

CITY OF DEARBORN MICHIGAN



CITY HALL 1922

COMPREHENSIVE ANNUAL FINANCIAL REPORT



CITY HALL 2012

For the Year Ended
June 30, 2013

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CITY OF DEARBORN, MICHIGAN

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2013

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



Government Finance Officers Association

**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, 2012

Executive Director/CEO

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City of Dearborn, Michigan

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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

December 4, 2013

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, 2013, 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

Management has reviewed and approved the financial statements, supplementary financial information, and related notes prior to their issuance and have accepted responsibility for the adequacy of the financial statements.

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

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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. A consultant was procured for a comprehensive review of select financial operating activities. The initial locations are remote cash collection sites. The activity started in calendar 2013 and is anticipated to continue for several years. This was initiated because of the significant downsizing and staff turnover generated by multiple early retirement incentive programs.

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 2013.

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 98,146, 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

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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 19th 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. In 2012 the City terminated the operator lease and assumed operations of the 27-hole Mystic Creek golf course located within the City-operated Camp Dearborn property.

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. The Housing Department manages four retirement buildings. 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

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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.

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

The current 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 actions to discontinue business personal property taxation. It is very important that the intended replacement revenue stream be provided as this property tax component is phased out. It is anticipated that a portion of this current income will be permanently lost with current estimates in the 10% or between one and two million annually.

Ford Motor Company continues to make good progress on its "One Ford" reinvention plan and has regained a prominent position within the global auto industry. 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, up to 2,200 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 \$300 million upgrade to the stamping facility, which continues to make the Rouge operations competitive with the most advanced manufacturing

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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 an obsolete facility and developing a vision for a 21st century integrated mill of the future. Their \$1.7 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 2015. 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. The Michigan Department of Transportation (MDOT) acquired the rail corridor between Dearborn and Kalamazoo in December of 2012 and upgrades to the service capability to 110 miles per hour (mph), travel between Detroit/Dearborn and Chicago are underway. The service improvements to the corridor will offer 110 mph service between Detroit and Chicago, bringing the travel time to 4 hours or less. The new Dearborn station should be operational in 2014, with higher speed service occurring in 2015. 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 525 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 was 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 Combined Sewer Overflow (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.

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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 234 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 have moved the City to an annual break-even status.

The September 2013 single family unit home supply (on-market listings) was approximately 365 units. The median sale price was \$97,000 in September 2013 compared to \$68,000 in September 2012 and the average days on the market was 34 days in September 2013 compared to 78 in September 2012. The historical normal range was between 500 and 650 units. 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>
2011-2012	\$5.3	\$10.4	\$1.8
2012-2013	\$4.6	\$6.4	\$0.6

The fiscal year 2013-2014 budget includes \$363 thousand increase to General Fund reserves.

Standard & Poor's Ratings Services has raised its rating on Dearborn's series 2004 sewage disposal system revenue bonds to 'AA-' from 'A+'.

The outlook is stable. The upgrade reflects historical maintenance of strong financial metrics, which we expect to continue. Specific credit strengths include our opinion of the following factors:

- Strong financial metrics, including debt service coverage (DSC) and liquidity, which we expect to continue;
- A service area with good wealth and income levels and a lower unemployment rate than the state average; and
- A stable customer base in recent years, despite a population decline.

We believe credit weaknesses are as follows:

- A large capital program associated with federally mandated projects; and
- Moderate customer concentration.

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Moody's Investor Service has downgraded its rating on Dearborn's general obligation unlimited tax rating from Aa2 to Aa3; negative outlook removed.

The downgrade to the Aa3 rating is primarily based on the steady narrowing of the City's financial position over the past eight years. While earlier declines in General Fund balance had followed the City's decision to support capital investments with available reserves, declines over the past three years have tied directly to tax base depreciation and loss of operating revenue. The rating also incorporates the City's large tax base in southeast Michigan that remains closely tied to the automobiles industry, significant tax base concentration by Ford Motor Company, considerable devaluation of property values over the past seven years, and a manageable debt burden.

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 2030 Master Plan Update process, which will be completed in 2013. Once a new Master Plan is adopted at the beginning of 2014 by both the Plan Commission and the City Council, 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. The Zoning Ordinance update is a complex task and expected to take approximately two years to complete (2016).

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 \$6.6 million of property in land inventory (lower of cost or market value).

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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 one has been demolished, and the remaining two units are being redesigned. There are still lawsuits pending and the overall expectations are financial recovery for the City.

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

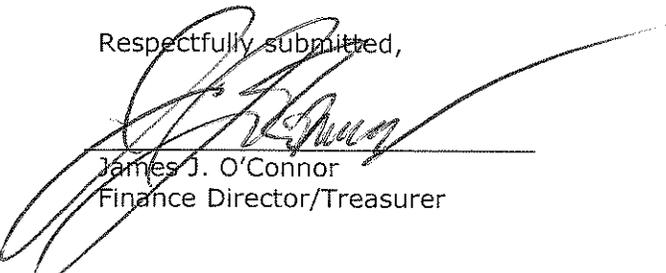
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Dearborn for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2012. This was the fourteenth consecutive year that the City has 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.

ACKNOWLEDGEMENTS

Appreciation is extended to the elected officials, department directors 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,



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:

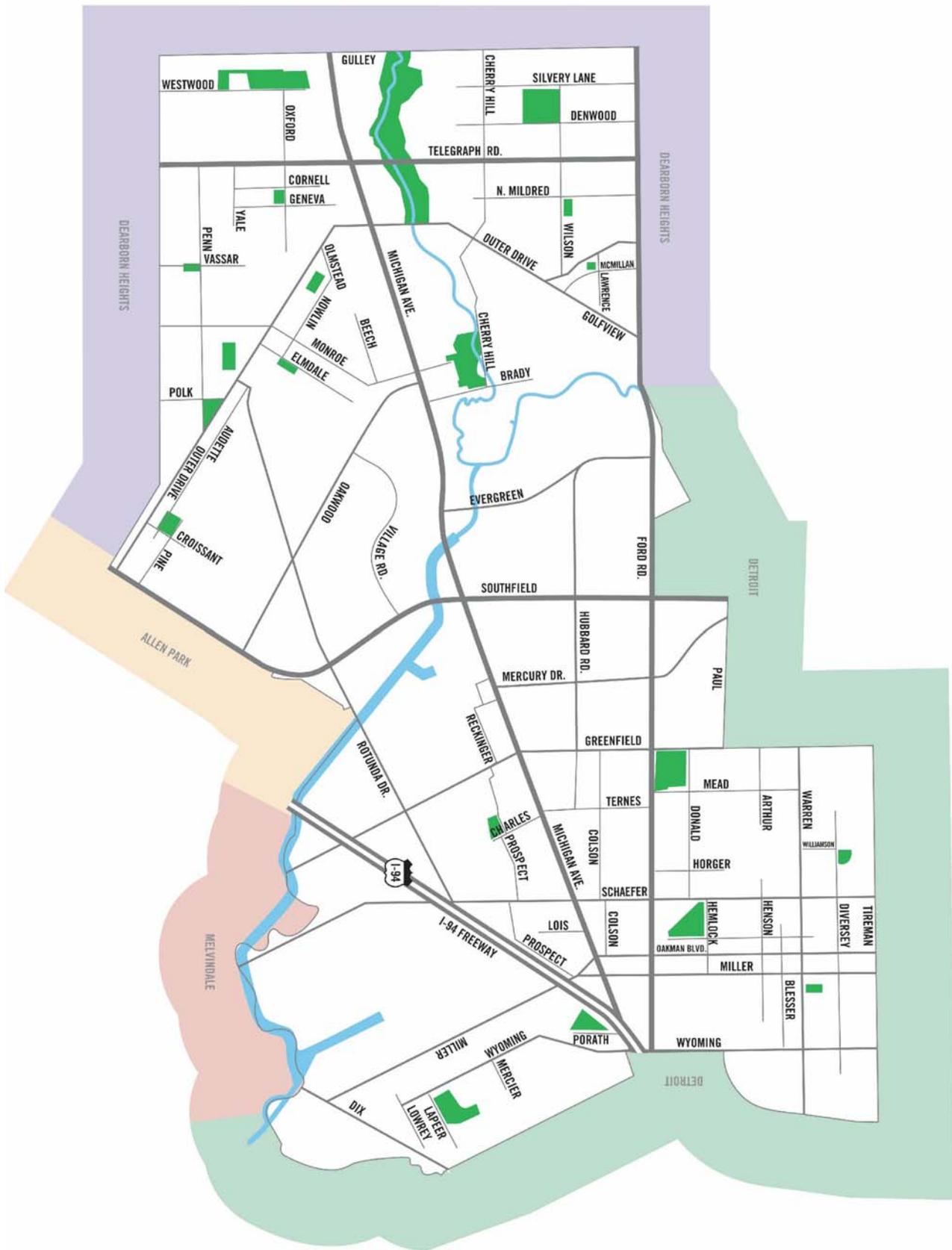
- ◆ Trust, respect, honesty, and fairness
- ◆ The basic resources needed to do a good job
- ◆ Clear and complete direction when necessary
- ◆ A supportive environment that encourages input on what should be done and how it should be done
- ◆ Recognition and reward based on merit

City employees are expected to:

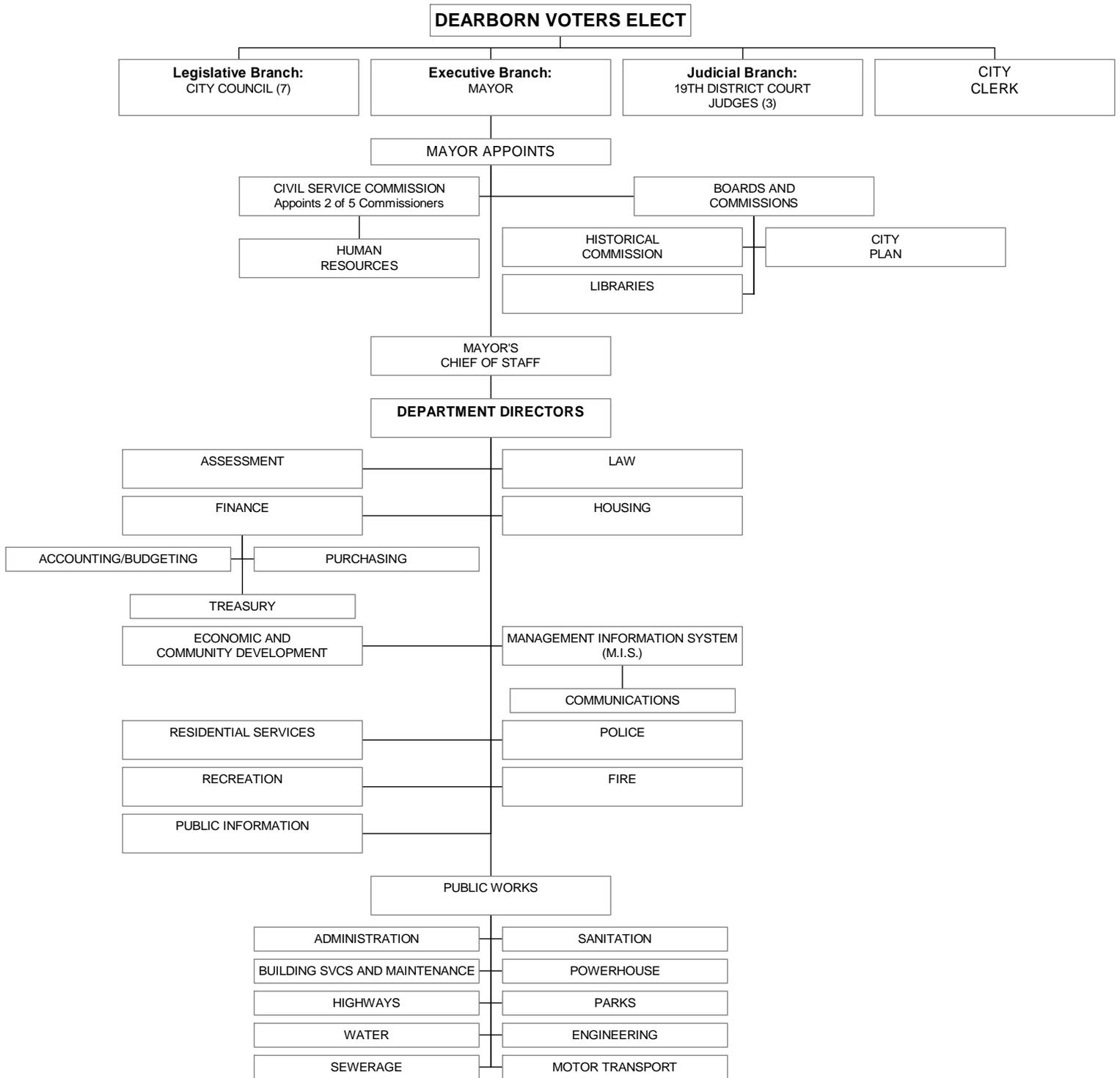
- ◆ Make a total commitment to provide the best possible public service
- ◆ Use all available resources efficiently and effectively
- ◆ Continuously seek ways to improve service delivery through innovation
- ◆ Continuously seek feedback from citizens
- ◆ Be responsible and accountable for their actions
- ◆ 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



DEARBORN'S ORGANIZATIONAL CHART



CITY OF DEARBORN, MICHIGAN

List of Principal Officials

June 30, 2013

<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
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 Administrator	Alan Wozniak
Management Information Systems Director	Doug Feldkamp
Purchasing Agent	Rae Townsel
Fire Chief	Joseph Murray
Housing Director	Vacant
Police Chief	Ronald Haddad
Public Works Director	James Murray
Public Information Director	Mary Laundroche
Recreation Director	Greg Orner
Residential Services Director	Nicholas Siroiskey

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Dearborn, Michigan (the "City") as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the City of Dearborn, Michigan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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

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

Other Matters

Required Supplemental Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dearborn, Michigan's basic financial statements. The other budgetary comparison schedules and combining statements, as identified in the table of contents as other supplemental information, and the schedule of expenditures of federal awards, included in the federal awards supplemental information section, and 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.

The other budgetary comparison schedules and combining statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other budgetary comparison schedules and combining statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2013 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 an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Dearborn, Michigan's internal control over financial reporting and compliance.

Plante & Moran, PLLC

December 4, 2013

City of Dearborn, Michigan

Management's Discussion & Analysis June 30, 2013

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, 2013. 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 Position (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 Position 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 Position 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 position and changes in them. You can think of the City's net position – 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 position 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 Position 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.

