of Dearborn, Michigan

	Information Systems Fund	Facilities Fund	Fleet Replacement Fund
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 4,160,956	\$ 5,712,636	\$ 3,703,326
Accounts receivable (Net)	50,000	-	-
Accrued interest receivable	9,412	12,921	8,377
Due from other funds	250	1,629	-
Prepaid items	-	-	-
Total current assets	<u>4,220,618</u>	<u>5,727,186</u>	<u>3,711,703</u>
Noncurrent assets:			
Investments, long-term	223,858	307,338	199,238
Capital assets (Net)	697,267	58,000,032	3,726,532
Total noncurrent assets	<u>921,125</u>	<u>58,307,370</u>	<u>3,925,770</u>
Total assets	<u>5,141,743</u>	<u>64,034,556</u>	<u>7,637,473</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	19,579	183,898	10,048
Accrued interest payable	-	1,665	-
Accrued liabilities	29,908	72,192	-
Due for tax appeals	-	-	-
Deferred revenue	67,000	-	-
Due to other funds	14,356	34,141	-
Current portion of long-term debt	-	105,019	-
Total current liabilities	<u>130,843</u>	<u>396,915</u>	<u>10,048</u>
Noncurrent liabilities:			
Long-term debt, net of current portion	-	108,750	-
Other liabilities	88,242	169,271	-
Claims payable	-	-	-
Total noncurrent liabilities	<u>88,242</u>	<u>278,021</u>	<u>-</u>
Total liabilities	<u>219,085</u>	<u>674,936</u>	<u>10,048</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	697,267	57,786,263	3,726,532
Unrestricted	4,225,391	5,573,357	3,900,893
Total net assets	<u>\$ 4,922,658</u>	<u>\$ 63,359,620</u>	<u>\$ 7,627,425</u>

# City of Dearborn, Michigan

## Combining Statement of Net Assets Internal Service Funds June 30, 2012

Workers' Compensation and Employee Insurance Fund	Fleet & General Liability Insurance Fund	Total
\$ 3,855,187	\$ 1,641,585	\$ 19,073,690
58,551	-	108,551
8,488	3,867	43,065
-	1,786,760	1,788,639
1,568,516	851,402	2,419,918
<u>5,490,742</u>	<u>4,283,614</u>	<u>23,433,863</u>
201,875	91,980	1,024,289
-	-	62,423,831
<u>201,875</u>	<u>91,980</u>	<u>63,448,120</u>
<u>5,692,617</u>	<u>4,375,594</u>	<u>86,881,983</u>
70,075	374,450	658,050
-	-	1,665
-	-	102,100
-	2,185,284	2,185,284
-	-	67,000
-	-	48,497
-	-	105,019
<u>70,075</u>	<u>2,559,734</u>	<u>3,167,615</u>
-	-	108,750
-	-	257,513
1,212,525	654,507	1,867,032
<u>1,212,525</u>	<u>654,507</u>	<u>2,233,295</u>
<u>1,282,600</u>	<u>3,214,241</u>	<u>5,400,910</u>
-	-	62,210,062
4,410,017	1,161,353	19,271,011
<u>\$ 4,410,017</u>	<u>\$ 1,161,353</u>	<u>\$ 81,481,073</u>

# City of Dearborn, Michigan

	Information Systems Fund	Facilities Fund	Fleet Replacement Fund
<b>Operating Revenues</b>			
Charges for services	\$ 1,685,768	\$ 4,856,962	\$ -
Rents and royalties	313,553	306,498	7,000
City contributions for insurance premiums	-	-	-
Miscellaneous	2,978	12,897	302,625
Total operating revenues	<u>2,002,299</u>	<u>5,176,357</u>	<u>309,625</u>
<b>Operating Expenses</b>			
Contractual services	1,513,309	1,315,221	-
Utilities	-	1,468,271	-
Repair and maintenance	-	1,802,982	-
Cost of sales	-	-	2,426
Depreciation	249,699	2,343,032	1,407,226
Insurance and bonds	-	-	-
Insurance benefits	-	-	-
Claims and judgments	-	-	-
Other	-	-	-
Total operating expenses	<u>1,763,008</u>	<u>6,929,506</u>	<u>1,409,652</u>
<b>Operating Income (Loss)</b>	239,291	(1,753,149)	(1,100,027)
<b>Nonoperating Revenues (Expenses)</b>			
Investment income	5,191	3,829	4,563
Other interest	-	(11,139)	-
Gain/(loss) on disposal of assets	(19,117)	(65,874)	(310,782)
Total nonoperating revenues (expenses)	<u>(13,926)</u>	<u>(73,184)</u>	<u>(306,219)</u>
<b>Income (Loss) before Operating Transfers</b>	225,365	(1,826,333)	(1,406,246)
<b>Transfers</b>			
Transfers in	-	3,726,193	-
Transfers out	-	(364,771)	-
Net transfers	<u>-</u>	<u>3,361,422</u>	<u>-</u>
<b>Net Income (Loss)</b>	225,365	1,535,089	(1,406,246)
<b>Net Assets - Beginning of Year</b>	4,697,293	61,824,531	9,033,671
<b>Net Assets - End of Year</b>	<u>\$ 4,922,658</u>	<u>\$ 63,359,620</u>	<u>\$ 7,627,425</u>

# City of Dearborn, Michigan

## Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets Internal Service Funds Year Ended June 30, 2012

Workers' Compensation and Employee Insurance Fund	Fleet & General Liability Insurance Fund	Total
\$ -	\$ -	\$ 6,542,730
-	-	627,051
18,958,773	1,756,893	20,715,666
357,974	-	676,474
<u>19,316,747</u>	<u>1,756,893</u>	<u>28,561,921</u>
317,601	222,368	3,368,499
-	-	1,468,271
-	-	1,802,982
-	-	2,426
-	-	3,999,957
177,734	809,768	987,502
43,779	-	43,779
17,818,236	1,785,780	19,604,016
103,241	46,347	149,588
<u>18,460,591</u>	<u>2,864,263</u>	<u>31,427,020</u>
856,156	(1,107,370)	(2,865,099)
4,686	2,930	21,199
-	-	(11,139)
-	-	(395,773)
<u>4,686</u>	<u>2,930</u>	<u>(385,713)</u>
860,842	(1,104,440)	(3,250,812)
-	1,845,000	5,571,193
-	-	(364,771)
<u>-</u>	<u>1,845,000</u>	<u>5,206,422</u>
860,842	740,560	1,955,610
3,549,175	420,793	79,525,463
<u>\$ 4,410,017</u>	<u>\$ 1,161,353</u>	<u>\$ 81,481,073</u>

# City of Dearborn, Michigan

	Information Systems Fund	Facilities Fund	Fleet Replacement Fund
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 1,949,321	\$ 5,163,460	\$ 7,000
Payments to suppliers	(1,499,400)	(4,753,323)	7,622
Internal activity	14,518	36,208	(8,126)
Claims paid	-	-	-
Other receipts	2,978	12,897	302,625
Other payments	-	-	-
Net cash provided (used) by operating activities	<u>467,417</u>	<u>459,242</u>	<u>309,121</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Transfers in	-	3,726,193	-
Transfers out	-	(364,771)	-
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>3,361,422</u>	<u>-</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Principal paid on debt	-	(101,820)	-
Prepaid interest on debt	-	(11,690)	-
Acquisition and construction of capital assets	(370,594)	(267,437)	(54,336)
Net cash provided (used) by capital and related financing activities	<u>(370,594)</u>	<u>(380,947)</u>	<u>(54,336)</u>
<b>Cash Flows from Investing Activities</b>			
Net sale (purchase) of investments	296,887	7,713	243,132
Investment income	12,978	1,313	10,797
Net cash provided (used) by investing activities	<u>309,865</u>	<u>9,026</u>	<u>253,929</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	406,688	3,448,743	508,714
<b>Cash and Cash Equivalents - Beginning of Year</b>	3,754,268	2,263,893	3,194,612
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 4,160,956</u>	<u>\$ 5,712,636</u>	<u>\$ 3,703,326</u>

**Combining Statement of Cash Flows  
Internal Service Funds  
Year Ended June 30, 2012**

Workers' Compensation and Employee Insurance Fund	Fleet & General Liability Insurance Fund	Total
\$ 19,148,833	\$ 1,756,893	\$ 28,025,507
(779,833)	(896,862)	(7,921,796)
-	(936,760)	(894,160)
(18,603,962)	(2,587,551)	(21,191,513)
357,974	-	676,474
(103,241)	(46,347)	(149,588)
<u>19,771</u>	<u>(2,710,627)</u>	<u>(1,455,076)</u>
-	1,845,000	5,571,193
-	-	(364,771)
<u>-</u>	<u>1,845,000</u>	<u>5,206,422</u>
-	-	(101,820)
-	-	(11,690)
<u>-</u>	<u>-</u>	<u>(692,367)</u>
<u>-</u>	<u>-</u>	<u>(805,877)</u>
275,222	257,511	1,080,465
11,956	10,607	47,651
<u>287,178</u>	<u>268,118</u>	<u>1,128,116</u>
306,949	(597,509)	4,073,585
3,548,238	2,239,094	15,000,105
<u>\$ 3,855,187</u>	<u>\$ 1,641,585</u>	<u>\$ 19,073,690</u>

# City of Dearborn, Michigan

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	Information Systems Fund	Facilities Fund	Fleet Replacement Fund
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ 239,291	\$ (1,753,149)	\$ (1,100,027)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	249,699	2,343,032	1,407,226
Change in assets and liabilities:			
Accounts receivable	(50,000)	-	-
Due from other funds	162	2,067	-
Prepaid items	-	-	-
Accounts payable	(7,666)	(143,730)	10,048
Accrued liabilities	21,575	(23,119)	-
Due to other funds	14,356	34,141	(8,126)
Due to other governments	-	-	-
Claims payable	-	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Net cash provided (used) by operating activities	<u>\$ 467,417</u>	<u>\$ 459,242</u>	<u>\$ 309,121</u>

**Combining Statement of Cash Flows  
Internal Service Funds  
Year Ended June 30, 2012**

Workers' Compensation and Employee Insurance Fund	Fleet & General Liability Insurance Fund	Total
\$ 856,156	\$ (1,107,370)	\$ (2,865,099)
-	-	3,999,957
190,060	-	140,060
-	(936,760)	(934,531)
(949,399)	(851,402)	(1,800,801)
(152,697)	331,861	37,816
-	-	(1,544)
-	-	40,371
-	654,815	654,815
75,651	(801,771)	(726,120)
<u>\$ 19,771</u>	<u>\$ (2,710,627)</u>	<u>\$ (1,455,076)</u>

# City of Dearborn, Michigan

	General Employees' Retirement System Fund	Revised Police & Fire Retirement System Fund	Policemen's & Firemen's Retirement System Fund
<b>Assets</b>			
Current Assets:			
Cash and cash equivalents	\$ 47,363	\$ 84,336	\$ 57,752
Investments - short-term	1,889,481	3,019,928	462,174
Receivables:			
Accrued interest receivable	79,421	198,883	25,730
Other	1,242,439	379,463	14,573
Due from other funds	357,826	258,415	29,449
Prepaid items	-	-	-
Total current assets	<u>3,616,530</u>	<u>3,941,025</u>	<u>589,678</u>
Noncurrent assets - investments:			
Long-term bonds	2,548	4,537	3,107
Fixed income mutual funds	47,430,538	79,911,383	16,283,378
Common stock	30,850,104	59,392,333	5,581,792
Collateral pledged on			
securities loaned - money			
market mutual funds	2,733,298	6,548,735	741,658
Real estate properties	5,547,439	18,688,472	1,373,812
Commingled mutual funds	44,140,583	80,529,939	5,206,485
Total noncurrent assets	<u>130,704,510</u>	<u>245,075,399</u>	<u>29,190,232</u>
Total assets	<u>134,321,040</u>	<u>249,016,424</u>	<u>29,779,910</u>
<b>Liabilities</b>			
Accounts payable	93,186	546,230	24,146
Deferred revenue	-	131	-
Amounts due to broker under			
securities lending agreement	2,733,298	6,548,735	741,658
Due to other funds	-	29,449	-
Other liabilities	57,383	91,572	12,125
Total liabilities	<u>2,883,867</u>	<u>7,216,117</u>	<u>777,929</u>
<b>Net Assets</b>			
Held in trust for pension benefits and other employee benefits	<u>\$ 131,437,173</u>	<u>\$ 241,800,307</u>	<u>\$ 29,001,981</u>