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 Position 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 Position 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 Position and Changes in Fiduciary Net Position 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, 2013

The City as a Whole

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

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY2013	FY2012	FY2013	FY2012	FY2013	FY2012
Current and other assets	\$ 85.7	\$ 81.2	\$ 105.6	\$ 98.3	\$ 191.3	\$ 179.5
Capital assets	148.6	140.1	382.3	378.0	530.9	518.1
Total assets	234.3	221.3	487.9	476.3	722.2	697.6
Long-term liabilities	20.2	23.8	201.4	211.5	221.6	235.3
Other liabilities	12.6	12.7	28.0	25.2	40.6	37.9
Total liabilities	32.8	36.5	229.4	236.7	262.2	273.2
Net assets:						
Invested in capital assets, net of debt	145.4	133.3	167.7	153.6	313.1	286.9
Restricted	14.9	12.7	13.1	13.8	28.0	26.5
Unrestricted (deficit)	41.2	38.8	77.7	72.2	118.9	111.0
Total net assets	\$ 201.5	\$ 184.8	\$ 258.5	\$ 239.6	\$ 460.0	\$ 424.4

Net position serves as an indicator of the City's financial position. The table above indicates that the City of Dearborn assets exceeds liabilities by \$460.0 million as of June 30, 2013. The largest category of net position is represented by the net investment in capital assets. 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 position is defined as those that have external restrictions that dictate how the assets are to be used.

The final category of net position 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 position increased 8.4% or \$35.5 million from \$424.4 million to \$460.0 million. Of this change, a \$16.7 million increase is related to Governmental Activities and the remaining \$18.9 million is included in the Business-type Activities. Specific information about these changes follows.

Governmental activities - Total assets increased by 6% or \$13.0 million from \$221.3 million to \$234.3 million due to increases of \$8.5 million in capital assets, and \$5.0 million in receivables from other governments offset by a \$0.4 million unrealized loss on land inventory held for resale. The decrease in total liabilities of \$3.7 million is the result of a \$2.9 million increase in accounts payable, offset by decreases in: Other Post Employment Benefits (OPEB) funding of \$0.8 million, amounts due for tax refunds of \$0.8 million, \$2.3 million in long term debt, and \$2.3 million in current debt due to principal payments.

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)

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

City of Dearborn, Michigan

Management's Discussion & Analysis June 30, 2013

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 Position
(in Millions)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY2013	FY2012	FY2013	FY2012	FY2013	FY2012
Revenues						
Program revenues:						
Charges for services	\$ 18.2	\$ 18.3	\$ 53.9	\$ 50.3	\$ 72.1	\$ 68.6
Operating grants	11.0	10.8	-	-	11.0	10.8
Capital grants	11.6	10.2	3.3	1.2	14.9	11.4
General revenues:						
Taxes	77.2	64.8	16.4	16.2	93.6	81.0
Intergovernmental revenue	8.7	8.4	-	-	8.7	8.4
Investment earnings	-	0.1	0.1	0.1	0.1	0.2
Gain on sale of assets	-	-	-	5.4	-	5.4
Other general revenues	0.4	0.2	1.1	1.5	1.5	1.7
Total revenues	127.1	112.8	74.8	74.7	201.9	187.5
Program expenses						
General government	13.0	12.0	-	-	13.0	12.0
Public safety	52.8	59.1	-	-	52.8	59.1
Public works	19.7	17.5	-	-	19.7	17.5
Recreation & culture	20.8	20.7	-	-	20.8	20.7
Community improvement	3.0	6.0	-	-	3.0	6.0
Interest on long-term debt	0.2	0.2	-	-	0.2	0.2
Housing	-	-	2.5	3.0	2.5	3.0
Golf course	-	-	1.0	1.3	1.0	1.3
Parking	-	-	2.0	2.1	2.0	2.1
Sewer	-	-	35.2	30.3	35.2	30.3
Water	-	-	16.1	15.4	16.1	15.4
Total expenses	109.5	115.5	56.8	52.1	166.3	167.6
Excess (deficiency) before transfers	17.6	(2.7)	18.0	22.6	35.6	19.9
Transfers	(0.9)	5.2	0.9	(5.2)	-	-
Increase (decrease) in net position	\$ 16.7	\$ 2.5	\$ 18.9	\$ 17.4	\$ 35.6	\$ 19.9

Table 2 Comments:

Governmental activities – Governmental activities increased the City's net position by \$16.7 million. Revenues overall increased \$14.3 million produced by a 4.5 voter-authorized tax millage increase. Expenditures decreased \$6.0 million over last year, substantially due to \$6.3 million in public safety reductions which included a decrease in the OPEB obligation of \$1.6 million, and a \$2.7 million decrease in their proportionate share of the operations of the internal service funds. Community improvement declined \$3.0 million as the prior year reflects the market value reduction in land inventory. The asset sale residual equity referenced in business-type activities was transferred to support governmental activities, which is reflected in the \$4.3 million transfer change.

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

City of Dearborn, Michigan

Management's Discussion & Analysis June 30, 2013

Business-type activities – Business-type activities increased the City's net position by \$18.9 million during the year. Revenues increased \$0.1 million with \$3.6 million of growth in charges for services and a \$2.1 million increase in grant activity. The one-time sale of an apartment complex was recorded in the prior year and offsets the revenue increases and therefore minimal revenue change. This sale also accounts for the change in transfers as the residual proceeds were transferred in the prior year to support governmental activities. The sewer operation drives the program expense growth which is primarily increased asset depreciation from CSO assets placed in service.

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 \$8.1 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 2013, the City had approximately \$531 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	
	FY2013	FY2012	FY2013	FY2012	FY2013	FY2012
Land	\$ 7,919,540	\$ 6,250,344	\$ 5,929,262	\$ 5,821,324	\$ 13,848,802	\$ 12,071,667
Right-of-ways	37,818	37,818	-	-	37,818	37,818
Construction in progress	11,151,749	4,472,867	53,877,404	53,244,976	65,029,153	57,717,844
Infrastructure assets	55,585,090	56,418,412	-	-	55,585,090	56,418,412
Buildings & improvements	64,959,432	64,075,031	31,649,998	33,092,110	96,609,430	97,167,141
Equipment	8,899,949	8,841,699	36,929,669	39,218,045	45,829,618	48,059,744
Water system	-	-	56,417,775	54,650,396	56,417,775	54,650,396
Sewer system	-	-	197,467,013	191,948,892	197,467,013	191,948,892
Total	\$ 148,553,578	\$ 140,096,171	\$ 382,271,121	\$ 377,975,743	\$ 530,824,699	\$ 518,071,914

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

City of Dearborn, Michigan

Management's Discussion & Analysis June 30, 2013

Table 3 Comments:

This year's major changes included:

Governmental activities:

Machinery & Equipment:

Vehicles	\$	831,497
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Construction in progress:

Intermodal Passenger Rail Facility (IPRF)	\$	7,279,713
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Completed Projects / Acquisitions

Camp Dearborn - Rustic Cabins	\$	465,846
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Camp Dearborn - Mystic Creek Golf Club		672,721
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Dearborn Administration Center		3,416,105
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Infrastructure assets, net decrease due to cost less depreciation	\$	(833,322)
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Buildings and improvements, net change due to completed projects less depreciation	\$	884,401
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Business-type activities

Machinery and Equipment, net change due to completed projects less depreciation	\$	(2,288,375)
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Construction in progress (net change)

Sewer Fund		5,518,120
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Water Fund		1,767,380
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	\$	<u>7,285,500</u>
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Buildings and improvements, net change due to completed projects less depreciation	\$	(760,255)
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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, 2013

Debt

At fiscal 2013 year-end, the City had approximately \$218 million in bonds and notes outstanding versus \$231.7 last fiscal year – a decrease of 6% - as shown in Table 4.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY2013	FY2012	FY2013	FY2012	FY2013	FY2012
General obligation bonds (backed by City)	\$ 3,180,981	\$ 6,765,244	\$205,531,240	\$213,248,466	\$ 208,712,221	\$220,013,710
Revenue bonds and notes (backed by specific tax and fee revenue)	-	-	9,584,711	11,665,007	9,584,711	11,665,007
Total	<u>\$ 3,180,981</u>	<u>\$ 6,765,244</u>	<u>\$215,115,951</u>	<u>\$224,913,473</u>	<u>\$ 218,296,932</u>	<u>\$231,678,717</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 2014 Budgets & Rates

The fiscal year 2014 General Fund budget for revenue is estimated at \$100,799,335 with appropriations of \$100,435,855 producing a budgeted increase to fund balance of \$363,480.

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 2014 levying the same 2008 13.6275 millage would generate \$46.7 million producing a difference of \$16.5 million in 5 years and up \$400,000 from FY2013. 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. However, 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 produces \$62.8 million, which is less tax revenue than 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 2014 budget includes the 18.5 mills for year 2 of the 5 year authorization with the corresponding revenue.

The federally-mandated and resident voted Combined Sewer Overflow (CSO) debt service expense has increased 66% from \$9.8 million requiring 1.6 mills in fiscal year 2008 to \$16.3 million requiring 4.49 mills for fiscal year 2014. 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, 2013

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, generally a little more than a half mill, has been discontinued as the debt is paid off. The garbage and rubbish millage are purpose-dedicated and adjusted to cover the associated costs.

These debt and garbage 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.

Overall the tax rate decreased .96, almost 1 full mill, from fiscal year 2013 to 2014. About half of the decrease was due to the expiration of the Center debt pay off and the other half is from the some excess in the CSO debt reserves.

The State passed several laws designed to phase out business personal property taxation and have provided avenues for alternative models to replace a significant portion of the income. However, some of the income will be lost and this is estimated to be a couple million at this time. This will increase pressure to reduce City services.

Rates and fees continue to be adjusted with income 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. The Police labor group has agreed to reduce staffing from the 205 sworn police officers to 180. The fiscal year 2014 budget includes 186 sworn police officers. There are 307 mandated positions of the total full-time staffing count of 677. The fiscal year 2001 City-wide budget included 911 full-time positions. The non-public safety staff has declined 37% or (215 positions) from 585 in 2001 to 370 as of the date of this memo. There were 20 positions eliminated for the fiscal year 2014 budget totaling 70 position eliminations in the most recent three years.

All of the labor groups have agreed to concessions with the exception of the Dispatch groups which are finalizing the negotiation process and the lieutenants & sergeants that are negotiating in advance of the contract expiration of June 30, 2013. The concession target was set at 10% and the employee groups agreed to various changes including: 4% nonrefundable contributions to defined benefit pension programs or equivalent reductions in defined contribution matching, 20% plus cost sharing for health care, work schedule amendments, reductions in holiday, reductions in employee special payments and bank payouts, changes to leave time accumulations, etc. All groups are paying 20% of health care and participating in retirement program modifications, and there are other consistent changes. However, there are also variations by group in the other concessions accepted.

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

The traditional defined benefit and City paid retiree health care programs have been closing for 10 years and all are now completely closed for all labor groups with all new hires participating in defined contribution retirement programs. However, the public safety group new hires can select a new defined benefit program administered by the Municipal Employees Retirement System (MERS statewide program).

The City move to self-insured status for one of the health care providers continues to be favorable. For fiscal year 2014 health care cost were held to less than 5% with the illustrative rate being reduced as a result of the favorable self-insured performance.

Other than the migration to Medicare Advantage, nothing has changed for retiree's health care. Health care premiums have typically increased between 5% and 15% per year. A 10% increase on the \$17 million annual cost represents \$1.7 million. A two year consecutive 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. The State has passed the law but unfortunately requires a bond rating one notch higher than the City currently has. The low interest rates environment is still attractive, but unless the legislature provides modest relief on the rating provision the City is ineligible for the program.

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 benefit components. For context purposes, in order to cut \$1 million through staffing reductions, the equivalent of more than 15 general employees or 10 public safety positions would need to be eliminated. Staffing is the primary variable expense and represents 71% of the General Fund.

The General Fund equity (fund balance) as of June 30, 2013 is \$19.2 million and the estimate is to add approximately \$300 thousand in fiscal year 2014. The fiscal year 2015 budget projects a use of \$1.8 million of fund balance. Future projections present continued financial challenges driven by State legislated changes to taxation resulting in revenue loss and cost inflation.

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.

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

City of Dearborn, Michigan

Management's Discussion & Analysis June 30, 2013

The annual operating focus must be on efficiency and performance gains, and cost savings. A modern efficient two story building contiguous with the central city municipal campus has been acquired and accounts for half of the fiscal year 2013 use of fund balance. Artspace has proposed to purchase and then invest \$17 million in renovations to the current 1920's City Hall and convert the facility into a live-work community. Severstal Steel has an ongoing commitment to support community projects in excess of \$8 million. The proposal is to move the municipal operations to the central campus two story building. The expectation is that operating costs will be reduced and that significant operational efficiencies will be gained simultaneously with improved customer service. This is an example of ongoing continuous efforts designed to reduce annual operating costs, work smart, and enhance value to the community.

Another example is the effort to consolidate the Melvindale fire operation into the Dearborn department. The opportunity provides financial benefits to both communities with enhanced service. This initiative was finalized and operationally executed in August 2013.

The financially favorable impact of the two items above is not included in the fiscal year 2014 budget as the political decision making process is pending. Both, if approved, will provide very favorable results to the bottom line in either large one-time influxes of income and also in annual ongoing income or cost efficiencies.

It is very important that initiatives similar to the above be pursued and in addition that the public safety operations provide new sources of income and reduce costs.

Fiscal Year 2014 Budgetary Assumptions:

Taxable Value decline for fiscal year 2014 is under 1% and real property values are projected to have modest growth in the coming years.

Tax Rates and Water/Sewer Rates

Description	Fiscal Year 2012-2013	Fiscal Year 2013-2014	Difference
Tax Millage Rate:			
City Operating	18.50	18.50	n/a
Garbage & Rubbish	1.94	1.91	(.03)
Library	1.00	1.00	n/a
Debt Service	5.42	4.49	(.93)
Total Millage Rate	26.86	25.90	(.96)
Water Rate	\$18.80	\$20.00	\$1.20
Sewer Rate	\$34.50	\$36.50	\$2.00

The supplemental 3.5 mill operating millage and the one mill library millage were both approved by voters in November 2011. Fiscal year 2014 is the second year of the 5 year sunset of the supplemental operating millage. The library millage has a 10 year duration. The garbage and debt millages are adjusted to cover costs and offset the continued declining property values. The voted debt millage for the Community Center expired in fiscal year 2013 with the final debt payments. The voted debt millage for the CSO is a federally mandated (unfunded) clean water

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

City of Dearborn, Michigan

Management's Discussion & Analysis June 30, 2013

compliance initiative which placed a significant long-term financial burden on the community. The debt millage is exclusively for the CSO at this time.

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 adding to operating costs.

Interest income is calculated on banking and investment funds, which earn varying interest rates. The aggregate estimated average annual pool of funds balance of \$179,025,000 derives an estimated average interest rate of:

- o 2013-2014 .27%
- o 2014-2015 .31%
- o 2015-2016 .37%

Working capital reductions and actual interest rates will impact performance.

Employee compensation rates are based on the current or most recent labor contracts. As covered previously all the labor contracts are predominantly settled. In addition to all the mentioned concessions, pay rates are frozen at 0% pay rate adjustment for the coming years.

Health care costs were covered previously as well and to reiterate all employees are cost sharing for at least 20% of the health care premium consistent with Public Act 152 of 2011. In addition, the costly Blue Care Network (BCN) program has been removed from all labor contracts and phased out effective July 1, 2013.

Pension (Chapter 22 & 23 closed defined benefit programs) 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 the UAL has been reviewed by Gabriel, Roeder, Smith & Company, 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. As reported in the last audit, results have exceeded the actuarial required contribution which is reported as finding, but is a favorable result.

Funding for fleet replacement (\$1,540,745) and facility reinvestment (\$2,203,676 of which \$1,291,644 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 notes to the financial statements are an integral part of this statement.

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 an obsolete facility and developing a vision for a 21st century integrated mill of the future. Their \$1.7 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 2015. 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. The Michigan Department of Transportation (MDOT) acquired the rail corridor between Dearborn and Kalamazoo in December of 2012 and upgrades to the service capability to 110 miles per hour (mph), travel between Detroit/Dearborn and Chicago are underway. The service improvements to the corridor will offer 110 mph service between Detroit and Chicago, bringing the travel time to 4 hours or less. The new Dearborn station should be operational in 2014, with higher speed service occurring in 2015. 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 525 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 notes to the financial statements are an integral part of this statement.

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.

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. Fortunately, U.S. economic conditions and local businesses and economy have or are showing favorable signs of recovery. Within a one block radius in a mature neighborhood there are eight homes with major renovation or the brand new construction of large multi-story 3,500 square foot plus homes replacing ranch style housing stock. While this is not representative of the entire community, it is clear that there is demand for Dearborn property and the willingness to pay for lots, demolish the home, and rebuild new.

The State's business property taxation changes, retiree legacy liabilities, and health care cost inflation will continue to be challenges and concerns. While the efforts to date have produced cost savings up to \$20 million annually and cumulatively approaching \$100 million, the challenge will likely force the consideration of alternative taxation models in combination with the ongoing efforts to gain efficiencies and cut costs.

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 FY2014 estimated Gas & Weight Tax revenue budget for both funds combined increased \$360,000 from FY2013. 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 FY2014. The fund is able to operate at a self-sufficient level due in part to the non-operating revenues from oil royalties. The land lease of the 27-hole golf course has terminated and the operation of Mystic Creek is now a financially favorable component of the operation. New Amish-style rustic cabins were operational last year with high demand. A consultant has evaluated the entire operation and proposals are under consideration for further modification to the park.

The voter-authorized one mill is producing \$3.2 million of income for the Library Fund. The General Fund is budgeted to contribute \$1.8 million per year to supplement the millage.

The grant revenue from the Community Development Block Grant Fund is projected to be \$1,850,000 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.

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. Special Assessment District costs are not being billed and the parking systems require contributions from the General Fund in the amount of \$545,000. The \$12.7 million 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 working capital and equity of the fund are both financially healthy.

Golf Course

The operation has struggled due to the poor economic conditions and state of the golf market. The General Fund is contributing \$240,000 to support the debt payments which will be paid off in 2017. The food service component of the club house operation has been outsourced.

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 2013-2014 is 4.49 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.

The Sewer budget includes operation and maintenance expenses of Caissons (Facilities), which capture water overflow, screen and add chemicals before discharging into the Rouge River. Facilities located at Prospect, Military, Outer Drive and a pump house on Greenfield Rd. became operational during staggered timing in FY2011 and FY2012. Rainy seasons affect annual overflow driving costs up. 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 19 years. Annual contribution rates are set to a little more than pay-as-you-go and the unfunded accrued liability budgeted as lump-sum amounts charged to each department based on historical staffing levels. Health care cost increases can be more than twice the rate of general inflation. This presents an unsustainable financial model that 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 Position June 30, 2013

	Primary Government			Component Units (See page 37)
	Governmental Activities	Business-type Activities	Total	
Assets				
Current assets:				
Cash and cash equivalents (Note 2)	\$ 61,568,708	\$ 76,794,597	\$ 138,363,305	\$ 5,125,655
Accounts receivable (Net)	1,762,848	10,912,018	12,674,866	-
Unbilled accounts receivable	-	4,116,618	4,116,618	-
Property taxes receivable	154,523	52,325	206,848	-
Accrued interest receivable	80,678	106,166	186,844	6,563
Internal balances	226,711	(226,711)	-	-
Due from component units	206	138,801	139,007	-
Due from other governments	10,591,673	2,149,704	12,741,377	-
Prepaid items	1,398,267	27,374	1,425,641	-
Inventories	7,184,432	1,408,067	8,592,499	-
Total current assets	<u>82,968,046</u>	<u>95,478,959</u>	<u>178,447,005</u>	<u>5,132,218</u>
Noncurrent assets:				
Restricted cash and investments	-	7,198,072	7,198,072	104,994
Investments, long-term	2,792,127	2,944,788	5,736,915	138,537
Capital assets, not being depreciated (Note 3)	19,109,107	59,806,666	78,915,773	-
Capital assets, net of depreciation (Note 3)	129,444,471	322,464,455	451,908,926	-
Total noncurrent assets	<u>151,345,705</u>	<u>392,413,981</u>	<u>543,759,686</u>	<u>243,531</u>
Total assets	<u>234,313,751</u>	<u>487,892,940</u>	<u>722,206,691</u>	<u>5,375,749</u>
Liabilities				
Current liabilities:				
Accounts payable	6,284,961	11,528,799	17,813,760	55,601
Accrued interest payable	15,571	1,038,787	1,054,358	-
Accrued liabilities	2,577,506	619,714	3,197,220	3,538
Deposits/refunds payable	695,871	290,351	986,222	-
Due for tax refunds	1,439,852	-	1,439,852	-
Due to other governments	7,277	147,800	155,077	-
Due to primary government	-	-	-	139,007
Deferred revenue	-	27,331	27,331	-
Current portion of long-term debt (Note 4)	1,612,566	14,324,408	15,936,974	190,719
Claims payable	49,505	-	49,505	-
Total current liabilities	<u>12,683,109</u>	<u>27,977,190</u>	<u>40,660,299</u>	<u>388,865</u>
Noncurrent liabilities:				
Current portion of long term debt payable with restricted assets (Note 4)	-	806,057	806,057	-
Accrued interest payable with restricted assets	-	79,778	79,778	-
Claims payable	1,424,944	-	1,424,944	-
Other liabilities - Other postemployment benefits (Note 7)	12,549,643	-	12,549,643	-
Long-term debt, net of current portion (Note 4)	6,188,687	200,515,820	206,704,507	10,878,499
Total noncurrent liabilities	<u>20,163,274</u>	<u>201,401,655</u>	<u>221,564,929</u>	<u>10,878,499</u>
Total liabilities	<u>32,846,383</u>	<u>229,378,845</u>	<u>262,225,228</u>	<u>11,267,364</u>
Net Position				
Net investment in capital assets	145,372,597	167,961,227	313,333,824	-
Restricted for:				
Capital projects	-	5,189,520	5,189,520	-
Debt service	207,390	7,903,491	8,110,881	-
Road construction, preservation, maintenance	10,662,049	-	10,662,049	-
Law enforcement activities	2,258,710	-	2,258,710	-
Historical museum activities	887,595	-	887,595	-
Community development	833,623	-	833,623	-
Unrestricted	41,245,404	77,459,857	118,705,261	(5,891,615)
Total net position	<u>\$ 201,467,368</u>	<u>\$ 258,514,095</u>	<u>\$ 459,981,463</u>	<u>\$ (5,891,615)</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	\$ 13,049,241	\$ 4,109,909	\$ 397,402	\$ 32,139
Public safety	52,835,042	7,681,405	1,199,105	776,188
Public works	19,718,230	228,766	6,613,050	2,817,996
Health and welfare	1,270	2,151	-	-
Recreation and culture	20,761,965	6,154,944	1,381,066	120,384
Community improvement	2,966,945	6,063	1,422,065	7,806,193
Interest on long-term debt	188,610	-	-	-
Total governmental activities	<u>109,521,303</u>	<u>18,183,238</u>	<u>11,012,688</u>	<u>11,552,900</u>
Business-type activities:				
Housing	2,495,464	2,547,145	-	-
Golf Course	1,060,839	773,775	-	-
Parking	2,032,506	1,586,944	-	513,428
Sewer	35,166,346	29,703,949	-	34,419
Water	16,084,791	19,304,119	-	2,722,855
Total business-type activities	<u>56,839,946</u>	<u>53,915,932</u>	<u>-</u>	<u>3,270,702</u>
Total primary government	<u>\$ 166,361,249</u>	<u>\$ 72,099,170</u>	<u>\$ 11,012,688</u>	<u>\$ 14,823,602</u>
Component units:				
West Dearborn Downtown Development Authority	\$ 661,959	\$ -	\$ -	\$ -
East Dearborn Downtown Development Authority	1,020,330	-	-	-
Brownfield Redevelopment Authority	3,432,342	-	-	-
Economic Development Corporation	2,525	-	-	-
Total component units	<u>\$ 5,117,156</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 position
Net position - beginning
Net position - ending

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

Government Wide Statement of Activities
Year Ended June 30, 2013

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (8,509,791)	\$ -	\$ (8,509,791)	\$ -
(43,178,344)	-	(43,178,344)	-
(10,058,418)	-	(10,058,418)	-
881	-	881	-
(13,105,571)	-	(13,105,571)	-
6,267,376	-	6,267,376	-
(188,610)	-	(188,610)	-
<u>(68,772,477)</u>	<u>-</u>	<u>(68,772,477)</u>	<u>-</u>
-	51,681	51,681	-
-	(287,064)	(287,064)	-
-	67,866	67,866	-
-	(5,427,978)	(5,427,978)	-
-	5,942,183	5,942,183	-
<u>-</u>	<u>346,688</u>	<u>346,688</u>	<u>-</u>
<u>(68,772,477)</u>	<u>346,688</u>	<u>(68,425,789)</u>	<u>-</u>
-	-	-	(661,959)
-	-	-	(1,020,330)
-	-	-	(3,432,342)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,525)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,117,156)</u>
77,177,876	16,398,838	93,576,714	5,004,678
8,670,195	-	8,670,195	-
93,240	124,935	218,175	7,640
-	(6,644)	(6,644)	-
458,812	1,125,983	1,584,795	97,274
(915,438)	915,438	-	-
<u>85,484,685</u>	<u>18,558,550</u>	<u>104,043,235</u>	<u>5,109,592</u>
16,712,208	18,905,238	35,617,446	(7,564)
184,755,160	239,608,857	424,364,017	(5,884,051)
<u>\$ 201,467,368</u>	<u>\$ 258,514,095</u>	<u>\$ 459,981,463</u>	<u>\$ (5,891,615)</u>

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

City of Dearborn, Michigan

Balance Sheet Governmental Funds June 30, 2013

	General	Capital Projects	Other Governmental Funds (See page 103)	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 17,021,985	\$ 4,464,346	\$ 17,331,587	\$ 38,817,918
Accounts Receivable (Net)	1,125,342	86,699	420,397	1,632,438
Property taxes receivable	144,936	-	9,587	154,523
Accrued interest receivable	25,178	5,785	20,328	51,291
Due from other funds	639,607	-	64,887	704,494
Due from component units	206	-	-	206
Due from other governments	5,293,788	3,521,205	1,776,680	10,591,673
Prepaid items	8,640	-	-	8,640
Inventories	226,292	5,857,647	882,794	6,966,733
Investments, long-term	1,085,402	175,837	637,607	1,898,846
Total assets	<u>\$ 25,571,376</u>	<u>\$ 14,111,519</u>	<u>\$ 21,143,867</u>	<u>\$ 60,826,762</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 1,627,535	\$ 1,051,924	\$ 1,171,417	\$ 3,850,876
Accrued liabilities	2,297,713	-	235,858	2,533,571
Deposits/refunds payable	156,516	7,106	532,249	695,871
Due for tax appeals	-	-	54,370	54,370
Due to other governments	194	-	7,083	7,277
Due to other funds	1,433,018	-	439,122	1,872,140
Debt obligations	-	-	29,581	29,581
Deferred revenue	858,842	-	108,539	967,381
Claims payable	-	-	45,855	45,855
Total liabilities	<u>6,373,818</u>	<u>1,059,030</u>	<u>2,624,074</u>	<u>10,056,922</u>
Fund balances:				
Nonspendable:				
Inventories	226,292	5,857,647	882,794	6,966,733
Prepaid expense	8,640	-	-	8,640
Restricted for:				
Law enforcement activities	-	-	2,258,710	2,258,710
Road construction, preservation, maintenance	-	-	10,662,049	10,662,049
Debt service	-	-	207,390	207,390
Historical museum activities	-	-	887,595	887,595
Committed for:				
Engineering services	-	-	97,338	97,338
Camp Dearborn	-	-	595,202	595,202
Telecommunications	-	-	2,078,319	2,078,319
Designated Purposes	-	-	399,713	399,713
Assigned for:				
Capital projects	-	7,194,842	-	7,194,842
Library	-	-	450,683	450,683
Unassigned	18,962,626	-	-	18,962,626
Total fund balances	<u>19,197,558</u>	<u>13,052,489</u>	<u>18,519,793</u>	<u>50,769,840</u>
Total liabilities and fund balances	<u>\$ 25,571,376</u>	<u>\$ 14,111,519</u>	<u>\$ 21,143,867</u>	<u>\$ 60,826,762</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 Position June 30, 2013