**Combining Statement of Net Assets  
Fiduciary Pension & Other Employee Benefits Funds  
June 30, 2012**

Retiree Death Benefit Fund	Postemployment Healthcare Fund	Total
\$ 442,881	\$ -	\$ 632,332
-	3,595,193	8,966,776
1,002	172,504	477,540
-	210,485	1,846,960
-	-	645,690
-	2,500	2,500
<u>443,883</u>	<u>3,980,682</u>	<u>12,571,798</u>
23,827	21,988,611	22,022,630
-	-	143,625,299
-	16,534,522	112,358,751
-	-	10,023,691
-	-	25,609,723
-	-	129,877,007
<u>23,827</u>	<u>38,523,133</u>	<u>443,517,101</u>
<u>467,710</u>	<u>42,503,815</u>	<u>456,088,899</u>
-	562,556	1,226,118
-	-	131
-	-	10,023,691
-	436,400	465,849
-	-	161,080
<u>-</u>	<u>998,956</u>	<u>11,876,869</u>
<u>\$ 467,710</u>	<u>\$ 41,504,859</u>	<u>\$ 444,212,030</u>

# City of Dearborn, Michigan

	General Employees' Retirement System Fund	Revised Police & Fire Retirement System Fund	Policemen's & Firemen's Retirement System Fund
<b>Additions</b>			
Investment income:			
Interest and dividends	\$ 2,024,884	\$ 3,709,773	\$ 508,975
Net increase/(decrease) in value of investments	(1,156,283)	(5,191,716)	557,056
Investment/administrative expenses	(520,482)	(1,047,071)	(107,302)
Net investment income	<u>348,119</u>	<u>(2,529,014)</u>	<u>958,729</u>
Contributions:			
Employer	3,888,554	7,456,838	-
Employee	40,636	937,161	-
Reimbursements	-	-	-
Total contributions	<u>3,929,190</u>	<u>8,393,999</u>	<u>-</u>
Total additions	4,277,309	5,864,985	958,729
<b>Deductions</b>			
Benefit payments	11,230,313	14,697,886	2,855,899
Refunds of contributions	219,102	1,456,608	-
Total deductions	<u>11,449,415</u>	<u>16,154,494</u>	<u>2,855,899</u>
<b>Change in Net Assets</b>	(7,172,106)	(10,289,509)	(1,897,170)
<b>Net Assets - Beginning of Year</b>	138,609,279	252,089,816	30,899,151
<b>Net Assets - End of Year</b>	<u>\$ 131,437,173</u>	<u>\$ 241,800,307</u>	<u>\$ 29,001,981</u>

**Combining Statement of Changes in Fiduciary Net Assets  
Fiduciary Pension & Other Employee Benefits Funds  
Year Ended June 30, 2012**

Retiree Death Benefit Fund	Postemployment Healthcare Fund	Total
\$ 577	\$ 2,212,864	\$ 8,457,073
-	302,750	(5,488,193)
-	(193,003)	(1,867,858)
<u>577</u>	<u>2,322,611</u>	<u>1,101,022</u>
-	8,377,458	19,722,850
13,137	-	990,934
-	1,104,046	1,104,046
<u>13,137</u>	<u>9,481,504</u>	<u>21,817,830</u>
13,714	11,804,115	22,918,852
40,000	10,867,842	39,691,940
-	-	1,675,710
<u>40,000</u>	<u>10,867,842</u>	<u>41,367,650</u>
(26,286)	936,273	(18,448,798)
493,996	40,568,586	462,660,828
<u>\$ 467,710</u>	<u>\$ 41,504,859</u>	<u>\$ 444,212,030</u>

# City of Dearborn, Michigan

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

	Agency Fund	Imprest Payroll Fund	District Court Fund	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 5,871,079	\$ 597,470	\$ 55,800	\$ 6,524,349
Accounts receivable (Net)	8,051	34	258,929	267,014
Due from other governments	42,251	-	-	42,251
Total assets	<u>\$ 5,921,381</u>	<u>\$ 597,504</u>	<u>\$ 314,729</u>	<u>\$ 6,833,614</u>
<b>Liabilities</b>				
Accounts payable	\$ 413,042	\$ -	\$ 77,989	\$ 491,031
Payroll deductions payable	-	63,273	-	63,273
Deposits/refunds payable	5,366,224	-	-	5,366,224
Due to other governments	126,489	534,231	236,740	897,460
Other liabilities	15,626	-	-	15,626
Total liabilities	<u>\$ 5,921,381</u>	<u>\$ 597,504</u>	<u>\$ 314,729</u>	<u>\$ 6,833,614</u>

# City of Dearborn, Michigan

## Statement of Changes in Assets and Liabilities Fiduciary Agency Funds Year Ended June 30, 2012

### Agency Fund:

	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012
<b>Assets</b>				
Cash and cash equivalents	\$ 8,634,227	\$ 277,696,967	\$ 280,460,115	\$ 5,871,079
Accounts receivable (Net)	6,320	13,051	11,320	8,051
Due from other governments	104,692	42,251	104,692	42,251
Due from component units	212,406	-	212,406	-
Total assets	<u>\$ 8,957,645</u>	<u>\$ 277,752,269</u>	<u>\$ 280,788,533</u>	<u>\$ 5,921,381</u>
<b>Liabilities</b>				
Accounts payable	\$ 466,369	\$ 135,070,907	\$ 135,124,234	\$ 413,042
Deposits/refunds payable	8,028,087	9,073,203	11,735,066	5,366,224
Special programs	-	60,003	60,003	-
Due to other governments	345,881	133,494,377	133,713,769	126,489
Other liabilities	117,308	53,779	155,461	15,626
Total liabilities	<u>\$ 8,957,645</u>	<u>\$ 277,752,269</u>	<u>\$ 280,788,533</u>	<u>\$ 5,921,381</u>

### Imprest Payroll Fund:

	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012
<b>Assets</b>				
Cash and cash equivalents	\$ 536,788	\$ 46,615,465	\$ 46,554,783	\$ 597,470
Accounts receivable (Net)	-	1,170	1,136	34
Due from other funds	-	16,815	16,815	-
Total assets	<u>\$ 536,788</u>	<u>\$ 46,633,450</u>	<u>\$ 46,572,734</u>	<u>\$ 597,504</u>
<b>Liabilities</b>				
Payroll deductions payable	\$ 47,326	\$ 5,863,423	\$ 5,847,476	\$ 63,273
Due to other funds	-	20,639,328	20,639,328	-
Due to other governments	489,462	16,951,582	16,906,813	534,231
Other liabilities	-	3,179,117	3,179,117	-
Total liabilities	<u>\$ 536,788</u>	<u>\$ 46,633,450</u>	<u>\$ 46,572,734</u>	<u>\$ 597,504</u>

# City of Dearborn, Michigan

## Statement of Changes in Assets and Liabilities Fiduciary Agency Funds Year Ended June 30, 2012

### District Court Fund:

	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012
<b>Assets</b>				
Cash and cash equivalents	\$ 55,800	\$ 5,070,434	\$ 5,070,434	\$ 55,800
Accounts receivable (Net)	244,094	1,289,325	1,274,490	258,929
Total assets	<u>\$ 299,894</u>	<u>\$ 6,359,759</u>	<u>\$ 6,344,924</u>	<u>\$ 314,729</u>
<b>Liabilities</b>				
Accounts payable	\$ 58,085	\$ 3,786,346	\$ 3,766,442	\$ 77,989
Due to other governments	241,809	2,573,413	2,578,482	236,740
Total liabilities	<u>\$ 299,894</u>	<u>\$ 6,359,759</u>	<u>\$ 6,344,924</u>	<u>\$ 314,729</u>

### Total - All Fiduciary Agency Funds:

	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012
<b>Assets</b>				
Cash and cash equivalents	\$ 9,226,815	\$ 329,382,866	\$ 332,085,332	\$ 6,524,349
Accounts receivable (Net)	250,414	1,303,546	1,286,946	267,014
Due from component units	212,406	-	212,406	-
Due from other funds	-	16,815	16,815	-
Due from other governments	104,692	42,251	104,692	42,251
Total assets	<u>\$ 9,794,327</u>	<u>\$ 330,745,478</u>	<u>\$ 333,706,191</u>	<u>\$ 6,833,614</u>
<b>Liabilities</b>				
Accounts payable	\$ 524,454	\$ 138,857,253	\$ 138,890,676	\$ 491,031
Payroll deductions payable	47,326	5,863,423	5,847,476	63,273
Deposits/refunds payable	8,028,087	9,073,203	11,735,066	5,366,224
Special programs	-	60,003	60,003	-
Due to other funds	-	20,639,328	20,639,328	-
Due to other governments	1,077,152	153,019,372	153,199,064	897,460
Other liabilities	117,308	3,232,896	3,334,578	15,626
Total liabilities	<u>\$ 9,794,327</u>	<u>\$ 330,745,478</u>	<u>\$ 333,706,191</u>	<u>\$ 6,833,614</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.

	Page
CONTENTS	
Financial Trends.....	136-145
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 .....	146-155
These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property taxes.	
Debt Capacity.....	156-164
These schedules 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.....	165-166
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 .....	168-173
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.

# City of Dearborn, Michigan

	Fiscal Year Ended June 30,			
	2003	2004	2005	2006
<b>Governmental Activities:</b>				
Invested in capital assets, net of related debt	\$ 97,729,862	\$ 96,668,519	\$ 100,547,204	\$ 107,826,375
Restricted	8,855,356	10,113,127	10,252,064	31,205,744
Unrestricted	67,848,767	74,831,204	72,982,717	50,220,578
Total net assets	<u>\$ 174,433,985</u>	<u>\$ 181,612,850</u>	<u>\$ 183,781,985</u>	<u>\$ 189,252,697</u>
<b>Business Type Activities:</b>				
Invested in capital assets, net of related debt	\$ 111,541,001	\$ 109,651,802	\$ 102,117,776	\$ 133,916,701
Restricted	6,537,046	15,871,374	38,417,150	17,366,288
Unrestricted	23,481,131	19,800,509	18,414,591	30,746,205
Total net assets	<u>\$ 141,559,178</u>	<u>\$ 145,323,685</u>	<u>\$ 158,949,517</u>	<u>\$ 182,029,194</u>
<b>Primary government in total:</b>				
Invested in capital assets, net of related debt	\$ 209,270,863	\$ 206,320,321	\$ 202,664,980	\$ 241,743,076
Restricted	15,392,402	25,984,501	48,669,214	48,572,032
Unrestricted	91,329,898	94,631,713	91,397,308	80,966,783
Total net assets	<u>\$ 315,993,163</u>	<u>\$ 326,936,535</u>	<u>\$ 342,731,502</u>	<u>\$ 371,281,891</u>

# City of Dearborn, Michigan

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

Fiscal Year Ended June, 30					
2007	2008	2009	2010	2011	2012
\$ 114,134,870	\$ 117,712,886	\$ 122,778,610	\$ 125,057,087	\$ 126,568,635	\$ 133,330,927
31,206,122	28,024,207	34,250,362	34,203,674	9,491,161	12,654,851
52,858,376	55,653,280	42,313,022	36,180,495	46,286,480	38,769,382
<u>\$ 198,199,368</u>	<u>\$ 201,390,373</u>	<u>\$ 199,341,994</u>	<u>\$ 195,441,256</u>	<u>\$ 182,346,276</u>	<u>\$ 184,755,160</u>
\$ 147,719,265	\$ 165,847,821	\$ 186,175,486	\$ 139,515,797	\$ 144,425,891	\$ 153,591,879
23,528,470	24,264,408	17,411,175	21,003,170	9,525,175	13,815,795
27,502,015	32,338,924	42,209,231	44,559,441	68,270,100	72,201,183
<u>\$ 198,749,750</u>	<u>\$ 222,451,153</u>	<u>\$ 245,795,892</u>	<u>\$ 205,078,408</u>	<u>\$ 222,221,166</u>	<u>\$ 239,608,857</u>
\$ 261,854,135	\$ 283,560,707	\$ 308,954,096	\$ 264,572,884	\$ 270,994,526	\$ 286,922,806
54,734,592	52,288,615	51,661,537	55,206,844	19,016,336	26,470,646
80,360,391	87,992,204	84,522,253	80,739,936	114,556,580	110,970,565
<u>\$ 396,949,118</u>	<u>\$ 423,841,526</u>	<u>\$ 445,137,886</u>	<u>\$ 400,519,664</u>	<u>\$ 404,567,442</u>	<u>\$ 424,364,017</u>