Total fund balance for governmental funds		\$ 50,769,840
Amounts reported for governmental activities in the statement of net position 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	\$ 17,650,292	
Cost of assets, depreciated	135,023,568	
Accumulated depreciation	<u>(68,046,795)</u>	
Total adjustment due to capital assets		84,627,065
2. Some receivables are expected to be collected over several years and are not available to pay for current year expenditures		1,034,381
3. Other assets used in governmental activities are financial resources and therefore are not reported in the governmental funds - inventory		217,699
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	(14,475)	
Noncurrent liabilities, due in one year	(1,432,650)	
Noncurrent liabilities, due in more than one year	(6,000,721)	
Noncurrent liabilities, other postemployment benefits	<u>(12,549,643)</u>	
Total adjustment due to long-term liabilities		(19,997,489)
5. Internal service funds are included as part of governmental activities		<u>84,815,872</u>
Net position of governmental activities		<u>\$ 201,467,368</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, 2013

	General	Capital Projects	Other Governmental Funds (See page 105)	Total Governmental Funds
Revenues				
Taxes, assessments and penalties on taxes	\$ 72,573,437	\$ -	\$ 5,487,778	\$ 78,061,215
Licenses and permits	2,002,495	-	-	2,002,495
Intergovernmental revenues:				
State sources	9,192,570	21,615	6,669,795	15,883,980
Federal sources	1,684,372	7,408,448	1,894,902	10,987,722
Local sources	663,731	90,000	74,504	828,235
Charges for services	8,101,685	9,626	935,213	9,046,524
Fines and forfeits	3,677,251	-	489,808	4,167,059
Rents and royalties	2,065,982	-	2,540,938	4,606,920
Miscellaneous revenue	646,945	1,087,751	747,815	2,482,511
Private source contributions	-	-	41,023	41,023
Investment income	61,231	10,462	23,364	95,057
Total revenues	100,669,699	8,627,902	18,905,140	128,202,741
Expenditures				
Current				
General government	14,229,424	-	468,311	14,697,735
Public safety	56,318,447	-	384,052	56,702,499
Public works	12,069,043	-	5,551,525	17,620,568
Health and welfare	194	-	-	194
Recreation and culture	11,060,515	-	7,743,434	18,803,949
Community improvement	636,987	-	1,839,728	2,476,715
Utilities	-	-	374,885	374,885
Unrealized loss on land held for resale	-	269,000	182,500	451,500
Capital outlay	34,932	8,594,752	1,726,908	10,356,592
Debt service - principal	-	-	3,450,598	3,450,598
Debt service - interest and fiscal charges	-	-	230,051	230,051
Total expenditures	94,349,542	8,863,752	21,951,992	125,165,286
Revenues Over (Under) Expenditures	6,320,157	(235,850)	(3,046,852)	3,037,455
Other Financing Sources (Uses)				
Transfers in	-	-	7,373,659	7,373,659
Transfers out	(6,928,922)	(175)	(1,360,000)	(8,289,097)
Total other financing sources (uses)	(6,928,922)	(175)	6,013,659	(915,438)
Net Change in Fund Balances	(608,765)	(236,025)	2,966,807	2,122,017
Fund Balances - Beginning of Year	19,806,323	13,288,514	15,552,986	48,647,823
Fund Balances - End of Year	\$ 19,197,558	\$ 13,052,489	\$ 18,519,793	\$ 50,769,840

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, 2013

Net change in fund balance - Total Governmental Funds \$ 2,122,017

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	\$ 12,256,972	
Net book value of assets disposed	(128,170)	
Depreciation	<u>(5,174,077)</u>	
Total excess capital outlay		6,954,725
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.		(630,192)
3. Governmental funds report inventories as expenditures when purchased; however in the statement of activities, the cost of those assets is expensed when used.		(56,464)
4. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position:		
Bonds payable	3,450,598	
Interest payable	<u>41,441</u>	
Total reduction of long-term liabilities		3,492,039
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	744,275	
Other postemployment benefits	<u>751,009</u>	
Total expenses not reported in governmental funds		1,495,284
6. Internal service funds are included as part of governmental activities.		<u>3,334,799</u>
Change in net position of governmental activities		<u>\$ 16,712,208</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	
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,227,398	\$ 58,221,954	\$ 8,347,569	\$ 8,997,676
Accounts receivable (Net)	38,416	4,449,552	6,393,004	31,046
Property taxes receivable	-	52,325	-	-
Unbilled accounts receivable	-	2,659,408	1,457,210	-
Accrued interest receivable	1,722	81,851	10,839	11,754
Due from component units	138,801	-	-	-
Due from other governments	28,832	1,040,689	982,266	97,917
Due from other funds	181	1,235	741	35,069
Prepaid items	-	-	-	27,374
Inventories	794,700	185,960	404,729	22,678
Total current assets	<u>2,230,050</u>	<u>66,692,974</u>	<u>17,596,358</u>	<u>9,223,514</u>
Noncurrent assets:				
Restricted cash and investments:				
Construction and equipment	-	5,189,520	-	-
Debt service	101,528	1,702,056	23,235	181,733
Investments, long-term	52,342	2,208,641	329,477	354,328
Capital assets (Net)	16,457,866	294,709,088	66,433,015	4,671,152
Total noncurrent assets	<u>16,611,736</u>	<u>303,809,305</u>	<u>66,785,727</u>	<u>5,207,213</u>
Total assets	<u>18,841,786</u>	<u>370,502,279</u>	<u>84,382,085</u>	<u>14,430,727</u>
Liabilities				
Current liabilities:				
Accounts payable	78,358	6,780,371	4,577,354	92,716
Accrued interest payable	25,278	1,010,803	-	2,706
Accrued liabilities	5,065	403,440	150,376	60,833
Deposits/refunds payable	-	-	96,090	194,261
Due for tax appeals	-	-	-	-
Due to other governments	-	145,365	-	2,435
Due to other funds	76,660	27,858	45,795	113,624
Deferred revenue	-	-	-	27,331
Current portion of long-term debt	803,693	13,390,903	41,250	88,562
Total current liabilities	<u>989,054</u>	<u>21,758,740</u>	<u>4,910,865</u>	<u>582,468</u>
Noncurrent liabilities:				
Current portion of long term debt payable with restricted assets	101,528	509,046	13,750	181,733
Accrued interest payable with restricted assets	-	75,379	4,399	-
Long-term debt, net of current portion	5,211,107	193,395,992	648,812	729,575
Other liabilities	-	96,216	299,359	134,759
Claims payable	-	-	-	-
Total noncurrent liabilities	<u>5,312,635</u>	<u>194,076,633</u>	<u>966,320</u>	<u>1,046,067</u>
Total liabilities	<u>6,301,689</u>	<u>215,835,373</u>	<u>5,877,185</u>	<u>1,628,535</u>
Net Position				
Net investment in capital assets	10,443,066	87,922,193	65,742,953	3,853,015
Restricted for:				
Construction	-	5,189,520	-	-
Debt service	-	7,903,491	-	-
Unrestricted	2,097,031	53,651,702	12,761,947	8,949,177
Total net position	<u>\$ 12,540,097</u>	<u>\$ 154,666,906</u>	<u>\$ 78,504,900</u>	<u>\$ 12,802,192</u>

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

**Statement of Net Position
Proprietary Funds
June 30, 2013**

<u> </u>	Governmental Activities - Internal Service Funds (See page 121)
<u> Total </u>	
\$ 76,794,597	\$ 22,750,790
10,912,018	130,410
52,325	-
4,116,618	-
106,166	29,387
138,801	-
2,149,704	-
37,226	207
27,374	1,389,627
1,408,067	-
<u>95,742,896</u>	<u>24,300,421</u>
5,189,520	-
2,008,552	-
2,944,788	893,281
<u>382,271,121</u>	<u>63,926,513</u>
<u>392,413,981</u>	<u>64,819,794</u>
<u>488,156,877</u>	<u>89,120,215</u>
11,528,799	890,493
1,038,787	1,096
619,714	102,078
290,351	-
-	1,385,482
147,800	-
263,937	149,442
27,331	67,000
<u>14,324,408</u>	<u>108,750</u>
<u>28,241,127</u>	<u>2,704,341</u>
806,057	-
79,778	-
199,985,486	-
530,334	171,408
-	1,428,594
<u>201,401,655</u>	<u>1,600,002</u>
<u>229,642,782</u>	<u>4,304,343</u>
167,961,227	63,817,763
5,189,520	-
7,903,491	-
<u>77,459,857</u>	<u>20,998,109</u>
<u>\$ 258,514,095</u>	<u>\$ 84,815,872</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 117)
	Parking System Funds	Sewer	Water	
Operating Revenues				
Intergovernmental revenue:				
Local sources	\$ -	\$ -	\$ -	\$ -
Sales	-	21,833,190	12,021,469	309,491
Charges for services	1,241,265	7,096,946	6,514,993	1,101,475
Fines	344,879	-	-	-
Penalties	800	773,813	767,657	-
Rents and royalties	-	-	-	1,909,954
City contributions for insurance premiums	-	-	-	-
Miscellaneous	-	1,019,074	60,837	46,072
Total operating revenues	<u>1,586,944</u>	<u>30,723,023</u>	<u>19,364,956</u>	<u>3,366,992</u>
Operating Expenses				
Personnel services	188,122	1,780,104	4,282,336	1,777,510
Contractual services	537,783	3,574,965	1,084,039	273,492
Insurance and bonds	44,382	131,928	114,163	80,350
Insurance benefits	-	-	-	-
Claims and judgments	-	-	-	-
Utilities	142,419	363,850	13,350	431,936
Repair and maintenance	96,039	640,714	24,426	185,486
Supplies	61,927	145,646	528,421	143,943
Cost of sales	-	15,150,406	8,300,717	64,632
Cost of rentals	22,479	126,483	-	100,602
Depreciation	574,212	6,108,351	1,432,103	453,578
Other	14,955	546,623	286,609	27,245
Total operating expenses	<u>1,682,318</u>	<u>28,569,070</u>	<u>16,066,164</u>	<u>3,538,774</u>
Operating Income (Loss)	(95,374)	2,153,953	3,298,792	(171,782)
Nonoperating Revenues (Expenses)				
Taxes, assessments and penalties	-	16,398,838	-	-
Investment income	2,827	96,032	13,119	12,957
Contributions	-	-	-	-
Gain/(loss) on disposal of assets	-	(2,731)	(3,913)	-
Other interest	(350,188)	(3,874,421)	(18,627)	(17,529)
Total nonoperating revenues (expenses)	<u>(347,361)</u>	<u>12,617,718</u>	<u>(9,421)</u>	<u>(4,572)</u>
Income (Loss) before Capital Contributions & Transfers	(442,735)	14,771,671	3,289,371	(176,354)
Capital contributed from grants, developers & other	513,428	34,419	2,722,855	-
Capital assets transferred	-	(2,722,855)	-	-
Total capital contributions and transfers	<u>513,428</u>	<u>(2,688,436)</u>	<u>2,722,855</u>	<u>-</u>
Income (Loss) before Transfers	70,693	12,083,235	6,012,226	(176,354)
Transfers				
Transfers in	685,438	-	-	230,000
Transfers out	-	-	-	-
Net transfers	<u>685,438</u>	<u>-</u>	<u>-</u>	<u>230,000</u>
Income (Loss)	756,131	12,083,235	6,012,226	53,646
Net Position - Beginning of Year	11,783,966	142,583,671	72,492,674	12,748,546
Net Position - End of Year	<u>\$12,540,097</u>	<u>\$154,666,906</u>	<u>\$78,504,900</u>	<u>\$12,802,192</u>

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

City of Dearborn, Michigan

	<u>Parking System Funds</u>
Cash Flows from Operating Activities	
Receipts from customers	\$ 1,495,120
Payments to suppliers	(884,406)
Payments to employees	(188,122)
Internal activity	(62,442)
Claims paid	-
Other receipts	-
Other payments	(14,956)
Net cash provided (used) by operating activities	<u>345,194</u>
Cash Flows from Noncapital Financing Activities	
Transfers in	685,438
Transfers out	-
Net cash provided (used) by noncapital financing activities	<u>685,438</u>
Cash Flows from Capital and Related Financing Activities	
Taxes, assessments & penalties on taxes	-
Grants and contributions received	513,428
Proceeds on the issuance of long term debt	-
Prepaid interest on debt	-
Principal paid on debt	(865,221)
Acquisition and construction of capital assets	(113,865)
Interest paid on debt	(353,558)
Net cash provided (used) by capital and related financing activities	<u>(819,216)</u>
Cash Flows from Investing Activities	
Net sale (purchase) of investments	7,198
Investment income	3,607
Net cash provided (used) by investing activities	<u>10,805</u>
Net Increase (Decrease) in Cash and Cash Equivalents	222,221
Cash and Cash Equivalents - Beginning of Year	1,106,705
Cash and Cash Equivalents - End of Year	<u>\$ 1,328,926</u>
Cash and Cash Equivalents - Unrestricted	\$ 1,227,398
Cash and Cash Equivalents - Restricted	101,528
Cash and Cash Equivalents - End of Year	<u>\$ 1,328,926</u>

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

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

Business-type Activities Enterprise Funds		Other Enterprise Funds (See page 118)	Total	Governmental Activities - Internal Service Funds (See page 125)
Sewer	Water			
\$ 25,480,000	\$ 21,750,444	\$ 3,278,019	\$ 52,003,583	\$ 31,726,241
(18,813,857)	(8,905,161)	(1,270,915)	(29,874,339)	(7,854,652)
(1,770,680)	(4,279,096)	(1,770,057)	(8,007,955)	-
5,083	(6,367)	65,105	1,379	1,889,377
-	-	-	-	(18,815,466)
-	-	46,072	46,072	2,017,330
(546,623)	(286,609)	(27,245)	(875,433)	(194,390)
<u>4,353,923</u>	<u>8,273,211</u>	<u>320,979</u>	<u>13,293,307</u>	<u>8,768,440</u>
-	-	230,000	915,438	-
-	-	-	-	-
-	-	<u>230,000</u>	<u>915,438</u>	-
16,398,838	-	-	16,398,838	-
34,419	-	-	547,847	-
4,998,668	-	-	4,998,668	-
-	-	-	-	(8,329)
(13,614,949)	(55,000)	(261,020)	(14,796,190)	(105,019)
(8,673,967)	(3,985,060)	(97,374)	(12,870,266)	(5,152,402)
(3,919,282)	(18,971)	(18,934)	(4,310,745)	-
<u>(4,776,273)</u>	<u>(4,059,031)</u>	<u>(377,328)</u>	<u>(10,031,848)</u>	<u>(5,265,750)</u>
744,696	(99,405)	111,090	763,579	131,008
155,271	11,953	21,237	192,068	43,402
<u>899,967</u>	<u>(87,452)</u>	<u>132,327</u>	<u>955,647</u>	<u>174,410</u>
477,617	4,126,728	305,978	5,132,544	3,677,100
64,635,913	4,244,076	8,873,431	78,860,125	19,073,690
<u>\$ 65,113,530</u>	<u>\$ 8,370,804</u>	<u>\$ 9,179,409</u>	<u>\$ 83,992,669</u>	<u>\$ 22,750,790</u>
\$ 58,221,954	\$ 8,347,569	\$ 8,997,676	\$ 76,794,597	\$ 22,750,790
6,891,576	23,235	181,733	7,198,072	-
<u>\$ 65,113,530</u>	<u>\$ 8,370,804</u>	<u>\$ 9,179,409</u>	<u>\$ 83,992,669</u>	<u>\$ 22,750,790</u>

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

City of Dearborn, Michigan

	<u>Parking System Funds</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (95,374)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	574,212
Change in assets and liabilities:	
Accounts receivable	(4,073)
Due from other funds	(138,982)
Due from other governments	(28,832)
Prepaid items	-
Inventories	-
Accounts payable	21,333
Accrued liabilities	(710)
Customer deposits	-
Accrued vacation and sick leave	-
Due to other funds	76,540
Due to other governments	-
Claims payable	-
Deferred revenue	(58,920)
Net cash provided (used) by operating activities	<u>\$ 345,194</u>

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

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

Business-type Activities Enterprise Funds		Other Enterprise Funds (See page 119)	Total	Governmental Activities - Internal Service Funds (See page 127)
Sewer	Water			
\$ 2,153,953	\$ 3,298,792	\$ (171,782)	\$ 5,185,589	\$ 3,325,937
6,108,351	1,432,103	453,578	8,568,244	3,636,618
(4,250,971)	3,281,656	(26,737)	(1,000,125)	(21,859)
(1,235)	(741)	(35,000)	(175,958)	1,788,432
(992,052)	(982,266)	(13,012)	(2,016,162)	-
-	-	-	-	1,030,291
-	30,831	5,026	35,857	-
1,692,080	1,115,898	39,010	2,868,321	232,443
(243,460)	13,226	2,685	(228,259)	(86,127)
-	86,098	18,971	105,069	-
9,424	3,240	7,453	20,117	-
6,318	(5,626)	100,105	177,337	100,945
(128,485)	-	(37,195)	(165,680)	(799,802)
-	-	-	-	(438,438)
-	-	(22,123)	(81,043)	-
<u>\$ 4,353,923</u>	<u>\$ 8,273,211</u>	<u>\$ 320,979</u>	<u>\$ 13,293,307</u>	<u>\$ 8,768,440</u>

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

City of Dearborn, Michigan

Statement of Net Position Fiduciary Funds June 30, 2013

	Pension & Other Employee Benefits	Agency Funds
	<u> </u>	<u> </u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,271,899	\$ 5,264,432
Investments - short-term	18,815,871	-
Accounts receivable (Net)	-	276,747
Accrued interest receivable	659,016	-
Other	1,286,133	-
Due from other funds	1,544,396	-
Due from other governments	-	7,832
Total current assets	<u>25,577,315</u>	<u>5,549,011</u>
Noncurrent assets - investments:		
Long-term bonds	20,171,746	-
Fixed income mutual funds	142,489,363	-
Common stock	139,202,171	-
Collateral pledged on securities loaned - money market mutual funds	1,105	-
Real estate properties	18,602,888	-
Commingled and mutual funds	129,887,818	-
Total noncurrent assets	<u>450,355,091</u>	<u>-</u>
Total assets	<u>475,932,406</u>	<u>\$ 5,549,011</u>
Liabilities		
Accounts payable	408,122	\$ 543,513
Payroll deductions payable	-	70,323
Deposits/refunds payable	-	4,067,754
Due to other governments	-	842,340
Due to other funds	804	-
Amounts due to broker under securities lending agreement	1,105	-
Other liabilities	8,168,705	25,081
Total liabilities	<u>8,578,736</u>	<u>\$ 5,549,011</u>
Net Position		
Held in trust for pension benefits and other employee benefits	<u>\$ 467,353,670</u>	

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

City of Dearborn, Michigan

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

	<u>Pension & Other Employee Benefits</u>
Additions	
Investment income:	
Interest and dividends	\$ 10,121,057
Net increase/(decrease) in value of investments	30,058,799
Investment/administrative expenses	<u>(1,825,680)</u>
Net investment income	<u>38,354,176</u>
Contributions:	
Employer	25,802,073
Employee	1,086,128
Reimbursements	345,601
Total contributions	<u>27,233,802</u>
Total additions	65,587,978
Deductions	
Benefit payments	41,510,514
Refunds of contributions	935,824
Total deductions	<u>42,446,338</u>
Change in Net Position	23,141,640
Net Position - Beginning of Year	444,212,030
Net Position - End of Year	<u><u>\$ 467,353,670</u></u>

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

City of Dearborn, Michigan

	West Dearborn Downtown Development Authority	East Dearborn Downtown Development Authority	Brownfield Redevelopment Authority
Assets			
Cash and cash equivalents	\$ 944,259	\$ 2,273,922	\$ 1,608,144
Accrued interest receivable	1,224	2,946	2,005
Investments - long-term	37,191	89,563	-
Restricted cash and investments	-	-	104,994
Total assets	<u>982,674</u>	<u>2,366,431</u>	<u>1,715,143</u>
Liabilities			
Accounts payable	13,228	42,373	-
Due to primary government	139,007	-	-
Accrued liabilities	237	3,301	-
Current portion of long-term debt	-	-	190,719
Noncurrent liabilities:			
Other liabilities	-	574	736,138
Bonds payable	-	-	10,141,787
Total liabilities	<u>152,472</u>	<u>46,248</u>	<u>11,068,644</u>
Net Position - Unrestricted	<u>\$ 830,202</u>	<u>\$ 2,320,183</u>	<u>\$ (9,353,501) (1)</u>

(1) See Note 15

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

**Statement of Net Position
Component Units
June 30, 2013**

Economic Development Corporation	Total
\$ 299,330	\$ 5,125,655
388	6,563
11,783	138,537
-	104,994
<u>311,501</u>	<u>5,375,749</u>
-	55,601
-	139,007
-	3,538
-	190,719
-	736,712
-	10,141,787
<u>-</u>	<u>11,267,364</u>
<u>\$ 311,501</u>	<u>\$ (5,891,615)</u>

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

City of Dearborn, Michigan

	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
West Dearborn Development Authority - Community improvement	\$ 661,959	\$ -	\$ -
East Dearborn Development Authority - Community improvement	1,020,330	-	-
Brownfield Redevelopment Authority - Community improvement	3,432,342	-	-
Economic Development Corporation - Community improvement	2,525	-	-
Total component units	<u>\$ 5,117,156</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

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

Net (Expense) Revenue and Changes in Net Position				
West Dearborn Downtown Development Authority	East Dearborn Downtown Development Authority	Brownfield Redevelopment Authority	Economic Development Corporation	Total
\$ (661,959)	\$ -	\$ -	\$ -	\$ (661,959)
-	(1,020,330)	-	-	(1,020,330)
-	-	(3,432,342)	-	(3,432,342)
-	-	-	(2,525)	(2,525)
<u>(661,959)</u>	<u>(1,020,330)</u>	<u>(3,432,342)</u>	<u>(2,525)</u>	<u>(5,117,156)</u>
601,168	775,771	3,627,739	-	5,004,678
1,355	3,977	1,870	438	7,640
19,716	3,500	74,058	-	97,274
<u>622,239</u>	<u>783,248</u>	<u>3,703,667</u>	<u>438</u>	<u>5,109,592</u>
(39,720)	(237,082)	271,325	(2,087)	(7,564)
869,922	2,557,265	(9,624,826)	313,588	(5,884,051)
<u>\$ 830,202</u>	<u>\$ 2,320,183</u>	<u>\$ (9,353,501)</u>	<u>\$ 311,501</u>	<u>\$ (5,891,615)</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. 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. The Primary government shares in the financial relationship, imposes its will, and appoints the voting majority of all component units' boards.

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 Position, 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 position is reported in three parts—net investment in capital assets; restricted net position; and unrestricted net position.

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 (public safety, public works, etc.) and business-type activities. 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 position 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 position, 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 position and changes in net position 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, 2013 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	\$ 5,293,788	\$ 3,521,205	\$ 1,776,680	\$ 10,591,673
Accounts	<u>1,125,342</u>	<u>86,699</u>	<u>420,397</u>	<u>1,632,438</u>
Net receivables	<u>\$ 6,419,130</u>	<u>\$ 3,607,904</u>	<u>\$ 2,197,077</u>	<u>\$ 12,224,111</u>

Revenues are reported net of uncollectible amounts. The amount in the allowance for uncollectibles in the General fund at June 30, 2013 is \$647,000 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	\$ 159,637
SMART	697,497
Other	<u>110,247</u>
Total deferred revenue	<u>\$ 967,381</u>

The unbilled accounts receivable in the Enterprise funds were for unbilled consumption of water and sewer as of June 30, 2013.

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 \$5.9 million, the Community Development fund has approximately \$0.8 million and the Parking System funds have \$0.8 million invested in land inventory at June 30, 2013.

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 | 3-20 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 2012 levy that financed operations for the fiscal year ended June 30, 2013 had a taxable value of \$3,668,862,927. In November 2011, voters authorized a five-year sunset 3.5 mills operating millage and a 1.0 mill library millage. The City millage for the fiscal year ended June 30, 2013 was 26.86 mills, consisting of 15.00 mills operating, 3.50 mills for voted operations, 1.00 mills for library, 1.94 mills for garbage and rubbish and 5.42 mills for debt service. The City was legally empowered, by Section 13.2 of the City Charter and P.A. 298 maximum limit of 20.5 mills for each fiscal year. The rollbacks required by Michigan law are of maximum limit of 20.5 mills for each fiscal year. The rollbacks required by Michigan law are 1917, as amended, for 23.5 mills of authorization with an annual maximum limit of 20.5 mills for each fiscal year. The rollbacks required by Michigan law are applied to the authorized 23.5 mills. The maximum potential millage for the fiscal year ended June 30, 2013 was 23.2254 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

Note 1 – Summary of Significant Accounting Policies (Continued)

taxes and associated penalties not collected within 60 days of fiscal year end are recorded as deferred revenue.

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.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is employed as an extension of the formal budgetary control in the General, Special Revenue and Capital Projects funds. Grant revenues will be recognized in future periods when these encumbrances are expended. The amount of encumbrances outstanding at year-end is as follows:

Fund	Amount
General	\$ 364,503
Capital Projects	12,786,143
Non major governmental funds	7,502,640
	<u>\$ 20,653,286</u>

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.

Note 1 – Summary of Significant Accounting Policies (Continued)

Use of Estimates

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

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.

Accounting and Reporting Change

During the year, the City adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. 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 measures of net position, formerly net assets. The 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. Since the City has no deferred outflows or inflows until adoption

Note 1 – Summary of Significant Accounting Policies (Continued)

of GASB No. 65 (see Note 17), the only impact of the adoption of GASB No. 63 on the City is a change in terminology from “net assets” to “net position.”

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.

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 had no credit risk to borrowers because the aggregate amount the System owes the borrowers is more 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, 2013 were \$7,891 and \$1,105, 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

Note 2 –Deposits and Investments (Continued)

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 as follows:

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 \$3,635,752 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments

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

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	\$2,000,760	.11 years
U.S. Government Obligations	59,702,105	.60 years
<u>Fiduciary Investment Types</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Corporate Bonds	\$12,290,949	11.16 years
Federal Agency/Instrumentality	3,664,324	24.66 years
U.S. Government Obligations	3,931,826	10.65 years
Municipal Bonds	441,780	19.82 years
Fixed Income Mutual Funds	142,489,361	*

Note 2 –Deposits and Investments (Continued)

* The weighted average maturity for \$142,489,361 of Fixed Income Mutual Funds is not known based on the information available to the City as of June 30, 2013.

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	\$57,450	N/R	
Bank Investment Pool	55,434,138	N/R	
Federal Agency/Instrumentality	2,000,760	AA+	S & P
<u>Fiduciary Investment Types</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Bank Investment Pool	\$17,904,871	N/R	
Bank Investment Pool J Funds	1,602,438	N/R	
Securities Lending Short-term Collateral Investment Pool	1,105	N/R	
Corporate Bonds	1,263,375	AAA	S & P
Corporate Bonds	582,381	AA+	S & P
Corporate Bonds	1,256,400	AA	S & P
Corporate Bonds	650,331	AA-	S & P
Corporate Bonds	2,125,173	A+	S & P
Corporate Bonds	1,604,195	A	S & P
Corporate Bonds	2,291,830	A-	S & P
Corporate Bonds	117,008	BBB-	S & P
Corporate Bonds	2,400,257	N/R	
Federal Agency/Instrumentality	3,664,324	N/R	
Municipal Bonds	299,827	AA	S & P
Municipal Bonds	141,953	AA+	S & P
Fixed Income Mutual Funds	142,489,361	*	

* The credit quality ratings for \$142,489,361 of Fixed Income Mutual Funds are not known based on the information available to the City as of June 30, 2013.

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, 2013, the City had more than 5% of its investments in the following:

Fiduciary Funds

Comerica Foreign Equity Fund	8.18%
Global Balanced Asset Allocation	7.52%
PIMCO Total Return FD INSTL	11.71%

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 \$2,188,842 had a weighted average maturity in years of .53. The component units did not have a concentration of credit risk.