# City of Dearborn, Michigan

	Fiscal Year Ended June 30,			
	2003	2004	2005	2006
<b>Expenses</b>				
General government	\$ 18,871,321	\$ 17,310,436	\$ 21,122,681	\$ 17,970,243
Public safety	41,989,725	43,694,680	50,323,782	53,815,679
Public works	17,788,591	18,699,976	15,991,362	15,735,740
Health and welfare	959,491	910,537	960,649	1,033,980
Recreation and culture	17,914,835	19,441,507	20,302,546	20,887,064
Community improvement	2,059,947	5,002,834	3,496,589	3,057,027
Interest on long-term debt	1,699,622	2,015,054	1,319,681	1,207,120
Total expenses	<u>101,283,532</u>	<u>107,075,024</u>	<u>113,517,290</u>	<u>113,706,853</u>
<b>Program revenues</b>				
Charges for services				
General government	3,775,406	3,337,927	3,205,671	3,688,843
Public safety	6,403,387	7,573,247	6,990,454	7,604,854
Public works	1,927,063	1,936,530	1,808,400	1,784,182
Health and welfare	147,129	193,905	181,967	182,536
Recreation and culture	5,742,031	6,160,059	6,480,262	6,138,877
Community improvement	9,900	19,708	30,093	7,692
Total charges for services	<u>18,004,916</u>	<u>19,221,376</u>	<u>18,696,847</u>	<u>19,406,984</u>
Operating grants and contributions	9,513,651	9,905,623	9,528,743	11,220,655
Capital grants and contributions	2,682,159	4,183,852	4,136,188	4,890,813
Total program revenues	<u>30,200,726</u>	<u>33,310,851</u>	<u>32,361,778</u>	<u>35,518,452</u>
<b>Net (expense) revenue</b>	<u>(71,082,806)</u>	<u>(73,764,173)</u>	<u>(81,155,512)</u>	<u>(78,188,401)</u>
<b>General revenues</b>				
Property taxes	69,606,407	70,714,812	71,536,045	72,786,959
Intergovernmental revenues	11,588,244	10,362,606	10,225,375	9,967,910
Investment earnings	1,624,449	1,071,777	2,109,219	3,761,071
Miscellaneous	303,058	370,216	164,447	127,871
<b>Total general revenues</b>	<u>83,122,158</u>	<u>82,519,411</u>	<u>84,035,086</u>	<u>86,643,811</u>
Gain (loss) on sale of capital assets	(441,656)	(773,009)	-	(215,000)
Transfers	(574,393)	(803,364)	(710,439)	(2,769,698)
<b>Change in net assets</b>	<u>\$ 11,023,303</u>	<u>\$ 7,178,865</u>	<u>\$ 2,169,135</u>	<u>\$ 5,470,712</u>

# City of Dearborn, Michigan

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

	Fiscal Year Ended June 30,					
	2007	2008	2009	2010	2011	2012
\$	18,558,136	\$ 18,623,714	\$ 18,905,374	\$ 12,376,173	\$ 12,225,979	\$ 11,993,709
	49,236,224	53,534,358	56,413,381	57,738,469	62,196,288	59,102,614
	17,551,174	18,240,387	17,062,196	18,683,274	18,119,188	17,494,663
	1,004,187	884,660	899,100	382,038	373,951	(2,766)
	19,233,843	20,284,890	20,056,955	21,540,832	22,010,768	20,718,911
	2,269,759	2,263,778	2,840,908	2,726,471	5,281,873	6,013,857
	1,298,032	969,908	692,610	575,506	436,484	252,423
	109,151,355	114,801,695	116,870,524	114,022,763	120,644,531	115,573,411
	4,014,763	3,987,138	4,060,655	3,433,331	3,568,250	3,890,329
	7,290,859	7,279,165	7,183,233	6,058,870	8,746,633	8,044,980
	1,989,214	2,589,058	808,008	240,855	192,735	81,308
	176,345	170,208	187,589	220,888	151,598	7,820
	6,373,706	6,459,188	6,198,247	6,228,878	6,178,886	6,227,984
	14,000	139,747	41,900	15,942	28,632	23,511
	19,858,887	20,624,504	18,479,632	16,198,764	18,866,734	18,275,932
	10,438,719	9,304,569	9,668,790	11,580,040	11,248,838	10,805,625
	1,324,987	1,040,365	1,354,205	3,054,980	3,605,055	10,211,453
	31,622,593	30,969,438	29,502,627	30,833,784	33,720,627	39,293,010
	(77,528,762)	(83,832,257)	(87,367,897)	(83,188,979)	(86,923,904)	(76,280,401)
	73,631,345	74,411,232	74,177,428	70,861,323	65,008,877	64,815,389
	9,594,061	9,520,440	9,154,795	8,087,313	8,257,255	8,374,116
	4,442,283	4,484,831	2,800,349	825,396	252,343	75,276
	341,677	120,281	339,860	310,711	291,734	241,611
	88,009,366	88,536,784	86,472,432	80,084,743	73,810,209	73,506,392
	-	-	-	-	-	-
	(1,533,933)	(1,513,522)	(1,152,914)	(796,502)	18,715	5,182,893
\$	8,946,671	\$ 3,191,005	\$ (2,048,379)	\$ (3,900,738)	\$ (13,094,980)	\$ 2,408,884

# City of Dearborn, Michigan

	Fiscal Year Ended June 30,			
	2003	2004	2005	2006
<b>Expenses</b>				
Housing	\$ 2,979,089	\$ 3,849,819	\$ 3,064,323	\$ 3,227,297
Golf course	1,590,276	1,542,704	1,601,870	1,563,400
Parking	447,201	407,820	473,676	608,254
Sewer	15,253,728	16,964,560	17,921,160	16,737,924
Water	11,212,753	11,158,986	11,122,419	10,717,015
Total expenses	31,483,047	33,923,889	34,183,448	32,853,890
<b>Program revenues</b>				
Charges for services				
Housing	3,008,055	3,128,263	3,169,921	3,370,818
Golf course	1,387,653	1,303,327	1,347,301	1,300,202
Parking	475,938	383,650	745,981	389,658
Sewer	15,883,338	18,442,613	19,537,082	19,660,321
Water	12,321,633	12,115,556	11,056,895	15,047,237
Total charges for services	33,076,617	35,373,409	35,857,180	39,768,236
Operating grants and contributions	-	23,775	-	-
Capital grants and contributions	498,029	2,556,992	9,707,284	7,084,833
Total program revenues	33,574,646	37,954,176	45,564,464	46,853,069
<b>Net (expense) revenue</b>	2,091,599	4,030,287	11,381,016	13,999,179
<b>General revenues</b>				
Property taxes	-	-	-	3,218,635
Intergovernmental revenues	-	102,836	73,862	-
Investment earnings	782,382	519,669	1,316,732	2,016,375
Miscellaneous	320,541	138,351	143,783	1,075,790
<b>Total general revenues</b>	1,102,923	760,856	1,534,377	6,310,800
Gain (loss) on sale of capital assets	516,601	-	-	-
Special items-loss on abandoned assets	-	(1,830,000)	-	-
Transfers	574,393	803,364	710,439	2,769,698
<b>Change in net assets</b>	\$ 4,285,516	\$ 3,764,507	\$ 13,625,832	\$ 23,079,677
<b>Change in Primary Government net assets</b>				
Change in Governmental net assets	\$ 11,023,303	\$ 7,178,865	\$ 2,169,135	\$ 5,470,712
Change in Business-type net assets	4,285,516	3,764,507	13,625,832	23,079,677
<b>Total Change in Primary Government net assets</b>	\$ 15,308,819	\$ 10,943,372	\$ 15,794,967	\$ 28,550,389

# City of Dearborn, Michigan

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

		Fiscal Year Ended June 30,					
		2007	2008	2009	2010	2011	2012
\$	3,394,571	\$ 3,322,742	\$ 3,458,115	\$ 4,325,517	\$ 3,300,533	\$ 2,990,211	
	1,557,375	1,588,253	1,453,587	1,400,042	1,372,503	1,259,035	
	1,934,091	2,360,226	2,176,678	2,163,670	2,111,898	2,084,662	
	16,963,805	17,779,531	18,675,598	17,339,277	23,319,895	30,328,151	
	11,518,094	11,525,968	14,551,370	13,489,834	15,331,842	15,398,293	
	<u>35,367,936</u>	<u>36,576,720</u>	<u>40,315,348</u>	<u>38,718,340</u>	<u>45,436,671</u>	<u>52,060,352</u>	
	3,311,667	3,424,466	3,280,655	2,986,372	3,099,199	3,151,693	
	1,322,504	1,283,463	1,200,615	1,180,309	1,049,788	1,008,256	
	1,103,913	1,640,449	1,369,973	1,212,763	1,257,440	1,579,888	
	20,252,157	22,867,177	26,435,810	23,143,181	25,420,282	27,025,311	
	14,071,679	16,282,194	18,010,410	16,161,503	16,348,307	17,532,486	
	<u>40,061,920</u>	<u>45,497,749</u>	<u>50,297,463</u>	<u>44,684,128</u>	<u>47,175,016</u>	<u>50,297,634</u>	
	-	-	-	-	-	-	
	3,720,899	1,641,423	1,295,426	-	4,840,836	1,176,183	
	<u>43,782,819</u>	<u>47,139,172</u>	<u>51,592,889</u>	<u>44,684,128</u>	<u>52,015,852</u>	<u>51,473,817</u>	
	<u>8,414,883</u>	<u>10,562,452</u>	<u>11,277,541</u>	<u>5,965,788</u>	<u>6,579,181</u>	<u>(586,535)</u>	
	3,540,409	7,408,825	7,413,464	9,834,080	15,647,451	16,147,491	
	10,950	503,887	-	-	-	-	
	3,038,305	3,550,346	1,946,237	841,748	292,533	103,383	
	182,076	162,371	1,554,583	1,168,875	127,128	1,492,129	
	<u>6,771,740</u>	<u>11,625,429</u>	<u>10,914,284</u>	<u>11,844,703</u>	<u>16,067,112</u>	<u>17,743,003</u>	
	-	-	-	675,523	(18,977)	5,414,116	
	-	-	-	(60,000,000)	(5,465,843)	-	
	1,533,933	1,513,522	1,152,914	796,502	(18,715)	(5,182,893)	
\$	<u>16,720,556</u>	<u>23,701,403</u>	<u>23,344,739</u>	<u>(40,717,484)</u>	<u>17,142,758</u>	<u>17,387,691</u>	
\$	8,946,671	3,191,005	(2,048,379)	(3,900,738)	(13,094,980)	2,408,884	
	<u>16,720,556</u>	<u>23,701,403</u>	<u>23,344,739</u>	<u>(40,717,484)</u>	<u>17,142,758</u>	<u>17,387,691</u>	
\$	<u>25,667,227</u>	<u>26,892,408</u>	<u>21,296,360</u>	<u>(44,618,222)</u>	<u>4,047,778</u>	<u>19,796,575</u>	

# City of Dearborn, Michigan

	As of June 30,			
	2003	2004	2005	2006
<b>General fund</b>				
Reserved	\$ 10,115,777	\$ 11,183,559	\$ 8,433,491	\$ 11,631,922
Unreserved	28,042,650	32,060,409	34,158,361	24,705,707
Nonspendable	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total general fund	<u>\$ 38,158,427</u>	<u>\$ 43,243,968</u>	<u>\$ 42,591,852</u>	<u>\$ 36,337,629</u>
<b>All other governmental funds</b>				
Reserved	\$ 24,799,034	\$ 28,425,497	\$ 31,208,243	\$ 35,197,980
Unreserved, reported in:				
Special revenue funds	2,639,359	3,033,591	1,003,246	2,182,390
Debt service fund	350,940	325,862	-	-
Capital projects fund	4,351,008	2,225,393	-	-
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Total all other governmental funds	<u>\$ 32,140,341</u>	<u>\$ 34,010,343</u>	<u>\$ 32,211,489</u>	<u>\$ 37,380,370</u>

(1) Governmental fund balance classifications were modified by the implementation of GASB Statement No. 54, *Fund Balance Reporting and Governmental fund-type Definitions*, in 2011.