Note 3 – Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

Governmental Activities

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Assets not being depreciated:					
Land	\$ 6,250,344	\$ 1,705,000	\$ (35,804)	\$ -	\$ 7,919,540
Right of Ways	37,818	-	-	-	37,818
Construction in progress	4,472,867	8,477,954	(85,424)	(1,713,648)	11,151,749
Total capital assets not being depreciated	10,761,029	10,182,954	(121,228)	(1,713,648)	19,109,107
Other capital assets:					
Building & improvements	114,886,835	2,317,270	-	1,224,393	118,428,498
Equipment	37,243,674	2,118,685	(668,610)	489,255	39,183,004
Infrastructure assets	95,649,441	2,790,466	-	-	98,439,907
Subtotal	247,779,950	7,226,421	(668,610)	1,713,648	256,051,409
Accumulated depreciation:					
Building & improvements	50,811,804	2,657,262	-	-	53,469,066
Equipment	28,401,975	2,529,645	(648,565)	-	30,283,055
Infrastructure assets	39,231,029	3,623,788	-	-	42,854,817
Subtotal	118,444,808	8,810,695	(648,565)	-	126,606,938
Net other capital assets	129,335,142	(1,584,274)	(20,045)	1,713,648	129,444,471
Net capital assets	\$ 140,096,171	\$ 8,598,680	\$ (141,273)	\$ -	\$ 148,553,578

Depreciation was charged to functions as follows:

Governmental activities:	
General government	\$ 571,278
Public Safety	1,843,846
Public Works	4,386,980
Health & welfare	611
Recreation & culture	2,006,248
Community improvement	1,732
Total governmental activities depreciation expense	\$ 8,810,695

City of Dearborn, Michigan

Notes to Financial Statements June 30, 2013

Note 3 – Capital Assets (Continued)

Business-type Activities

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Assets not being depreciated:					
Land	\$ 5,821,324	\$ 107,938	\$ -	\$ -	\$ 5,929,262
Construction in progress	53,244,976	12,149,179	-	(11,516,751)	53,877,404
Total capital assets not being depreciated	59,066,300	12,257,117	-	(11,516,751)	59,806,666
Other capital assets:					
Land improvements	20,655,674	-	-	-	20,655,674
Buildings	30,810,324	-	-	-	30,810,324
Equipment	44,145,612	613,149	(479,504)	-	44,279,257
Water system	94,782,432	-	(9,951)	3,117,797	97,890,278
Sewer system	220,475,057	-	(14,898)	8,398,954	228,859,113
Subtotal	410,869,099	613,149	(504,353)	11,516,751	422,494,646
Accumulated depreciation:					
Land improvements	6,737,604	681,857	-	-	7,419,461
Buildings	11,636,284	760,255	-	-	12,396,539
Equipment	4,927,567	2,898,833	(476,812)	-	7,349,588
Water system	40,132,036	1,348,753	(8,286)	-	41,472,503
Sewer system	28,526,165	2,878,546	(12,611)	-	31,392,100
Subtotal	91,959,656	8,568,244	(497,709)	-	100,030,191
Net other capital assets	318,909,443	(7,955,095)	(6,644)	11,516,751	322,464,455
Net capital assets	\$ 377,975,743	\$ 4,302,022	\$ (6,644)	\$ -	\$ 382,271,121

Depreciation was charged to functions as follows:

Business-type activities:	
Parking System	\$ 574,212
Housing	232,293
Golf Course	221,285
Sewer	6,108,351
Water	1,432,103
Total business activities depreciation expense	\$ 8,568,244

Note 4 – Long-term Debt

Outstanding Debt

The following is a summary of the debt outstanding of the City as of June 30, 2013:

	Principal Outstanding	
	Governmental Activities	Business-type Activities
2004 General Obligation Limited Tax Refunding Bonds, 2.00% to 4.00%, dated April 23, 2004	\$ 2,424,837	\$ -
2008 General Obligation Limited Tax Refunding Bonds, 3.25% to 3.75%, dated February 7, 2008	756,144	
2004 Capital Improvement General Obligation Limited Tax Bonds, Series A (Non-taxable), 2.75% to 4.55%, dated June 24, 2004		3,681,525
2004 Capital Improvement General Obligation Limited Tax Bonds, Series B (Taxable), 5.90% to 6.00%, dated June 24, 2004		496,289
2006 General Obligation Limited Tax Refunding Bonds, (Taxable), 5.50% to 5.80%, dated April 25, 2006		1,938,514
2008 General Obligation Limited Tax Refunding Bonds, 3.25% to 3.75% dated February 7, 2008		999,870
Sewage Disposal System Revenue Bonds, 2.00%, dated September 29, 1994		365,000
Sewage Disposal System Revenue Refunding Bonds, 2.00% to 4.00%, dated February 17, 2004		5,115,899
Sewage Disposal System Revenue Bonds, 2.25%, dated September 28, 1995		30,000
Sewage Disposal System Revenue Bonds, 2.50%, dated March 28, 2002		3,370,000

Note 4 – Long-term Debt (Continued)

Outstanding Debt

The following is a summary of the debt outstanding of the City as of June 30, 2013:

	Principal Outstanding	
	Governmental Activities	Business-type Activities
2004 Sewage Disposal System General Obligation Unlimited Tax Bonds, 3.00% to 5.00%, dated October 1, 2004	\$ -	\$ 20,218,051
2004 Sewage Disposal System General Obligation Unlimited Tax Bonds, 2.125%, dated September 23, 2004		28,244,705
2005 Sewage Disposal System General Obligation Unlimited Tax Bonds, 1.625% dated September 12, 2005		48,410,820
2006 Sewage Disposal System General Obligation Unlimited Tax Bonds, 1.625%, dated June 22, 2006		5,232,942
2007 Sewage Disposal System General Obligation Unlimited Tax Bonds, 1.625% dated September 20, 2007		86,415,000
2009 Sewage Disposal System General Obligation Unlimited Tax Bonds, 2.50% dated September 28, 2009		5,225,000
2012 Sewage Disposal System General Obligation Unlimited Tax Bonds, 2.50% dated June 26, 2012		4,668,524
2009 Water Supply System Revenue Bonds, 2.50% dated September 28, 2009		703,812
Subtotal	3,180,981	215,115,951
Accumulated sick, vacation and PTO benefits	4,620,271	530,334
Total	<u>\$ 7,801,252</u>	<u>\$ 215,646,285</u>

City of Dearborn, Michigan

Notes to Financial Statements June 30, 2013

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, 2013 the City's general obligation debt margin amounted to approximately \$166,000,000.

Changes in Long-term Debt

The following is a summary of long-term debt transactions of the City for the year ended June 30, 2013:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Bonds & notes payable - General obligation bonds	\$ 6,765,244	\$ -	\$ (3,584,263)	\$ 3,180,981	\$ 1,554,423
Other liabilities - Compensated absences	5,750,079	7,465	(1,137,273)	4,620,271	58,143
Total governmental activities	<u>\$ 12,515,323</u>	<u>\$ 7,465</u>	<u>\$ (4,721,536)</u>	<u>\$ 7,801,252</u>	<u>\$ 1,612,566</u>

Business-type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Bonds & notes payable - General obligation bonds	\$ 213,248,466	\$ 4,998,668	\$ (12,715,894)	\$ 205,531,240	\$ 12,980,169
Revenue bonds	11,665,007	-	(2,080,296)	9,584,711	2,150,296
Subtotal	224,913,473	4,998,668	(14,796,190)	215,115,951	15,130,465
Other liabilities - Compensated absences	515,016	15,318	-	530,334	-
Total business-type activities	<u>\$ 225,428,489</u>	<u>\$ 5,013,986</u>	<u>\$ (14,796,190)</u>	<u>\$ 215,646,285</u>	<u>\$ 15,130,465</u>

Compensated absences have historically been liquidated through the General fund.

Note 4 – Long-term Debt (Continued)

Debt Service Requirements

The annual requirements to service all debt outstanding as of June 30, 2013 (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
2014	\$ 1,554,423	\$ 118,712	\$ 15,130,465	\$ 4,685,145
2015	818,279	64,400	15,726,716	4,343,624
2016	808,279	32,000	16,031,727	3,974,209
2017	-	-	14,451,356	3,596,344
2018	-	-	14,544,873	3,286,519
2019-2023	-	-	69,473,196	11,906,582
2024-2028	-	-	49,229,363	5,794,939
2029-2033	-	-	19,028,255	1,666,031
2034-2038	-	-	1,500,000	75,000
Total	<u>\$ 3,180,981</u>	<u>\$ 215,112</u>	<u>\$ 215,115,951</u>	<u>\$ 39,328,393</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, 2013, \$1,050,000 of bonds are considered to be defeased and the liability for the bonds has been removed from the Enterprise Funds statement of net position.

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 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. As of June 2013, this bond debt was fully paid and the liability removed from the General Fund.

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 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 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

Note 4 – Long-term Debt (Continued)

off the bonds as they become due. As a result, at June 30, 2012 \$2,425,000 of bonds are considered to be defeased and the liability for the bonds has been removed from the Internal Services Funds statement of net position. 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 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

Note 4 – Long-term Debt (Continued)

solely from the net revenues of the sewer system. The remaining principal and interest to be paid on the bonds is \$5,591,600. During the current year, net revenues of the system were \$6,593,763 compared to the annual debt requirements of \$1,902,000 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, 2013 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, 2013 the City has drawn down \$64,495,820 of the total authorized amount, an increase of \$330,144 during fiscal year 2013.

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

Note 4 – Long-term Debt (Continued)

Overflow project. As of December, 2010 this portion of the project was administratively complete 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. The principal amount outstanding as of June 30, 2013 is \$703,812.

On June 26, 2012, 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 \$7,465,000 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 2.5% per annum commencing October 1, 2012 and semiannually thereafter. The first principal payment is due October 2014 and will continue to be due October 1 through 2033. The amount drawn as of June 30, 2013 is \$4,668,524.

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, 2013:

	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	\$ 9,697,952	\$ 9,554	\$ -	\$ 9,707,506	\$ (9,281)
2009 General Obligation Limited Tax Redevelopment Bonds, Series B (Taxable) 3.10% to 4.75%, dated November 12, 2009	820,000	-	(195,000)	625,000	200,000
Loan due to DCC (see Note 15)	736,138	-	-	736,138	-
Subtotal	11,254,090	9,554	(195,000)	11,068,644	190,719
Other Liabilities - Compensated Absences	5,608	-	(5,034)	574	-
Total Component Unit Activities	\$ 11,259,698	\$ 9,554	\$ (200,034)	\$ 11,069,218	\$ 190,719

Debt Service Requirements – Component Units

The annual requirements to service all component unit debt outstanding as of June 30, 2013 (excluding sick, vacation and PTO benefits), including both principal and interest, are as follows:

June 30,	Units	
	Principal	Interest
2014	\$ 190,719	\$ 552,847
2015	282,801	544,848
2016	288,105	535,712
2017	298,425	525,500
2018	308,766	514,250
2019-2023	1,754,607	2,381,500
2024-2028	1,782,409	1,994,600
2029-2033	2,352,812	1,450,900
2034-2038	3,090,000	725,725
2039-2043	720,000	39,600
Total	\$ 11,068,644	\$ 9,265,482

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, 2013 represent interfund receivables and payables:

Receivable Fund	Payable Fund	Amount
Due from / to Other Funds		
General	Parking System	\$ 14,762
	Nonmajor governmental funds	399,284
	Nonmajor enterprise funds	100,000
	Internal service funds	124,757
	Fiduciary funds	804
	Total General	<u>639,607</u>
Nonmajor governmental funds	General	1,346
	Parking System	60,983
	Nonmajor governmental funds	2,558
	Total nonmajor governmental funds	<u>64,887</u>
Parking System	General	181
Sewer	General	320
	Parking System	915
	Total Sewer fund	<u>1,235</u>
Water	General	741
Nonmajor enterprise funds	General	35,069
Internal service funds	General	207
Fiduciary funds	General	1,395,154
	Nonmajor governmental funds	37,280
	Sewer	27,858
	Water	45,795
	Nonmajor enterprise funds	13,624
	Internal service funds	24,685
	Total Fiduciary agency funds	<u>1,544,396</u>
Total		<u><u>\$ 2,286,323</u></u>
Due from / to Component Units		
General	Component units	\$ 206
Parking System	Component units	138,801
Total		<u><u>\$ 139,007</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, 2013 represent interfund transfers in and out:

Transferred In Fund	Transferred Out Fund	Amount
Nonmajor governmental funds	General	\$ 6,013,484
	Nonmajor governmental funds	1,360,000
	Capital projects	175
	Total Nonmajor governmental funds	<u>7,373,659</u>
Parking system	General	685,438
Nonmajor enterprise funds	General	<u>230,000</u>
	Total	<u><u>\$ 8,289,097</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.

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, 2012, the date of the most recent actuarial valuation, membership consisted of the following:

	<u>General Employees</u>	<u>Revised Police and Fire</u>	<u>Policemen’s and Firemen’s</u>
Retirees and beneficiaries currently receiving benefits	610	351	83
Terminated employees entitled to benefits but not yet receiving them	60	12	-
Current active employees	234	203	-

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. Effective January 1, 2013 as established by the City of Dearborn through collective bargaining agreements, General employees participating in the General Employees’ Retirement System are required to make a 4% non-refundable contribution into their pension system. Employer contributions are made primarily by the City’s General fund where the majority of pension plan members are

Note 7 – Pension and Other Postemployment Plans (Continued)

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.