# City of Dearborn, Michigan

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

As of June 30,					
2007	2008	2009	2010	2011 (1)	2012
\$ 8,057,877	\$ 2,903,603	\$ 4,565,604	\$ 2,773,477	\$ -	\$ -
27,656,144	27,091,088	23,822,046	19,649,622	-	-
-	-	-	-	203,754	247,488
-	-	-	-	5,707,125	5,075,442
-	-	-	-	15,657,636	14,483,393
<u>\$ 35,714,021</u>	<u>\$ 29,994,691</u>	<u>\$ 28,387,650</u>	<u>\$ 22,423,099</u>	<u>\$ 21,568,515</u>	<u>\$ 19,806,323</u>
\$ 36,093,486	\$ 36,269,424	\$ 34,249,675	\$ 33,578,417	\$ -	\$ -
2,820,754	4,246,060	3,434,493	1,359,711	-	-
-	-	-	-	-	-
98,378	2,864,333	5,060,572	3,118,999	-	-
-	-	-	-	13,282,980	6,449,092
-	-	-	-	9,491,161	12,654,851
-	-	-	-	3,180,165	2,889,803
-	-	-	-	8,419,529	6,847,754
<u>\$ 39,012,618</u>	<u>\$ 43,379,817</u>	<u>\$ 42,744,740</u>	<u>\$ 38,057,127</u>	<u>\$ 34,373,835</u>	<u>\$ 28,841,500</u>

# City of Dearborn, Michigan

	Year Ended June 30,			
	2003	2004	2005	2006
<b>Revenues</b>				
Taxes, assessments and penalties on taxes	\$ 68,535,593	\$ 71,225,476	\$ 71,636,846	\$ 73,074,475
Licenses and permits	2,567,285	3,012,402	2,484,862	2,211,330
Intergovernmental revenues:				
State sources	18,445,599	18,144,074	17,556,775	18,724,037
Federal sources	3,128,156	4,201,011	4,286,267	5,792,025
Wayne County parks millage	-	-	-	-
Other sources	176,453	158,521	174,776	116,796
Charges for services	8,576,251	9,910,066	9,605,652	9,789,794
Fines and forfeits	4,093,236	3,722,143	3,615,747	4,480,045
Rents and royalties	4,824,692	4,860,730	5,066,367	5,206,021
Miscellaneous revenue	2,083,898	1,779,416	2,070,831	2,537,007
Private source contributions	286,271	395,049	553,421	257,048
Investment income	1,623,318	1,071,016	2,108,961	3,761,071
Total revenues	<u>114,340,752</u>	<u>118,479,904</u>	<u>119,160,505</u>	<u>125,949,649</u>
<b>Expenditures</b>				
General government	16,607,919	17,137,937	17,802,197	17,625,581
Public safety	39,361,005	40,209,968	47,448,269	50,596,105
Public works	18,421,532	19,752,523	18,740,517	20,545,286
Health and welfare	985,036	898,637	951,384	1,015,112
Recreation and culture	15,490,932	15,719,462	16,625,373	17,158,608
Community improvement	2,097,139	4,017,796	1,856,829	2,214,272
Utilities	3,987,263	3,840,690	4,060,359	4,464,391
Capital outlay	6,888,289	4,120,128	8,373,440	5,687,117
Debt service - principal	2,340,000	2,465,000	2,630,000	2,765,000
Debt service - interest and fiscal charges	1,707,568	1,842,076	1,347,823	1,229,742
Unrealized loss on land held for resale	-	-	-	-
Total expenditures	<u>107,886,683</u>	<u>110,004,217</u>	<u>119,836,191</u>	<u>123,301,214</u>
<b>Revenues Over (Under) Expenditures</b>	6,454,069	8,475,687	(675,686)	2,648,435
<b>Other Financing Sources (Uses)</b>				
Issuance of debt	-	-	-	-
Bond premium and other	-	8,630,000	-	-
Payments from (to) escrow agent	-	(8,475,000)	-	-
Transfers in	10,984,992	11,636,915	8,000,313	13,105,908
Transfers out	(13,517,923)	(13,312,059)	(9,775,597)	(16,303,606)
Contribution to component units	-	-	-	(536,079)
Total other financing sources (uses)	<u>(2,532,931)</u>	<u>(1,520,144)</u>	<u>(1,775,284)</u>	<u>(3,733,777)</u>
<b>Net Change in Fund Balances</b>	3,921,138	6,955,543	(2,450,970)	(1,085,342)
<b>Fund Balances - Beginning of year</b>	<u>66,377,630</u>	<u>70,298,768</u>	<u>77,254,311</u>	<u>74,803,341</u>
<b>Fund Balances - End of year</b>	<u>\$ 70,298,768</u>	<u>\$ 77,254,311</u>	<u>\$ 74,803,341</u>	<u>\$ 73,717,999</u>
Debt service as a percentage of noncapital expenditures	4.20%	4.09%	3.62%	3.60%

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

	Year Ended June 30,					
	2007	2008	2009	2010	2011	2012
\$	73,956,411	\$ 74,864,544	\$ 74,417,614	\$ 66,898,007	\$ 68,634,837	\$ 65,586,461
	2,354,012	2,103,672	1,629,179	1,456,321	2,606,186	2,164,269
	17,019,551	16,890,767	16,144,911	14,994,366	15,174,605	15,645,123
	3,019,962	1,839,525	2,477,958	5,554,459	6,344,198	12,117,043
	-	-	-	-	25,000	90,000
	120,626	232,307	234,800	205,886	181,390	772,087
	9,763,643	10,517,161	8,581,834	8,112,023	8,919,439	8,543,324
	4,591,880	4,734,867	5,088,268	3,907,176	4,150,768	4,338,557
	5,216,764	5,598,596	5,756,594	5,621,711	5,869,862	4,785,360
	1,251,339	1,211,475	796,671	806,946	700,242	700,511
	159,203	179,747	251,375	245,192	48,882	68,372
	4,442,283	4,484,831	2,800,349	825,396	252,343	75,276
	<u>121,895,674</u>	<u>122,657,492</u>	<u>118,179,553</u>	<u>108,627,483</u>	<u>112,907,752</u>	<u>114,886,383</u>
	16,592,671	17,243,638	16,600,757	13,266,973	12,742,209	12,147,029
	47,815,559	50,531,877	51,391,481	53,784,103	54,255,155	55,340,145
	23,264,645	22,205,870	19,685,018	18,925,016	18,958,399	18,658,991
	1,017,025	918,983	899,511	394,537	345,274	10,427
	15,991,058	16,742,339	16,068,221	18,877,609	18,533,939	16,430,423
	1,944,888	1,988,312	2,061,008	2,235,666	2,038,767	2,035,755
	4,302,158	4,607,915	4,320,227	323,085	305,438	281,736
	3,816,566	4,009,106	5,872,343	4,855,404	2,938,196	7,770,659
	3,040,000	3,025,000	3,165,000	3,296,683	3,294,095	3,381,696
	1,242,580	989,061	755,191	610,853	473,257	361,520
	-	-	-	-	2,500,000	5,739,000
	<u>119,027,150</u>	<u>122,262,101</u>	<u>120,818,757</u>	<u>116,569,929</u>	<u>116,384,729</u>	<u>122,157,381</u>
	2,868,524	395,391	(2,639,204)	(7,942,446)	(3,476,977)	(7,270,998)
	9,840,000	3,536,000	-	-	-	-
	285,831	-	-	-	-	-
	(10,125,831)	(3,520,000)	-	-	-	-
	11,823,416	14,584,454	12,380,950	8,682,846	12,901,955	14,048,394
	(13,683,300)	(16,347,976)	(11,983,864)	(11,392,564)	(13,962,854)	(14,071,923)
	-	-	-	-	-	-
	<u>(1,859,884)</u>	<u>(1,747,522)</u>	<u>397,086</u>	<u>(2,709,718)</u>	<u>(1,060,899)</u>	<u>(23,529)</u>
	1,008,640	(1,352,131)	(2,242,118)	(10,652,164)	(4,537,876)	(7,294,527)
	<u>73,717,999</u>	<u>74,726,639</u>	<u>73,374,508</u>	<u>71,132,390</u>	<u>60,480,226</u>	<u>55,942,350</u>
\$	<u>74,726,639</u>	<u>\$ 73,374,508</u>	<u>\$ 71,132,390</u>	<u>\$ 60,480,226</u>	<u>\$ 55,942,350</u>	<u>\$ 48,647,823</u>
	3.97%	3.47%	3.48%	3.54%	3.45%	3.41%

# City of Dearborn, Michigan

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## Revenue Sharing Payments State of Michigan Last Ten Fiscal Years

<u>Fiscal Year Ending June 30,</u>	<u>Revenue Sharing Payments</u>
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	9,096,839
2010	8,005,487
2011	8,175,957
2012	8,297,146
2013	8,375,000 (adopted budget)

# 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
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
2010	2009	28.61	25.02	15,012.00
2011	2010	30.38	26.53	15,918.00
2012	2011	31.95	28.84	17,304.00
2013	2012	34.50	31.18	18,708.00

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
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
2009	2010	2,073,697,890	1,073,858,148	379,912,154	88,710,450	3,616,178,642
2010	2011	1,809,480,588	1,022,068,377	373,251,848	83,977,286	3,288,778,099
2011	2012	1,642,189,926	842,185,870	376,592,798	83,314,750	2,944,283,344
2012	2013	1,493,557,022	806,912,049	371,313,141	72,943,140	2,744,725,352

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 (SEV). All reported assessed values are equal to the SEV, since the factor for Dearborn is 1.00.

### Tax Base Composition

A breakdown of the City's tax year 2012 (fiscal year 2013) taxable valuation is as follows:

By Class	Taxable Valuation	Percent of total
Real Property	\$ 2,744,725,352	74.08%
Personal Property	960,416,700	25.92%
<b>Total</b>	<b>\$ 3,705,142,052</b>	<b>100.00%</b>

By Use	Taxable Valuation	Percent of total
Commercial	\$ 806,912,049	21.78%
Industrial	371,313,141	10.02%
Residential	1,493,557,022	40.31%
Personal	1,033,359,840	27.89%
<b>Total</b>	<b>\$ 3,705,142,052</b>	<b>100.00%</b>

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 Property Taxable Value				Direct Tax Rate (mills)	Tax Increment Financing Total Captured Valuation	Assessed Value	Taxable as a % of Assessed Value
Personal	Industrial Facilities Tax (IFT)	Total Personal	Total Taxable Value				
\$ 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	16.05	53,888,169	5,464,185,166	87.24%
733,359,650	341,047,450	1,074,407,100	4,852,895,370	16.78	58,346,185	5,454,579,394	88.97%
661,018,000	447,515,900	1,108,533,900	4,895,209,712	16.72	58,088,358	5,038,391,863	97.16%
587,415,200	480,184,400	1,067,599,600	4,683,778,242	17.50	58,144,958	4,893,125,847	95.72%
573,416,016	443,260,515	1,016,676,531	4,305,454,630	19.58	86,654,278	4,437,941,179	97.01%
540,699,600	375,335,058	916,034,658	3,860,318,002	21.90	201,946,630	3,930,903,952	98.20%
523,915,150	436,501,550	960,416,700	3,705,142,052	26.86	187,301,154	3,749,986,245	98.80%

# City of Dearborn, Michigan

Tax Year	Fiscal Year	Millage Rates - Direct City Taxes				Overlapping Taxes		
		General Operating	Debt	Garbage & Rubbish	Library	Total Direct Taxes	County (1)	Community College (2)
<b>Dearborn School District</b>								
2002	2003	13.6500	0.5400	1.1300	-	15.3200	8.6390	2.4735
2003	2004	13.6275	0.5400	1.1225	-	15.2900	8.6361	2.4596
2004	2005	13.5900	0.5200	1.1600	-	15.2700	8.6354	2.4596
2005	2006	13.6275	1.1100	1.1225	-	15.8600	8.6346	3.0000
2006	2007	13.6275	1.3000	1.1225	-	16.0500	8.6266	3.0000
2007	2008	13.6275	2.1125	1.0400	-	16.7800	8.6266	3.0000
2008	2009	13.6275	2.0525	1.0400	-	16.7200	8.7266	3.0000
2009	2010	13.6200	2.7000	1.1800	-	17.5000	8.7266	3.0000
2010	2011	13.6200	4.5800	1.3800	-	19.5800	8.7266	3.0000
2011	2012	15.0000	5.2100	1.6900	-	21.9000	8.7266	3.0000
2012	2013	18.5000	5.4200	1.9400	1.0000	26.8600	5.6483 *	3.0000

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

## Westwood School District

2002	2003	13.6500	0.5400	1.1300	-	15.3200	8.6390	2.4862
2003	2004	13.6275	0.5400	1.1225	-	15.2900	8.6361	2.4862
2004	2005	13.5900	0.5200	1.1600	-	15.2700	8.6354	2.4844
2005	2006	13.6275	1.1100	1.1225	-	15.8600	8.6346	2.4769
2006	2007	13.6275	1.3000	1.1225	-	16.0500	8.6266	2.6915
2007	2008	13.6275	2.1125	1.0400	-	16.7800	8.6266	2.4769
2008	2009	13.6275	2.0525	1.0400	-	16.7200	8.7266	2.4769
2009	2010	13.6200	2.7000	1.1800	-	17.5000	8.7266	2.4769
2010	2011	13.6200	4.5800	1.3800	-	19.5800	8.7266	2.4769
2011	2012	15.0000	5.2100	1.6900	-	21.9000	8.7266	2.2408
2012	2013	18.5000	5.4200	1.9400	1.0000	26.8600	5.6483 *	TBD *

\* 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
2011	16.0000*	no limit	2.7254

\* Maximum millage rate under state law is 16.0000 mills; Dearborn Charter now limits this to 15.0000 mills.

- (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 mills 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

<u>Overlapping Taxes</u>						
Intermediate School District	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.
3.4643	6.0000	35.8968	9.9447	45.8415	21.8400	57.7368
3.4643	5.0000	34.8500	9.9521	44.8021	22.0600	56.9100
3.4643	6.0000	35.8293	10.0760	45.9053	22.4200	58.2493
3.4643	6.0000	36.9589	9.1588	46.1177	21.9400	58.8989
3.4643	6.0000	37.1409	9.1610	46.3019	22.1200	59.2609
3.4643	6.0000	37.8709	9.0181	46.8890	21.8400	59.7109
3.4643	6.0000	37.9109	7.7946	45.7055	22.1800	60.0909
3.4643	6.0000	38.6909	8.9954	47.6863	22.3400	61.0309
3.4643	6.0000	40.7709	9.9012	50.6721	22.8400	63.6109
3.4643	6.0000	43.0909	10.9582	54.0491	23.3600	66.4509
3.4643	6.0000	TBD *	11.9800	TBD *	23.8100	TBD *
3.4643	6.0000	35.9095	2.9026	38.8121	20.8720	56.7815
3.4643	5.0000	34.8766	2.8790	37.7556	20.8484	55.7250
3.4643	6.0000	35.8541	2.8274	38.6815	20.4931	56.3472
3.4643	6.0000	36.4358	2.7767	39.2125	20.1844	56.6202
3.4643	6.0000	36.8324	2.7392	39.5716	20.7392	57.5716
3.4643	6.0000	37.3478	-	37.3478	18.0000	55.3478
3.4643	6.0000	37.3878	-	37.3878	18.0000	55.3878
3.4643	6.0000	38.1678	-	38.1678	18.0000	56.1678
3.4643	6.0000	40.2478	-	40.2478	18.0000	58.2478
3.4643	6.0000	42.3317	-	42.3317	18.0000	60.3317
3.4643	6.0000	TBD *	-	TBD *	18.0000	TBD *

# City of Dearborn, Michigan

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

Taxpayer	2012			2011			2002		
	Taxable Value	Rank	Percent of total	Taxable Value	Rank	Percent of total	Taxable Value	Rank	Percent of total
Ford Motor Company	\$ 765,494,780	1	20.66%	\$ 852,048,906	1	22.07%	\$ 1,267,339,590	1	27.84%
Severstal Steel Company	341,283,350	2	9.21%	266,595,900	2	6.91%	-	-	-
Dearborn Industrial Generation	110,028,200	3	2.97%	109,614,258	3	2.84%	129,157,575	3	2.84%
Ford Motor Land Development Corp.	37,549,084	4	1.01%	-	-	-	-	-	-
Fairlane Town Center	36,921,650	5	1.00%	37,012,900	4	0.96%	47,931,750	5	1.05%
Detroit Edison	29,016,082	6	0.78%	30,911,054	5	0.80%	42,099,765	6	0.92%
The ACG (AAA of Michigan)	22,344,450	7	0.60%	26,957,850	7	0.70%	37,194,753	8	0.82%
HRP NOM LP (Hallwood Mgmt Co)	19,499,288	8	0.53%	28,311,512	6	0.73%	41,610,023	7	0.91%
Michigan Consolidated Gas Co	13,876,950	9	0.37%	12,468,450	9	0.32%	-	-	-
WCF Land LLC	13,180,500	10	0.36%	13,212,150	8	0.34%	-	-	-
Dearborn Schaefer Office Co LLC	-	-	-	12,334,000	10	0.32%	-	-	-
Rouge Steel Company	-	-	-	-	-	-	163,311,452	2	3.59%
Visteon	-	-	-	-	-	-	71,853,495	4	1.58%
US Equipment Leasing LLS	-	-	-	-	-	-	25,044,750	9	0.55%
Lear Corporation	-	-	-	-	-	-	20,343,750	10	0.45%
<b>Total - ten largest taxpayers</b>	<b>1,389,194,334</b>		<b>37.49%</b>	<b>1,389,466,980</b>		<b>35.99%</b>	<b>1,845,886,903</b>		<b>40.55%</b>
<b>Total - all other taxpayers</b>	<b>2,315,947,718</b>		<b>62.51%</b>	<b>2,470,851,022</b>		<b>64.01%</b>	<b>2,707,016,897</b>		<b>59.45%</b>
<b>Total - all taxpayers</b>	<b>\$ 3,705,142,052</b>		<b>100.00%</b>	<b>\$ 3,860,318,002</b>		<b>100.00%</b>	<b>\$ 4,552,903,800</b>		<b>100.00%</b>

### 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 2002 taxable year applicable to Ford Motor Company was \$25,998,650 Real and \$233,344,750 Personal Property and Rouge Steel was \$2,504,000 Real and \$18,194,350 Personal Property.

Abated Industrial Facilities Taxable Value for the 2011 tax year applicable to Ford Motor Company was \$32,293,225 Real and \$59,983,375 Personal Property; Severstal Steel Company was \$5,300,000 Real and \$79,906,050 Personal Property; and Dearborn Industrial Generation (DIG) was \$3,012,650 Real and \$49,497,804 Personal Property.

Abated Industrial Facilities Taxable Value for the 2012 tax year applicable to Ford Motor Company was \$25,957,845 Real and \$50,875,450 Personal Property; Severstal Steel Company was \$5,950,000 Real and \$119,886,175 Personal Property; and Dearborn Industrial Generation (DIG) was \$3,012,650 Real and \$49,381,825 Personal Property.

Source: City of Dearborn Department of Assessment

# City of Dearborn, Michigan

## Principal Sewage Utility Customers

Taxpayer	Fiscal Year Ended June 30, 2012		
	Estimated Sewage Volumes (in cubic feet) (1)	Rank	Estimated Sewage Disposal Charges Billed (2)
Severstal NA	65,854,500	1	\$ 2,271,980
Ford Rouge Plant	42,098,000	2	1,452,381
Oakwood Health Care	13,874,800	3	478,681
Dearborn Schools	7,185,400	4	247,896
Ford Motor Co. & Headquarters	6,383,000	5	220,214
Henry Ford Village	6,023,400	6	207,807
Detroit Water & Sewerage Dept.	4,840,900	7	167,011
Hyatt Regency Hotel	3,927,100	8	135,485
Fairlane Town Ctr w/Movies	3,791,900	9	130,821
U of M Dearborn	<u>3,699,500</u>	10	<u>127,633</u>
Total - ten largest sewage customers	<u><u>157,678,500</u></u>		<u><u>\$ 5,439,909</u></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
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	67,878,443	64,778,326	95.4%	3,100,117
2009-2010	2009	65,094,601	62,269,344	95.7%	2,825,257
2010-2011	2010	59,300,885	58,071,881	97.9%	1,229,004
2011-2012	2011	60,471,585	60,354,797	99.8%	116,788
2012-2013	2012	70,381,844	in process of collection		

Tax Year	Delinquent Tax	Collections		
		Fiscal Year 2011-2012	Prior Fiscal Years	Total
2002	\$ 2,593,779	\$ -	\$ 2,852,955	\$ 2,852,955
2003	1,838,135	-	1,944,537	1,944,537
2004	2,316,718	-	2,551,984	2,551,984
2005	2,120,203	-	1,897,969	1,897,969
2006	2,203,911	165,163	2,264,856	2,430,019
2007	2,566,053	66,159	2,604,002	2,670,161
2008	3,100,117	3,774	3,165,750	3,169,524
2009	2,825,257	17,468	2,864,737	2,882,205
2010	1,229,004	265,805	42,356	308,161
2011	116,788	57,173	-	57,173

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

Delinquent Tax Collections/Adj.	Delinquent Balance as of June 30, 2012	Cumulative Collections & Adj. (Current and Delinquent)	Percent Collected
\$ 2,593,779	\$ -	\$ 63,690,538	100.0%
1,838,135	-	64,668,527	100.0%
2,316,718	-	65,902,430	100.0%
2,119,914	289	66,781,739	100.0%
2,203,850	61	66,932,684	100.0%
2,565,990	63	68,037,360	100.0%
3,095,564	4,553	67,873,890	100.0%
2,806,457	18,800	65,075,801	100.0%
1,200,244	28,760	59,272,125	100.0%
51,249	65,539	60,406,046	99.9%

Adjustments	Delinquent Balance as of June 30, 2012
\$ 259,176	\$ -
106,402	-
235,266	-
(221,945)	289
226,169	61
104,171	63
73,960	4,553
75,748	18,800
(892,083)	28,760
5,924	65,539

# City of Dearborn, Michigan

	Fiscal Year Ended June 30,			
	2003	2004	2005	2006
Governmental activities:				
General obligation bonds	\$ 33,752,890	\$ 33,611,717	\$ 30,489,918	\$ 27,217,946
Business type activities:				
General obligation bonds	2,970,000	14,889,626	47,132,660	68,401,337
Revenue bonds	27,376,520	26,723,565	24,953,267	23,052,972
Total business type activities	30,346,520	41,613,191	72,085,927	91,454,309
Total debt of the government	\$ 64,099,410	\$ 75,224,908	\$ 102,575,845	\$ 118,672,255
Total residential personal income	\$ 2,100,989,200	\$ 2,100,989,200	\$ 2,067,333,614	\$ 2,067,333,614
Ratio of total debt to personal income	3.05%	3.58%	4.96%	5.74%
Total population*	99,824	99,499	99,382	99,909
Total debt per capita	\$ 642	\$ 756	\$ 1,032	\$ 1,188

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

\* Population statistics are the SEMCOG estimates as of July 1 as published in Southeast Michigan Council of Governments' "Population and Households in Southeast Michigan, 2003-2012" except the 2010 population is from the U.S. Census Bureau.