Annual Pension Cost

For the year ended June 30, 2013, the City's annual pension cost of \$12,266,454 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, 2012, 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 – 22 years; Chapter 23 plan – 18 years. Unfunded actuarial accrued liability for the three pension plans as of June 30, 2012, is as follows:

Chapter 21 plan	-
Chapter 22 plan	\$31,410,669
Chapter 23 plan	\$51,139,346

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,		
	2011	2012	2013
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,		
	2011	2012	2013
Annual pension cost	\$4,206,874	\$3,888,554	\$4,810,851
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,		
	2011	2012	2013
Annual pension cost	\$7,144,368	\$7,456,838	\$7,455,603
Percentage of APC contributed	100	100	100
Net pension obligation	-	-	-

Funded Status and Funding Progress

	Actuarial Valuation as of June 30, 2012		
	Chapter 21	Chapter 22	Chapter 23
Actuarial value of assets	\$ 29,855,385	\$ 138,979,930	\$ 258,219,674
Actuarial accrued liability	19,435,716	170,390,599	309,359,020
Unfunded AAL	(10,449,669)	31,410,669	51,139,346
Funded ratio	153.8%	81.6%	83.5%
Covered payroll	N/A	13,550,000	19,110,000
UAAL as a percentage of covered payroll	N/A	231.8%	267.6%

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, 2013, the reserves are fully funded as follows:

Chapter 21 plan	None Required
Chapter 22 plan	\$ 404,022
Chapter 23 plan	\$ 9,608,711

Note 7 – Pension and Other Postemployment Plans (Continued)

Financial Statement Information

As of June 30, 2013 the Statement of Net Position 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
Assets			
Current Assets:			
Cash and cash equivalents	\$ -	\$ 72	\$ -
Investments - short-term	2,120,491	12,012,482	462,373
Receivables:			
Accrued interest receivable	62,960	153,996	16,378
Other	778,355	219,851	70,233
Due from other funds	164,694	593,999	-
Total current assets	<u>3,126,500</u>	<u>12,980,400</u>	<u>548,984</u>
Noncurrent assets - investments:			
Fixed income mutual funds	45,422,690	82,078,203	14,988,470
Common stock	35,336,942	79,592,985	5,378,486
Collateral pledged on securities loaned - money		1,105	-
Real estate properties	6,136,377	11,022,427	1,444,084
Commingled and mutual funds	47,151,721	76,621,453	6,114,644
Total noncurrent assets	<u>134,047,730</u>	<u>249,316,173</u>	<u>27,925,684</u>
Total assets	<u>137,174,230</u>	<u>262,296,573</u>	<u>28,474,668</u>
Liabilities			
Accounts payable	111,007	220,179	22,665
Amounts due to broker under securities lending agreement	-	1,105	-
Due to other funds	804	-	-
Other liabilities	-	8,168,705	-
Total liabilities	<u>111,811</u>	<u>8,389,989</u>	<u>22,665</u>
Net Position			
Held in trust for pension benefits and other employee benefits	<u>\$ 137,062,419</u>	<u>\$ 253,906,584</u>	<u>\$ 28,452,003</u>

Note 7 – Pension and Other Postemployment Plans (Continued)

For the year ended June 30, 2013 the Statement of Changes in Net Position 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
Additions			
Investment income:			
Interest and dividends	\$ 2,204,812	\$ 5,168,480	\$ 509,736
Net increase/(decrease) in value of investments	10,224,944	17,056,100	1,641,721
Investment/administrative expenses	(574,482)	(1,005,294)	(129,027)
Net investment income	<u>11,855,274</u>	<u>21,219,286</u>	<u>2,022,430</u>
Contributions:			
Employer	4,810,851	7,455,603	-
Employee	234,125	839,002	-
Reimbursements	260	-	-
Total contributions	<u>5,045,236</u>	<u>8,294,605</u>	<u>-</u>
Total additions	16,900,510	29,513,891	2,022,430
Deductions			
Benefit payments	11,266,762	16,480,292	2,572,408
Refunds of contributions	8,502	927,322	-
Total deductions	<u>11,275,264</u>	<u>17,407,614</u>	<u>2,572,408</u>
Change in Net Position	5,625,246	12,106,277	(549,978)
Net Position - Beginning of Year	131,437,173	241,800,307	29,001,981
Net Position - End of Year	<u>\$ 137,062,419</u>	<u>\$ 253,906,584</u>	<u>\$ 28,452,003</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,		
	2011	2012	2013
Annual required contribution (recommended)	\$ 460,742	\$ 525,387	\$ 589,294
Interest on net pension obligation	1,141	-	-
Annual pension cost	461,883	525,387	589,294
Amounts contributed:			
Payments of current expenses	(476,142)	(525,387)	(589,294)
Increase in net pension obligation	(14,259)	-	-
Pension obligation - beginning of the year	14,259	-	-
Pension obligation - end of the year	\$ -	\$ -	\$ -

	Fiscal Year Ended June 30,		
	2011	2012	2013
Annual pension cost	\$ 461,883	\$ 525,387	\$ 589,294
Percentage of APC contributed	103.1%	100.0%	100.0%
Net pension obligation	\$ -	\$ -	\$ -

Note 7 – Pension and Other Postemployment Plans (Continued)

Funded Status and Funding Progress

	<u>Actuarial Valuation as of:</u>
	<u>12/31/2012</u>
Actuarial value of assets	\$4,373,132
Actuarial accrued liability	3,385,723
Overfunded actuarial accrued liability	(987,409)
Funded ratio	129.2%
Annual covered payroll	5,988,508
Ratio of UAAL to covered payroll	16.5%

The schedule of funding progress for the Municipal Employees' Retirement System of Michigan (MERS) 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.

Actuarial Methods and Assumptions

	<u>Actuarial Valuation as of:</u>
	<u>12/31/2012</u>
Actuarial cost method	Entry age normal
Asset valuation method	10-year smoothed market
Amortization method	Level percentage of payroll
Amortization period	26 years (Open)
Actuarial assumptions:	
Investment rate of return*	8%
Projected salary increases*	1% to 14.0%
*Includes inflation at cost of living adjustment	3 to 4 %

Note 7 – Pension and Other Postemployment Plans (Continued)

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 years of service. At June 30, 2013 there were 776 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, 2013 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 \$14,150,823 in the year ended June 30, 2013 which represents 103.0% of the annual required contribution. An additional \$345,341 was contributed from the Federal Government. This represents an additional 2.5% of the annual required contribution.

Note 7 – Pension and Other Postemployment Plans (Continued)

Annual required contribution (recommended)	\$ 13,535,617
Interest on the prior year's net OPEB obligation	964,297
Less adjustment to the annual required contribution	<u>(754,759)</u>
Annual OPEB cost	13,745,155
Amounts contributed:	
Payments of current expenses	(14,150,823)
Advance funding - Medicare reimbursement	<u>(345,341)</u>
Decrease in net OPEB obligation	(751,009)
OPEB obligation - beginning of the year	<u>13,300,652</u>
OPEB obligation - end of the year	<u><u>\$ 12,549,643</u></u>

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>2011</u>	<u>2012</u>	<u>2013</u>
Annual OPEB Costs	\$ 14,347,416	\$ 14,160,802	\$ 13,745,155
Percentage contributed:			
City of Dearborn	67.0%	69.7%	103.0%
Federal Government	<u>2.6%</u>	<u>7.8%</u>	<u>2.5%</u>
Total contributions	69.6%	77.5%	105.5%
Net OPEB obligation	\$ 10,108,287	\$ 13,300,652	\$ 12,549,643

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

Valuation as of June 30, 2012:	
Actuarial value of assets	\$ 41,504,859
Actuarial accrued liability	223,352,088
Unfunded AAL	181,847,229
Funded ratio	18.6%
Annual covered payroll	40,070,826
Ratio of UAAL to covered payroll	453.8%

Note 7 – Pension and Other Postemployment Plans (Continued)

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, 2013:

Statement of Net Position

Assets	
Cash and investments	\$ 46,129,557
Other assets	1,428,545
Liabilities	<u>(49,771)</u>
Net position	<u>\$ 47,508,331</u>

Statement of Changes in Net Position

Net investment income	\$ 3,373,441
Contributions	13,880,960
Benefit payments	(11,134,052)
Administrative expenses	<u>(116,877)</u>
Change in net position	<u>\$ 6,003,472</u>

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 inflation rate assumed is 3.75%. Salary increases are projected from 3.75 to 7.8%. No increases in benefits are assumed. The actuarial value of assets was equal to the

Note 7 – Pension and Other Postemployment Plans (Continued)

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, 2013 was approximately \$57,000.

The following are condensed financial statements for the Retiree Death Benefit Fund as of June 30, 2013:

Statement of Net Position

Assets		
Cash and investments	\$	428,299
Other assets		534
Liabilities		(4,500)
Net position	\$	<u>424,333</u>

Statement of Changes in Net Position

Net investment income	\$	622
Contributions		13,001
Benefit payments		(57,000)
Change in net position	\$	<u>(43,377)</u>

Note 8 – Health Care Savings Plan (HCSP)

The City established a Health Care Savings Plan (HCSP) 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.

Note 8 – Health Care Savings Plan (HCSP) (Continued)

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

The HCSP plan is administered by MERS (Municipal Employees Retirement System of Michigan).

In accordance with the above requirements, the City contributed \$96,500 during the current year and employees contributed \$38,625.

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.

Note 10 – Defined Contribution Pension Plan (Continued)

In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Effective January 1, 2013 as established by the City of Dearborn through collective bargaining agreements, the City contribution rates as a percentage of employees' earnings for General Employees were reduced. The new rates are reflected in the table below:

	<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%	1%	5%	5%
457 plan	up to 6%	up to 3%	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 \$350,219 during the current year and employees contributed \$496,346.

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.

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.

Note 11 – Risk Management(Continued)

Workers' Compensation

The City has excess liability coverage which satisfies statutory requirements. The City maintains a self-insured retention in the amount of \$550,000. 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, 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	-	900,974	311,551	2,839,791
Claims incurred during the year	111,607	269,708	17,956,074	1,931,728
Changes in estimates for claims of prior periods	-	(565,533)	(81,717)	(1,808,063)
Payments on claims	<u>(111,607)</u>	<u>41,055</u>	<u>(17,956,074)</u>	<u>(1,025,419)</u>
Claims liability - June 30, 2013	<u>\$ -</u>	<u>\$ 646,204</u>	<u>\$ 229,834</u>	<u>\$ 1,938,037</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, 2013, 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, 2013 were \$12,422,548.

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 this 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, 2013 approximately \$262.3 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 in fiscal year 2012 and \$200 thousand for the current fiscal year, which are primarily related to site remediation. The legal issues with Contract 5 are still pending. Prior year litigation recoveries on the settled

Note 13 – Commitments for Construction (Continued)

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. Construction for Phase 1 of this project is scheduled to be completed by November 15, 2013. Construction for Phase 2 at Telegraph/Wilson/Martha/Cherry Hill is in progress and anticipated to be completed by October 10, 2014. The design and funding application process for the Sewer Separation Project at Telegraph/Dartmouth/Gulley/Princeton is in progress. The City added CSO and sewer separation completed projects of \$197 million to fixed assets during fiscal year 2012 and \$10.3 million in the current fiscal year.

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 several years DWRF funds have been limited and Dearborn water main projects did not score high enough to receive funding. The Engineering Division, in addition to replacing aged water mains in the sewer separation areas plans to replace 12,000 to 15,000 linear feet of aging water mains and related gate valves and fire hydrants under its annual program 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, 2012		\$ (10,884,784)
Total code enforcement revenue	\$ 3,382,017	
Related expenses:		
Direct costs	\$ 3,927,225	
Estimated indirect costs	<u>629,473</u>	
Total code enforcement expenses	<u>4,556,698</u>	
Current year surplus (deficit)		<u>(1,174,681)</u>
Shortfall at June 30, 2013		<u>\$ (12,059,465)</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 and fiscal year 2013 marks the end of capture from Plan #5 – West Village Commons.

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.

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. However, there were no revenues or expenditures in this fiscal year from Plan #11.

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 \$40,938 for shared office space and \$56,979 for reimbursement of shared costs, including administrative salaries and operating expenses, for the fiscal year ended June 30, 2013.

Note 17 – Upcoming Reporting Changes

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.

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

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
6/30/2007	\$ 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
6/30/2012	29.9	19.4	(10.5)	1.538	-	N/A

Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2008	\$ -	N/A
2009	-	N/A
2010	-	N/A
2011	-	N/A
2012	-	N/A
2013	-	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, 2012, 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)	UAAL as a Percentage of Covered Payroll
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
6/30/2012	139.0	170.4	31.4	0.816	13.6	231.8

Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
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
2013	4,810,851	100

The information presented above was determined as part of the actuarial valuations for the years then ended. Additional information as of June 30, 2012, the latest actuarial valuation, follows:

Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	22 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)	UAAL as a Percentage of Covered Payroll
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
6/30/2012	258.2	309.4	51.1	0.835	19.1	267.6

Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
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
2013	7,455,603	100

The information presented above was determined as part of the actuarial valuations for the years then ended. Additional information as of June 30, 2012, the latest actuarial valuation, follows:

Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	18 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

Municipal Employees Retirement System of Michigan (MERS) 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
12/31/2009	\$ 1.4	\$ 0.9	\$ (0.5)	1.556	\$ 2.9	(17.2)
12/31/2010	2.3	1.5	(0.8)	1.533	3.6	(22.2)
12/31/2011	3.2	2.4	(0.8)	1.333	4.9	(16.3)
12/31/2012	4.4	3.4	(1.0)	1.292	5.9	(16.5)

Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2009	\$86,208	84.7
2010	371,921	99.7
2011	460,742	103.1
2012	525,387	100.0
2013	589,294	100.0

The information presented above was determined as part of the actuarial valuations for the years then ended. Additional information as of December 31, 2012, the latest actuarial valuation, follows:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll
Amortization period	26 years (open)
Asset valuation method	10-year smoothed market
Actuarial assumptions:	
Investment rate of return*	8%
Projected salary increases*	1-14%
*Includes inflation at	3-4%
Cost of Living Adjustment	N/A

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)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/2005	\$ 23.7	\$ 223.4	\$ 199.7	10.609	\$ 47.9	417.2
6/30/2006	27.0	191.3	164.3	14.114	48.3	339.7
6/30/2008	31.7	186.8	155.1	16.970	49.1	316.0
6/30/2010	35.7	192.0	156.3	18.594	48.2	324.4
6/30/2012	41.5	223.3	181.8	18.595	40.1	453.8

Schedule of Employer Contributions

Year Ended June 30,	Actual Valuation Date	Annual Required Contribution	Percentage Contributed
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
2013	6/30/2010	13,535,617	100.0

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of June 30, 2012 the latest actuarial valuation, follows:

Actuarial cost method	Individual entry age
Amortization method General & Police	Level percent closed
Amortization Method Fire	Level dollar closed
Amortization period	24 years
Asset valuation method	Market
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases	3.75% - 7.8%