## Ratios of Outstanding Debt Last Ten Fiscal Years

Fiscal Year Ended June 30,					
2007	2008	2009	2010	2011	2012
\$ 23,744,725	\$ 20,217,780	\$ 17,024,420	\$ 13,703,672	\$ 10,277,268	\$ 6,765,244
100,993,381	131,853,146	164,795,189	194,324,037	218,182,845	213,248,466
21,107,676	19,122,380	17,092,083	15,011,788	13,589,363	11,665,007
<u>122,101,057</u>	<u>150,975,526</u>	<u>181,887,272</u>	<u>209,335,825</u>	<u>231,772,208</u>	<u>224,913,473</u>
<u>\$ 145,845,782</u>	<u>\$ 171,193,306</u>	<u>\$ 198,911,692</u>	<u>\$ 223,039,497</u>	<u>\$ 242,049,476</u>	<u>\$ 231,678,717</u>
\$ 2,167,472,786	\$ 2,292,093,612	\$ 2,254,828,035	\$ 2,295,862,702	\$ 2,252,509,776	\$ 2,308,132,976
6.73%	7.47%	8.82%	9.71%	10.75%	10.04%
99,089	101,223	101,665	98,153	98,604	100,249
\$ 1,472	\$ 1,691	\$ 1,957	\$ 2,272	\$ 2,455	\$ 2,311

# City of Dearborn, Michigan

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Fiscal Year	Limited Tax General Obligation Bonds (LTGO)	Tax Supported Bonds (UTGO)	Less Pledged Debt Service Funds	Net General Bonded Debt	Taxable Value
2003	\$ 18,697,890	\$ 18,025,000	\$ 350,940	\$ 36,371,950	\$ 4,554,520,178
2004	31,926,343	16,575,000	325,862	48,175,481	4,622,616,302
2005	30,179,269	47,443,309	514,528	77,108,050	4,720,784,820
2006	27,150,620	68,468,663	1,680,986	93,938,297	4,846,365,266
2007	24,695,043	100,043,063	4,817,766	119,920,340	4,766,863,713
2008	22,234,854	129,836,072	9,462,720	142,608,206	4,852,895,370
2009	20,115,036	161,704,572	10,570,738	171,248,870	4,895,209,712
2010	17,850,032	190,177,677	17,459,104	190,568,605	4,683,778,242
2011	15,486,423	212,973,690	7,065,354	221,394,759	4,305,454,630
2012	12,936,896	207,076,814	7,329,970	212,683,740	3,860,318,002

\* Population statistics are the SEMCOG estimates as of July 1 as published in Southeast Michigan Council of Governments' "Population and Households in Southeast Michigan, 2003-2012" except the 2010 population is from the U.S. Census Bureau.

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## Ratios of General Bond Debt Outstanding Last Ten Fiscal Years

Debt as a Percentage of Taxable Value	Population *	Debt per Capita
0.80%	99,824	\$ 364
1.04%	99,499	484
1.63%	99,382	776
1.94%	99,909	940
2.52%	99,089	1,210
2.94%	101,223	1,409
3.50%	101,665	1,684
4.07%	98,153	1,942
5.14%	98,604	2,245
5.51%	100,249	2,122

# City of Dearborn, Michigan

	Fiscal Year Ended June 30,			
	2003	2004	2005	2006
Valuation base				
State equalized valuation - excluding IFT values	\$ 4,688,837,184	\$ 4,861,255,998	\$ 4,974,031,683	\$ 5,085,594,564
Plus: equivalent valuation of Act 198 exemptions	487,394,950	491,800,600	525,824,700	560,064,200
Total valuation	<u>\$ 5,176,232,134</u>	<u>\$ 5,353,056,598</u>	<u>\$ 5,499,856,383</u>	<u>\$ 5,645,658,764</u>
Legal Debt limitation - 10% of total valuation	\$ 517,623,213	\$ 535,305,660	\$ 549,985,638	\$ 564,565,876
Calculation of debt subject to limit:				
Total debt	64,099,410	75,224,906	102,575,845	118,672,255
Less: Revenue Bonds not subject to limit	(27,376,520)	(26,723,563)	(24,953,267)	(23,052,972)
Less: Amount available for repayment of general obligation bonds	(350,940)	(325,862)	(514,528)	(159,246)
Net debt subject to limit	<u>36,371,950</u>	<u>48,175,481</u>	<u>77,108,050</u>	<u>95,460,037</u>
Legal debt margin	<u>\$ 481,251,263</u>	<u>\$ 487,130,179</u>	<u>\$ 472,877,588</u>	<u>\$ 469,105,839</u>
Net debt subject to limit as % of debt limit	7.03%	9.00%	14.02%	16.91%

# City of Dearborn, Michigan

## Computation of Legal Debt Margin Last Ten Fiscal Years

Fiscal Year Ended June 30,					
2007	2008	2009	2010	2011	2012
\$ 5,009,821,466	\$ 5,029,644,744	\$ 4,506,733,763	\$ 4,324,230,997	\$ 3,910,703,378	\$ 3,472,254,144
454,363,700	424,934,650	531,658,100	568,894,850	527,237,801	458,649,808
<u>\$ 5,464,185,166</u>	<u>\$ 5,454,579,394</u>	<u>\$ 5,038,391,863</u>	<u>\$ 4,893,125,847</u>	<u>\$ 4,437,941,179</u>	<u>\$ 3,930,903,952</u>
\$ 546,418,517	\$ 545,457,939	\$ 503,839,186	\$ 489,312,585	\$ 443,794,118	\$ 393,090,395
145,845,782	171,193,306	198,911,692	223,039,498	242,049,476	231,678,717
(21,107,676)	(19,122,380)	(17,092,083)	(15,011,788)	(13,589,363)	(11,665,007)
(110,036)	(321,850)	(285,649)	(37,387)	(383)	(83,453)
<u>124,628,070</u>	<u>151,749,076</u>	<u>181,533,960</u>	<u>207,990,323</u>	<u>228,459,730</u>	<u>219,930,257</u>
<u>\$ 421,790,447</u>	<u>\$ 393,708,863</u>	<u>\$ 322,305,226</u>	<u>\$ 281,322,262</u>	<u>\$ 215,334,388</u>	<u>\$ 173,160,138</u>
22.81%	27.82%	36.03%	42.51%	51.48%	55.95%

# City of Dearborn, Michigan

## Computation of Direct and Overlapping Bonded Debt General Obligation Bonds June 30, 2012

Government Unit	Net Bonded Debt Outstanding	Percentage Applicable to Government	Amount Applicable to Government	Per Capita (2)
Direct - City of Dearborn	\$ 6,765,244	100.00%	\$ 6,765,244	\$ 67
Overlapping (1):				
Dearborn School District	173,609,500	95.32%	165,484,575	1,651
Westwood School District	1,295,000	6.81%	88,190	1
Wayne County at large	354,637,868	7.93%	28,122,783	281
Wayne County Community College	<u>8,325,000</u>	0.07%	<u>5,828</u>	-
Total Overlapping Debt	<u>537,867,368</u>	36.01%	<u>193,701,376</u>	<u>1,933</u>
Grand Total	<u>\$ 544,632,612</u>	36.81%	<u>\$ 200,466,620</u>	<u>\$ 2,000</u>

Sources:

(1) Overlapping debt figures supplied by the Municipal Advisory Council of Michigan. The percentage of overlapping bonded debt related to each governmental unit was established using the taxable value of assessed property. Percentages were estimated by calculating the portion of each governmental unit's taxable property located within the boundaries of the City and dividing it by the unit's total taxable value.

(2) Population of 100,249 as estimated in the Southeast Michigan Council of Governments' "Population and Household estimates in Southeast Michigan", July 2012.

# 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	
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%
2009	28,718,870	17,580,453	11,138,417	2,050,000	608,438	2,658,438	419%
2010	24,693,350	20,129,951	4,563,399	2,100,000	558,825	2,658,825	172%
2011	29,363,798	19,954,770	9,409,028	2,160,000	500,563	2,660,563	354%
2012	28,592,158	22,456,600	6,135,558	1,985,000	443,000	2,428,000	253%

(1) Total operating expenses exclusive of depreciation.

# City of Dearborn, Michigan

## Water Supply System Limited Tax Revenue Bonds Revenue Bond Coverage Last Two Fiscal Years

Fiscal Year	Gross Revenues	Operating Expenses (1)	Net Revenue Available for Debt Service	Debt Service Requirement			Coverage
				Principal	Interest	Total	
2011	\$ 16,958,944	\$ 14,105,230	\$ 2,853,714	\$ 58,000	\$ 10,686	\$ 68,686	4,155%
2012	17,566,222	14,057,576	3,508,646	60,000	18,013	78,013	4,498%

(1) Total operating expenses exclusive of depreciation.

# City of Dearborn, Michigan

## Demographic and Economic Statistics Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income	Per Capita Personal Income (2)	Unemployment Rate (3)
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%
2009	101,665	2,254,828,035	22,179	12.2%
2010	98,153	2,295,862,702	23,391	10.0%
2011	98,604	2,252,509,776	22,844	8.8%
2012	100,249	2,308,132,976	23,024	7.3%

- (1) Population statistics are the SEMCOG estimates as of July 1 as published in the Southeast Michigan Council of Governments' "Population and Households in Southeast Michigan, 2003-2012" except the 2010 population is from the U.S. Census Bureau.
- (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

	2011 (1)			2002 (2)		
	Employees	Rank	Percentage of Total	Employees	Rank	Percentage of Total
Ford Motor Company	33,000 (3)	1	46.13%	55,262 (4)	1	71.46%
ADP	10,000	2	13.98%	-	-	-
Automotive Component Holdings LLC	7,000	3	9.79%	-	-	-
Oakwood Hospital Corporation	5,933	4	8.29%	9,272 (4)	2	11.99%
Severstal	4,900	7	6.85%	-	-	-
Percepta	4,450	5	6.22%	-	-	-
School District of the City of Dearborn	2,032	6	2.84%	2,897	4	3.75%
AAA Michigan	1,623	8	2.27%	-	-	-
EP Management Corp.	1,400	9	1.96%	-	-	-
United Technologies Auto	1,200	10	1.68%	1,266 (4)	6	1.64%
Rouge Steel Company	-	-	-	3,200	3	4.14%
Auto Club of Michigan	-	-	-	1,979 (4)	5	2.56%
UM Child Development Center	-	-	-	954	7	1.23%
City of Dearborn	-	-	-	910	8	1.18%
Dearborn Frame Plant	-	-	-	800	9	1.03%
Consolidated Rail	-	-	-	795	10	1.03%
	<u>71,538</u>			<u>77,335</u>		

Sources:

(1) 2011 Michigan Manufacturers Directory, 2011 Crain's Book of Lists and Manta Company Intelligence Website.

(2) 2002 Michigan Manufacturers Directory, Michigan Community Economic Profiles, and Dearborn Economic Development

(3) Employment figures are for the greater Detroit Metropolitan area from the 2011 Michigan Manufacturers Directory and 2011 Crain's Book of Lists and Manta Company Intelligence Website.

(4) County-wide totals from 2002 Michigan Manufacturers Directory, Michigan Community Economic Profiles, and Dearborn Economic Development Corporation

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# City of Dearborn, Michigan

Functions/programs	Full-time-Equivalent Employees		
	as of July 1,		
	2003	2004	2005
Primary government			
Governmental activities:			
General government	211.78	206.75	193.41
Public safety	462.29	468.60	448.34
Public works	105.95	104.30	93.09
Health and welfare	22.29	23.03	23.51
Recreation and culture	306.86	304.73	288.80
Community improvement	20.65	18.65	15.31
Total governmental activities	<u>1,129.82</u>	<u>1,126.06</u>	<u>1,062.46</u>
Business-type activities:			
Housing	25.10	25.85	22.84
Golf course	28.07	28.07	27.83
Parking	-	-	6.69
Sewer	11.75	12.75	12.00
Water	36.88	39.67	39.84
Total business-type activities	<u>101.80</u>	<u>106.34</u>	<u>109.20</u>
Total primary government	<u>1,231.62</u>	<u>1,232.40</u>	<u>1,171.66</u>
Component unit			
East Dearborn Downtown Development Authority	-	-	1.00
Total employees	<u>1,231.62</u>	<u>1,232.40</u>	<u>1,172.66</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 Ten Fiscal Years

Full-time-Equivalent Employees						
as of July 1,						
2006	2007	2008	2009	2010	2011	2012
190.15	180.12	177.70	183.59	180.81	182.37	171.31
459.38	446.38	442.63	442.57	433.20	432.60	428.42
90.30	84.20	61.66	58.67	60.73	54.91	48.13
23.44	23.05	19.23	19.39	4.72	3.72	1.00
287.38	284.95	278.92	282.61	288.04	278.80	242.50
14.43	13.23	16.03	17.03	18.00	14.75	13.40
<u>1,065.08</u>	<u>1,031.93</u>	<u>996.17</u>	<u>1,003.86</u>	<u>985.50</u>	<u>967.15</u>	<u>904.76</u>
24.69	24.69	25.86	24.51	24.51	23.51	23.00
26.22	25.56	24.36	24.20	23.30	20.39	20.02
5.08	5.08	5.08	6.43	6.43	6.43	6.43
12.00	14.68	17.09	17.44	17.44	16.53	17.00
37.82	34.97	55.73	53.72	52.72	51.31	52.97
<u>105.81</u>	<u>104.98</u>	<u>128.12</u>	<u>126.30</u>	<u>124.40</u>	<u>118.17</u>	<u>119.42</u>
<u>1,170.89</u>	<u>1,136.91</u>	<u>1,124.29</u>	<u>1,130.16</u>	<u>1,109.90</u>	<u>1,085.32</u>	<u>1,024.18</u>
1.00	1.00	1.00	1.00	1.00	2.00	1.50
<u>1,171.89</u>	<u>1,137.91</u>	<u>1,125.29</u>	<u>1,131.16</u>	<u>1,110.90</u>	<u>1,087.32</u>	<u>1,025.68</u>

# City of Dearborn, Michigan

Functions/programs	Fiscal Year Ended June 30,			
	2003	2004	2005	2006
Public safety				
Police patrol units	49	49	49	49
Fire stations	4	4	4	4
Emergency response vehicles	5	5	5	6
Fire suppression vehicles	9	9	9	9
Public works				
Miles of streets				
Major streets	73.01	73.01	73.01	73.01
Local streets	194.24	194.24	194.24	194.24
Recreation and culture				
Parks and recreation				
City Parks acreage	324.90	324.90	309.90	309.90
Number of parks in the City	42	42	42	42
Camp Dearborn (Milford) acreage	626	626	626	626
Regional Parks	1	1	1	1
Golf course	1	1	1	1
Ice surfaces	2	2	2	2
Libraries				
Branches	4	4	4	4
Collection - number of volumes	296,959	299,908	300,294	302,154
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,					
2007	2008	2009	2010	2011	2012
49	50	51	51	58	61
4	4	4	4	4	4
6	6	6	6	6	6
9	9	10	10	10	10
73.01	73.01	73.01	73.01	73.01	73.01
194.24	194.24	194.24	194.24	194.24	194.24
309.90	309.90	309.90	309.90	310.00	310.00
42	42	42	42	42	42
626	626	626	626	626	626
1	1	1	1	1	1
1	1	1	1	1	1
2	2	2	2	2	2
4	4	4	4	4	4
308,988	306,916	299,265	293,888	276,590	228,162
372.67	388.00	387.93	387.93	387.93	387.93
2,824	2,822	2,834	2,834	2,834	2,838
72.82	72.00	72.76	72.76	72.76	72.76
162.26	144.00	144.56	144.56	144.56	144.56
378.16	404.00	404.00	404.00	404.00	404.00

# City of Dearborn, Michigan

Functions/programs	Fiscal Year Ended June 30,		
	2003	2004	2005
Election data			
Registered voters	42,064	45,660	51,056
District court			
Number of court cases	66,499	63,705	69,090
Building and safety			
Permits issued	10,898	10,663	9,412
Permit inspections conducted	27,299	27,773	28,231
Police			
Calls for service	60,768	59,260	54,432
Traffic citations	21,371	18,846	NA
Parking citations	15,915	10,191	NA
Fire			
Fire incidents	2,118	2,149	2,256
Emergency medical services incidents	7,200	7,282	7,522
Public works			
Miles of street resurfaced	5.94	2.35	5.40
Curbside refuse collected (tons)	43,645	49,739	39,958
Curbside compost collected (tons)	8,679	11,160	8,848
Curbside recyclables collected (tons)	4,463	4,626	4,046
Leaf collection (cubic yards)	21,150	18,204	24,300
Recreation			
Passholder visits	172,329	208,949	199,728
Library			
Collection - number of volumes	296,959	299,908	300,294
Circulation - number of transactions	1,289,748	1,277,048	1,143,446
Number of visitors	594,716	594,316	538,527
Water			
Number of customers billed	32,978	32,946	32,949
Total consumption (100 cubic feet)	8,743,666	8,002,471	7,782,069
Sewer			
Sewer water conveyed to Detroit (100 cubic feet)	10,986,646	13,202,404	11,820,680

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

# City of Dearborn, Michigan

## Operating Indicators Last Ten Fiscal Years

Fiscal Year Ended June 30,						
2006	2007	2008	2009	2010	2011	2012
54,882	57,427	57,128	58,245	58,147	58,156	59,032
63,735	68,577	71,052	80,189	73,079	79,779	77,805
9,096	8,173	8,326	6,525	6,769	6,769	7,009
17,165	19,367	20,452	17,186	15,223	15,301	14,741
56,467	58,356	58,723	56,591	62,162	62,624	54,164
22,458	21,477	16,784	14,961	14,403	18,873	21,509
11,727	20,191	26,967	38,732	34,061	34,639	29,022
2,320	2,032	2,083	2,081	2,107	2,221	2,942
7,475	7,471	7,382	7,184	7,502	7,768	7,901
3.09	1.57	1.28	5.03	2.60	7.09	2.60
44,400	39,043	38,202	39,043	35,884	27,510	34,962
10,800	8,072	7,588	8,072	7,881	7,653	7,631
4,200	3,912	3,824	3,912	3,642	4,989	3,889
19,762	19,888	20,323	20,325	28,209	18,268	18,943
209,443	203,637	200,779	206,035	218,405	211,738	285,055
302,154	308,988	306,916	299,265	293,888	276,590	228,162
1,034,882	918,886	860,642	870,252	907,385	874,771	751,668
520,973	489,984	491,259	511,809	511,737	477,827	420,271
32,860	32,818	32,927	32,826	32,696	32,662	32,826
7,532,607	6,820,710	7,277,128	6,676,634	6,278,524	6,298,102	6,993,560
11,561,647	11,392,378	11,615,212	12,193,727	10,352,858	9,745,433	11,331,781

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# **City of Dearborn, Michigan**

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

# City of Dearborn, Michigan

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## Contents

Independent Auditor's Report	I
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	2-3
Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	4-5
Schedule of Expenditures of Federal Awards	6-7
Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards	8
Notes to Schedule of Expenditures of Federal Awards	9-10
Schedule of Findings and Questioned Costs	11-18

## Independent Auditor's Report

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

We have audited the basic financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Dearborn, Michigan (the "City") as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 26, 2012, which contained unqualified opinions on those basic financial statements. These basic financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these basic financial statements based on our audit. We have not performed any procedures with respect to the audited basic financial statements subsequent to November 26, 2012.

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 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.

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

*Plante & Moran, PLLC*

November 26, 2012

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

Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council  
City of 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 (the "City") as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 26, 2012. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses; therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Findings 2012-1 and 2012-2 to be material weaknesses.

### **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*.

The City of Dearborn, Michigan's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Dearborn, Michigan's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Honorable Mayor and Members of the City Council, others within the City, 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 26, 2012

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

Independent Auditor's Report

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

**Compliance**

We have audited the compliance of the City of Dearborn, Michigan (the "City") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The major federal programs of the City of 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Findings 2012-3 and 2012-4.

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 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 requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses; therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Findings 2012-3 and 2012-4 to be material weaknesses.

The City of Dearborn, Michigan's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Dearborn, Michigan's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Honorable Mayor and Members of the City Council, others within the City, 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 26, 2012

# City of Dearborn, Michigan

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

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Federal Expenditures
U.S. Department of Housing and Urban Development:		
Direct programs:		
CDBG Entitlement Grant Cluster:		
Community Development Block Grant	14.218	\$ 2,956,762
Neighborhood Stabilization Program	14.218	<u>243,296</u>
Total CDBG Entitlement Grant Cluster		3,200,058
Emergency Shelter Grant	14.231	118,568
Passed through the Michigan State Housing Development Authority - Home Investment Partnerships Program - Home Resource Fund - Grant Year 2010		
	14.239	<u>1,923</u>
Total U.S. Department of Housing and Urban Development		3,320,549
Emergency Food Assistance Cluster - U.S. Department of Agriculture - Passed through County of Wayne, Michigan - Emergency Food Distribution Program	10.569	35,921
U.S. Department of Justice:		
JAG Program Cluster - Passed through the Wayne County Sheriff's Department:		
2008 Edward Byrne Memorial Justice Assistance Grant Program	16.738	411
2009 Edward Byrne Memorial Justice Assistance Grant Program	16.738	41,100
2010 Edward Byrne Memorial Justice Assistance Grant Program	16.738	2,670
ARRA - 2009 Edward Byrne Memorial Justice Assistance Grant Program	16.804	<u>177,053</u>
Total JAG Program Cluster		221,234
Direct programs:		
Bullet Proof Vest Program	16.607	19,849
Equitable Sharing of Federally Forfeited Property	16.922	560,059
ARRA COPS Hiring Recovery Program	16.710	722,107
Passed through Detroit Community Justice Partnership - Project Safe Neighborhoods Anti-Gang Initiative		
	16.744	<u>28,189</u>
Total U.S. Department of Justice		1,551,438
Highway Safety Cluster - U.S. Department of Transportation:		
Passed through the Michigan Department of State Police and Downriver Community Conference - Drive Michigan Safety Task Force		
	20.600	15,391
Passed through Michigan Department of Transportation:		
Traffic Signal Optimization	20.205	499,840
ARRA Intermodal Rail Passenger Facility	20.319	<u>5,107,741</u>
Total U.S. Department of Transportation		5,622,972

See Notes to Schedule of Expenditures  
of Federal Awards.

# City of Dearborn, Michigan

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

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Federal Expenditures
U.S. Environmental Protection Agency:		
Passed through the County of Wayne, Michigan - Congressionally Mandated Projects - River Rouge National Wet Weather Demonstration Project - Round X, Part A	66.202	\$ 24,864
Passed through the Michigan Department of Environmental Quality - Safe Drinking Water State Revolving Fund Loan - Water Main Project Phase I	66.468	12,281
Passed through the Downriver Community Conference Brownfield Consortium - Hazardous Substances Grant	66.818	<u>13,377</u>
Total U.S. Environmental Protection Agency		50,522
U.S. Department of Energy - Direct Program - ARRA Energy Efficiency and Conservation Block Grant	81.125	98,537
Federal Emergency Management Agency:		
Direct programs:		
2010 Staffing for Adequate Fire and Emergency Response Grant	97.044	355,882
2010 Assistance to Firefighters Grant	97.044	22,397
Passed through the Michigan Department of State Police - Civil Preparedness Program	97.042	54,223
Passed through Oakland County - 2008 Homeland Security Grant Program	97.067	<u>62,113</u>
Total Federal Emergency Management Agency		494,615
U.S. Department of Homeland Security - Passed through the Michigan Department of State Police - 2008 Buffer Zone Protection Program	97.078	<u>49,640</u>
Total federal awards		<u><b>\$ 11,224,194</b></u>

# City of Dearborn, Michigan

## Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended June 30, 2012

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 12,117,043
Add noncash assistance	98,034
Add federal money to be recorded as a capital contribution from grants on the financial statements	24,864
Add federal money recorded as a pass-through activity in the trust and agency funds	23,484
Add federal money recorded as a liability (combined sewer overflow and water main project)	12,281
Add federal money classified as forfeited revenue	560,059
Add federal revenue classified as miscellaneous revenue on financial statements	21,203
Add cash proceeds on sale of HUD NSP land	127,096
Less grant receivable not recorded as revenue under modified accrual accounting	(59,901)
Federal grants received not administered by the City	(1,690,294)
Less revenue for prior year expenditures received in current year	(9,675)
Federal expenditures per the schedule of expenditures of federal awards	<u>\$ 11,224,194</u>

# City of Dearborn, Michigan

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

### Note 1 - Basis of Presentation and Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Dearborn, Michigan (the "City") under programs of the federal government for the year ended June 30, 2012. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-87, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

### 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, 2012 that is included on the schedule of expenditures of federal awards:

<u>Federal Program</u>	<u>CFDA Number</u>	<u>Description</u>	<u>Amount</u>
U.S. Department of Agriculture	10.569	Emergency Food Distribution Program	\$ 35,921
Federal Emergency Management Agency	97.067	2008 Homeland Security	62,113

# City of Dearborn, Michigan

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

### Note 3 - Subrecipient Awards

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

Federal Program Title	CFDA Number	Amount Provided to Subrecipients
Community Development Block Grant	14.218	\$ 129,916
Emergency Shelter Grant	14.231	113,700
Total		\$ 243,616

### Note 4 - Status as Other than Low-risk Auditee

As disclosed in the schedule of findings and questioned costs included in this report, the City does not qualify as a low-risk auditee for the audit of federal awards. This is due to findings that were reported in conjunction with the audit of federal awards for fiscal year 2010. Under the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, an entity that has had findings reported related to its federal programs cannot qualify as a low-risk auditee for the two subsequent periods after the finding.

# City of Dearborn, Michigan

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

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

#### Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?   Yes  X  No

#### Federal Awards

Internal control over major programs:

- Material weakness(es) identified?  X  Yes   No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?   Yes  X  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?  X  Yes   No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
14.218	U.S. Department of Housing and Urban Development - Community Development Block Grant Cluster
20.205	U.S. Department of Transportation - Traffic Signal Optimization
20.319	U.S. Department of Transportation - Intermodal Rail Passenger Facility
16.710	U.S. Department of Justice - COPS Hiring Recovery Program
16.738 and 16.804	U.S. Department of Justice - JAG Program Cluster
97.044	Federal Emergency Management Agency - 2010 Staffing for Adequate Fire and Emergency Response
97.044	Federal Emergency Management Agency - 2010 Assistance to Firefighters Grant

Dollar threshold used to distinguish between type A and type B programs: \$336,726

Auditee qualified as low-risk auditee?   Yes  X  No

# City of Dearborn, Michigan

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

### Section II - Financial Statement Audit Findings

Reference Number	Finding
2012-1	<p><b>Finding Type</b> - Material weakness</p> <p><b>Criteria</b> - There should be proper segregation of duties for information technology controls.</p> <p><b>Condition</b> - During the audit, the information technology ("IT") department provided a system-generated report that indicated the finance director has the ability to create financial application users. Subsequent to the audit, representatives of the IT department stated they do not believe the finance director has such ability; however, there is no logging function, so we can not verify this statement. The finance director does have the ability to turn on access to the financial application for existing users and has the ability to post journal entries.</p> <p><b>Context</b> - If the finance director has the ability to create new users in the financial application and has the ability to post and approve journal entries, there is a risk that the finance director could create a fictitious user that could be used to post journal entries that the finance director would then also be able to approve. This potential lack of segregation of duties has a pervasive risk across all aspects of the financial statements.</p> <p><b>Cause</b> - We are unable to verify if the City has properly segregated IT controls.</p> <p><b>Effect</b> - As a result of this potential lack of segregation of duties, the finance director may have the ability to override the various established internal controls that could lead to a material misstatement of the financial statements.</p> <p><b>Recommendation</b> - The City of Dearborn, Michigan should remove the finance director's ability to grant access to the financial application for existing users or his ability to post journal entries. If the finance director has the ability to create new users, that function should be removed.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - The finance director has not created financial application users since the IT department assumed that responsibility at least five years ago. The IT department has removed the finance director's abilities to grant access to the financial application for existing users and to post journal entries, and has confirmed he has not had the ability to create application users. The finance director reported that he has not adjusted user securities since the responsibility was centralized with the IT department and, at this point, assumed his authority was revoked.</p>

# City of Dearborn, Michigan

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

### Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2012-2	<p><b>Finding Type</b> - Material weakness</p> <p><b>Criteria</b> - Management's objective is to record all activity of the City and present it in the financial statements in accordance with generally accepted accounting principles (GAAP).</p> <p><b>Condition</b> - As a result of current year audit procedures, we noted four items that were not properly calculated and/or presented in accordance with GAAP: (1) land inventory in the Capital Projects Fund was overstated, (2) the City has contributed above the actuarially required amounts for the defined benefit pension funds without recognizing it in the financial statements, (3) Major Street Fund revenue and expenses were overstated for the federal portion of road projects administered by MDOT, and (4) the City has included reimbursing transfers in the other financing sources/uses portion of the statements when they should be included in revenue and expenses.</p> <p><b>Context</b> - It is the City's responsibility to record transactions and produce financial statements in accordance with GAAP. While the City does properly record the vast majority of transactions, including some that are cumbersome or complex, we did note four exceptions.</p> <p>While the City has a process in place to analyze the market value of land inventory and has written the value down substantially, the City did not account for a restriction on the use of certain parcels, which resulted in an additional adjustment as a result of the audit.</p> <p>The City does have the ability to accelerate pension contributions beyond what is required and may elect to do so due to the underfunded status of the plans; however, if it elects to do so, GAAP requires a net pension asset to be recognized.</p> <p>The City's treatment of the MDOT revenues and expenditures in the Major Street Fund is consistent with the State of Michigan's accounting manual for Road Commissions; however, the manual is not consistent with GAAP. According to GAAP, the fund-based statements should report only the expenditures paid by the City and not the gross amount of the project.</p> <p>The City presented some reimbursing transfers between funds as other financing sources/uses. While this may make sense on a budgetary basis, GAAP requires reimbursing transactions to be reported as revenue and expenses.</p>

# City of Dearborn, Michigan

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

### Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2012-2 (Continued)	<p><b>Cause</b> - The City has the resources to determine the proper GAAP accounting for these and other items but, for various reasons, did not properly calculate or report the transactions.</p> <p><b>Effect</b> - The noted miscalculations and/or decisions made by management had the following results: land inventory was overstated by approximately \$1.2 million. An adjusting entry was made to correct the overstatement. The City has not recorded a net pension asset that would have amounted to \$1,174,038 as of June 30, 2012, including interest. Major Street Fund revenues and expenses were overstated by \$1,690,294, which had no effect on fund balance. Neither the amount of the net pension asset nor the Major Street Fund item were material to the funds involved or to the financial statements taken as a whole. The City has properly recorded a significant portion of interfund activity, but we identified approximately \$8 million of reimbursing transfers included in other financing source/uses.</p> <p><b>Recommendation</b> - We recommend the City consider performing additional technical research regarding some of the more significant and complex transactions.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - Management analyzes the market value of its land inventory every year by comparing its historical cost to the Assessor's estimated market value. Significant adjustments had already been made by management to the inventory on the general ledger to reduce the land value to 55 percent of historical cost. Management will consider the buildable lot restriction for future analysis.</p>

# City of Dearborn, Michigan

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

### Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2012-2 (Continued)	<p>The City has consistently tested to confirm that the pension system funding was at least at the level required by the annual actuarial report, which is believed to be consistent with State Law compliance. Given that the systems have an unfunded accrued liability that represents earned benefits that are not fully funded, it has always been the position that any excess funding was favorable. In addition, the City has downsized over 200 full-time positions by using retirement incentive programs. The City Council directed and approved that the unfunded accrued liabilities associated with the affected staff were to be paid in full. Over \$1 million was contributed over the same time period that is directly associated with the funding of the retirement incentive programs. While GASB standards require the recognition of an asset, the reality is that the contributions are for funding past due obligations, therefore the accounting standards treatment is counterintuitive and, we feel, counterproductive. It is our understanding that the accounting standards are changing for fiscal year 2015 so this will be an ongoing issue until the accounting standard amendments are effective.</p> <p>Management has consistently elected to follow the State of Michigan's accounting manual for Road Commissions and has elected not to make an adjustment related to MDOT revenues and expenditures. It is our understanding that the State's manual is being rewritten to conform to GAAP guidelines so the City will be in compliance with both GAAP and the State of Michigan in future years.</p> <p>Management has been consistent in its presentation of reimbursing transfers from year to year, but will modify its presentation in the future to report reimbursing transfers as revenues and expenses rather than other financing sources or uses. A majority of these items were associated with interfund shared capital project funding.</p>

# City of Dearborn, Michigan

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

### Section III - Federal Program Audit Findings

Reference Number	Finding
2012-3	<p><b>Program Name</b> - 16.710 - ARRA COPS Hiring Recovery Program</p> <p><b>Pass-through Entity</b> - n/a</p> <p><b>Finding Type</b> - Material weakness and material noncompliance with laws and regulations</p> <p><b>Criteria</b> - The ARRA COPS Hiring Recovery Program (COPS) does not allow overtime, gun, uniform, and PEHC expenses to be charged to the grant.</p> <p><b>Condition</b> - The City requested and received reimbursement of approximately \$271,000 of unallowable costs related to overtime, gun, uniform, and PEHC expenses. While the City's internal controls detected this error, it was not detected in a timely manner. Once management discovered the error, they alerted the funding agency and paid the full amount back as of the first quarter of fiscal year 2013.</p> <p><b>Questioned Costs</b> - \$71,082</p> <p><b>Context</b> - The City identified that they had charged unallowable costs to the grant. Through our testing we did not identify any other unallowable costs.</p> <p><b>Cause and Effect</b> - The City did not have the controls in place to properly identify nonallowable costs prior to requesting reimbursement. The City's controls eventually caught the error; however, it was not timely. At year end, the client had \$71,082 remaining to be paid back to the grant agency for unallowable expenses. These funds were paid back in the first quarter of 2013 through a reduction of reimbursement requests.</p> <p><b>Recommendation</b> - The City should consider stronger controls to prevent or detect unallowable costs in a timely manner.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - Grant managers and finance department staff will work more closely together to identify costs in advance that are not allowed to be charged to the grant.</p>

# City of Dearborn, Michigan

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

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2012-4	<p><b>Program Name</b> - 20.319 - ARRA Intermodal Rail Passenger Facility</p> <p><b>Pass-through Entity</b> - Michigan Department of Transportation</p> <p><b>Finding Type</b> - Material weakness and material noncompliance with laws and regulations</p> <p><b>Criteria</b> - The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, requires that property acquired with federal funding be appraised by qualified independent appraisers. All appraisals must be examined by a review appraiser to ensure acceptability.</p> <p><b>Condition</b> - The City purchased land for the intermodal rail passenger facility without obtaining an independent written appraisal or a review appraisal. The City likely could have obtained an exemption from this requirement, but did not.</p> <p><b>Questioned Costs</b> - \$1,817,060</p> <p><b>Context</b> - The appraisal requirements are generally in place to prevent grantees from obtaining property at less than fair prices. In this case, the City and Ford Land Development Corporation have professional staff capable of determining and negotiating a fair price; however, the City was still required to obtain an independent appraisal and review appraisal or obtain an exemption from the funding agency.</p> <p><b>Cause and Effect</b> - The City relied on the internal assessing department to perform an initial appraisal of the land. By doing so, they were not in compliance with the requirement to obtain an independent written appraisal and a review appraisal.</p> <p><b>Recommendation</b> - We encourage the City to review all applicable compliance requirements at the commencement of a federally-funded project. If the City does not believe a particular requirement should be applicable for the project, they must obtain a written exemption.</p>

# City of Dearborn, Michigan

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

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2012-4 (Continued)	<p><b>Views of Responsible Officials and Planned Corrective Actions</b> - The intermodal train station property was purchased from Ford Land in February 2012. The City had relied on the expertise of Mr. Evanko, City Assessor Level 4 and the sophisticated staff of Ford Land/CBRE in its negotiation process. Unfortunately, the auditors have issued a finding based upon the lack of an independent appraisal.</p> <p>The final negotiated purchase of \$2,050,000 was presented to Ford Land on August 24, 2011, and the closing occurred in February 2012. As summarized, negotiations took almost one year to reach an amicable agreement. Throughout the entire process, the City, Michigan Department of Transportation (MDOT), Federal Railroad Administration (FRA), and Ford Land were aware of the project status.</p> <p>We have had discussions with MDOT and the FRA regarding two points contained in the Uniform Relocation Act. The Act allows the Federal Agency funding the project to waive any requirement that does not reduce any assistance or protection provided to an owner or displaced person. We believe that we reached an amicable agreement with Ford Land and that the seller was not financially harmed or enriched by this transaction.</p> <p>In addition, the Act does not require an independent appraisal for acquisitions that meet certain criteria. Our negotiations meet three out of the four specified requirements. The fourth point required written notification to the owner that the Agency would not acquire the property if negotiations fail to result in an amicable agreement. The City did not present this written notification, but Ford Land did not feel the threat of condemnation. In fact, in the closing document it is noted, "Seller has not received any written notice of any existing or threatened condemnation or other legal action of any kind involving the Premises."</p>