City of Dearborn, Michigan

Budgetary Comparison Schedule – General Fund Year Ended June 30, 2013

	Budgeted Amounts (Unaudited)		Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
	Original	Final				
Revenues						
Taxes and Penalties on Taxes						
Current property taxes	\$ 68,153,555	\$ 68,153,555	\$ 67,952,152	\$ (201,403)	\$ -	\$ 67,952,152
Property tax administration fee	2,362,500	2,362,500	2,240,126	(122,374)	-	2,240,126
Penalties and interest on taxes	1,368,100	1,368,100	1,158,684	(209,416)	-	1,158,684
Payments in lieu of taxes	935,850	935,850	1,222,475	286,625	-	1,222,475
Total taxes and penalties on taxes	72,820,005	72,820,005	72,573,437	(246,568)	-	72,573,437
Licenses and Permits						
Business licenses and permits	235,000	235,000	200,110	(34,890)	-	200,110
Nonbusiness licenses and permits	1,949,250	1,949,250	1,802,385	(146,865)	-	1,802,385
Total licenses and permits	2,184,250	2,184,250	2,002,495	(181,755)	-	2,002,495
Intergovernmental Revenues						
State sources:						
Sales and use tax	8,375,000	8,375,000	8,560,579	185,579	-	8,560,579
Liquor licenses	68,000	68,000	66,457	(1,543)	-	66,457
Operators' licenses	3,010	3,010	2,926	(84)	-	2,926
Judges' salaries	137,172	137,172	137,172	-	-	137,172
Alcohol caseload rebate	20,500	20,500	21,838	1,338	-	21,838
Other state sources	481,550	456,900	403,598	(53,302)	-	403,598
Total state sources	9,085,232	9,060,582	9,192,570	131,988	-	9,192,570
Other governmental:						
Federal sources	68,793	3,151,575	1,684,372	(1,467,203)	-	1,684,372
Local sources	651,600	651,600	663,731	12,131	-	663,731
Total other governmental	720,393	3,803,175	2,348,103	(1,455,072)	-	2,348,103
Total intergovernmental revenues	9,805,625	12,863,757	11,540,673	(1,323,084)	-	11,540,673
Charges for Services						
General government:						
Birth and death records	240,000	240,000	220,094	(19,906)	-	220,094
City service fee	1,023,040	1,023,040	1,023,040	-	-	1,023,040
Other	154,200	153,110	148,449	(4,661)	-	148,449
Total general government	1,417,240	1,416,150	1,391,583	(24,567)	-	1,391,583
Public safety:						
Annual safety inspection	1,447,850	1,447,850	1,320,011	(127,839)	-	1,320,011
Annual maintenance inspection	548,355	548,355	283,281	(265,074)	-	283,281
Ambulance services	1,869,820	1,869,820	2,297,654	427,834	-	2,297,654
Additional police patrols	207,000	207,000	184,583	(22,417)	-	184,583
Other	223,850	233,830	216,452	(17,378)	-	216,452
Total public safety	4,296,875	4,306,855	4,301,981	(4,874)	-	4,301,981
Public works						
	7,800	7,800	30,872	23,072	-	30,872
Recreation and culture:						
Programs and activities sales	657,059	657,059	595,032	(62,027)	-	595,032
Sales	157,480	257,480	199,502	(57,978)	-	199,502
Use and admission fees	1,815,656	1,815,656	1,582,715	(232,941)	-	1,582,715
Total recreation and culture	2,630,195	2,730,195	2,377,249	(352,946)	-	2,377,249
Total charges for services	8,352,110	8,461,000	8,101,685	(359,315)	-	8,101,685
Fines and Forfeitures						
Parking fines	362,000	350,000	344,879	(5,121)	-	344,879
19th District Court fines	3,150,480	3,354,670	3,328,222	(26,448)	-	3,328,222
Other fines and forfeits	6,000	6,000	4,150	(1,850)	-	4,150
Total fines and forfeitures	3,518,480	3,710,670	3,677,251	(33,419)	-	3,677,251
Miscellaneous Revenue						
Franchise fees	192,404	192,404	192,369	(35)	-	192,369
Rents and lease agreements	2,588,040	2,588,040	2,065,982	(522,058)	-	2,065,982
Reimbursements	58,500	64,050	152,088	88,038	-	152,088
Other revenue	332,605	335,708	302,488	(33,220)	-	302,488
Total miscellaneous revenue	3,171,549	3,180,202	2,712,927	(467,275)	-	2,712,927
Investment Income						
	84,222	84,222	61,231	(22,991)	-	61,231
Total revenues	99,936,241	103,304,106	100,669,699	(2,634,407)	-	100,669,699
Total revenues and other sources	\$ 99,936,241	\$ 103,304,106	\$ 100,669,699	\$ (2,634,407)	\$ -	\$ 100,669,699

City of Dearborn, Michigan

Budgetary Comparison Schedule – General Fund Year Ended June 30, 2013

	Budgeted Amounts (Unaudited)		Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
	Original	Final				
Expenditures						
General Government						
Non-departmental	\$ 939,978	\$ 1,821,988	\$ 1,821,988	\$ -	\$ -	\$ 1,821,988
Council	428,321.00	431,851	347,896	83,955	-	347,896
District Court	3,578,039	3,881,853	3,745,516	136,337	(4,324)	3,741,192
Mayor	957,169	1,054,399	1,030,284	24,115	-	1,030,284
City Clerk	997,995	1,023,906	1,002,359	21,547	(4,259)	998,100
Law	2,082,425	2,170,092	2,061,654	108,438	(74,249)	1,987,405
Human resources	996,141	1,003,956	797,233	206,723	(2,581)	794,652
Public works/building services and maintenance	366,867	366,867	387,200	(20,333)	-	387,200
Public works/central garage	12,947	32,045	(420,546)	452,591	(647)	(421,193)
Assessment	1,057,999	1,124,280	1,010,808	113,472	(39,196)	971,612
Finance:						
Accounting	1,500,962	1,545,627	1,446,355	99,272	(8,246)	1,438,109
Purchasing	515,103	515,103	410,735	104,368	-	410,735
Treasurer	798,145	798,145	728,970	69,175	(7,526)	721,444
Total general government	14,232,091	15,770,112	14,370,452	1,399,660	(141,028)	14,229,424
Public Safety						
Police:						
Operations	36,458,179	36,578,690	33,022,584	3,556,106	(29,841)	32,992,743
Ordinance enforcement	686,888	700,426	591,073	109,353	-	591,073
Fire:						
Operations	19,905,593	20,697,953	19,429,930	1,268,023	(2,378)	19,427,552
Civil preparedness	149,787	149,787	150,760	(973)	-	150,760
Residential Services	2,273,814	2,275,153	2,054,202	220,951	(35,629)	2,018,573
Commercial Services	1,214,349	1,248,558	1,137,746	110,812	-	1,137,746
Total public safety	60,688,610	61,650,567	56,386,295	5,264,272	(67,848)	56,318,447
Public Works						
Administrative	583,129	586,170	503,836	82,334	-	503,836
Highways	4,657,281	4,709,804	4,929,638	(219,834)	(174)	4,929,464
Sanitation	6,086,157	6,100,367	5,661,688	438,679	(34,883)	5,626,805
Neighborhood Services	726,328	787,773	695,771	92,002	(23,830)	671,941
Line	364,666	360,931	360,303	628	(23,306)	336,997
Total public works	12,417,561	12,545,045	12,151,236	393,809	(82,193)	12,069,043
Health and Welfare						
Residential Services - Vector Control	-	-	194	(194)	-	194
Recreation and Culture						
Public works	3,321,347	3,501,282	3,326,611	174,671	(49,470)	3,277,141
Recreation:						
Administrative	1,064,183	1,077,763	993,347	84,416	(2,173)	991,174
Programs	846,995	859,558	703,334	156,224	(1,045)	702,289
Outdoor pools	993,483	1,055,102	928,045	127,057	(10)	928,035
Community center:						
Admin/Athletics	2,385,969	2,497,638	2,329,674	167,964	(946)	2,328,728
Cultural arts	1,102,571	1,107,862	1,009,621	98,241	(17,977)	991,644
Senior services	643,459	643,459	574,259	69,200	(61)	574,198
Sports arena	1,195,825	1,203,565	1,121,322	82,243	(1,373)	1,119,949
Historical commission	178,691	178,691	147,735	30,956	(378)	147,357
Total recreation and culture	11,732,523	12,124,920	11,133,948	990,972	(73,433)	11,060,515
Community Improvement						
Economic & Community Development	639,205	646,537	636,987	9,550	-	636,987
Capital Outlay						
	49,000	36,582	34,932	1,650	-	34,932
Total expenditures	99,758,990	102,773,763	94,714,044	8,059,719	(364,502)	94,349,542
Other Uses - Transfers out	5,582,541	6,927,979	6,928,922	(943)	-	6,928,922
Total expenditures and other uses	\$ 105,341,531	\$ 109,701,742	\$ 101,642,966	\$ 8,058,776	\$ (364,502)	\$ 101,278,464

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 \$486,500 of budget amendments that were approved subsequent to June 30, 2013 which were related to a transfer of \$269,000 in the Capital Improvements fund and \$182,500 in the Community Development fund for unrealized losses on land inventory held for resale due to a decline in property market values; and \$35,000 in the Golf Course fund to report a positive unrestricted net position balance.

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.

Unrestricted Net Position Deficit

The golf industry has experienced a greater financial challenge as a result of the poor economic conditions. As a luxury recreation activity, golfing is generally regarded as consuming household discretionary income which has declined for many households. The City of Dearborn is actively addressing the financial challenges of the Golf Course operation and is seeking opportunities to enhance revenue performance and/or reduce costs. The City is committed to the success of the Golf Course fund as a going concern.

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Other Supplementary Information

Special Revenue Funds

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

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

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

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

Library Fund – This fund accounts for the operations of the City's three libraries. One mill of tax revenue is designated for libraries, along with an additional subsidy from the General Fund.

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 Housing Commission based on services provided.

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 maintains a self-insurance retention in the amount of \$550,000 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.

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

Pension Trust Funds – The City operates three 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	Library Fund
Assets					
Cash and cash equivalents	\$ 4,356,954	\$ 5,454,061	\$ 1,159,943	\$ 2,214,004	\$ 554,905
Accounts receivable (Net)	16,013	-	-	-	-
Property taxes receivable	-	-	-	-	4,989
Accrued interest receivable	5,646	7,067	1,491	2,833	723
Due from other funds	22,869	40,672	-	957	380
Due from other governments	878,494	236,992	-	-	120,201
Inventories	-	-	49,171	-	-
Investments, long-term	171,607	214,819	45,306	86,100	21,933
Total assets	\$ 5,451,583	\$ 5,953,611	\$ 1,255,911	\$ 2,303,894	\$ 703,131
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 151,995	\$ 588,592	\$ 184,710	\$ 41,665	\$ 54,289
Accrued liabilities	-	-	113,785	-	105,162
Deposits/refunds payable	-	-	303,968	-	-
Due for tax appeals	-	-	-	-	54,370
Due to other funds	2,558	-	1,838	3,519	33,891
Due to other governments	-	-	6,868	-	-
Debt obligations	-	-	-	-	-
Deferred revenue	-	-	369	-	4,736
Claims payable	-	-	-	-	-
Total liabilities	154,553	588,592	611,538	45,184	252,448
Fund Balances:					
Nonspendable:					
Inventories	-	-	49,171	-	-
Restricted for:					
Law enforcement activities	-	-	-	2,258,710	-
Road construction, preservation, maintenance	5,297,030	5,365,019	-	-	-
Debt service	-	-	-	-	-
Historical museum activities	-	-	-	-	-
Committed for:					
Engineering services	-	-	-	-	-
Camp Dearborn	-	-	595,202	-	-
Telecommunications	-	-	-	-	-
Designated Purposes	-	-	-	-	-
Assigned for:					
Library	-	-	-	-	450,683
Total fund balances	5,297,030	5,365,019	644,373	2,258,710	450,683
Total liabilities and fund balances	\$ 5,451,583	\$ 5,953,611	\$ 1,255,911	\$ 2,303,894	\$ 703,131

City of Dearborn, Michigan

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2013

Special Revenue Funds					
Community Development Fund	Tele- communications Fund	Designated Purposes Fund	Total Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ 1,738,290	\$ 1,634,384	\$17,112,541	\$ 219,046	\$ 17,331,587
98,446	300,599	5,339	420,397	-	420,397
-	-	-	4,989	4,598	9,587
-	2,252	39	20,051	277	20,328
-	9	-	64,887	-	64,887
462,869	-	-	1,698,556	78,124	1,776,680
833,623	-	-	882,794	-	882,794
-	68,466	29,376	637,607	-	637,607
<u>\$ 1,394,938</u>	<u>\$ 2,109,616</u>	<u>\$ 1,669,138</u>	<u>\$20,841,822</u>	<u>\$ 302,045</u>	<u>\$ 21,143,867</u>
\$ 122,464	\$ 12,750	\$ 721	\$ 1,157,186	\$ 14,231	\$ 1,171,417
-	16,911	-	235,858	-	235,858
2,624	-	225,657	532,249	-	532,249
-	-	-	54,370	-	54,370
337,781	1,551	57,984	439,122	-	439,122
-	85	130	7,083	-	7,083
-	-	-	-	29,581	29,581
98,446	-	-	103,551	4,988	108,539
-	-	-	-	45,855	45,855
<u>561,315</u>	<u>31,297</u>	<u>284,492</u>	<u>2,529,419</u>	<u>94,655</u>	<u>2,624,074</u>
833,623	-	-	882,794	-	882,794
-	-	-	2,258,710	-	2,258,710
-	-	-	10,662,049	-	10,662,049
-	-	-	-	207,390	207,390
-	-	887,595	887,595	-	887,595
-	-	97,338	97,338	-	97,338
-	-	-	595,202	-	595,202
-	2,078,319	-	2,078,319	-	2,078,319
-	-	399,713	399,713	-	399,713
-	-	-	450,683	-	450,683
<u>833,623</u>	<u>2,078,319</u>	<u>1,384,646</u>	<u>18,312,403</u>	<u>207,390</u>	<u>18,519,793</u>
<u>\$ 1,394,938</u>	<u>\$ 2,109,616</u>	<u>\$ 1,669,138</u>	<u>\$20,841,822</u>	<u>\$ 302,045</u>	<u>\$ 21,143,867</u>

City of Dearborn, Michigan

	Nonmajor				
	Major Street & Trunkline Fund	Local Street Fund	Camp Dearborn Operating Fund	Drug Law Enforcement Fund	Library Fund
Revenues					
Taxes, assessments and penalties on taxes	\$ -	\$ -	\$ -	\$ -	\$ 3,252,368
Intergovernmental revenues:					
State sources	4,878,815	1,737,752	-	-	46,478
Federal sources	114,676	-	-	-	-
Local sources	-	-	-	-	61,004
Charges for services	-	-	863,063	-	49,548
Fines and forfeits	-	-	1,340	400,995	87,473
Rents and royalties	-	-	1,520,995	-	7,874
Miscellaneous revenue	61,401	399,032	40,306	86,918	7,400
Private source contributions	23	-	-	-	348
Investment income	5,706	6,015	1,068	3,603	1,675
Total revenues	5,060,621	2,142,799	2,426,772	491,516	3,514,168
Expenditures					
General government	-	-	-	-	-
Public safety	-	-	-	379,643	-
Public works	2,800,330	2,739,678	-	-	-
Recreation and culture	-	-	2,279,564	-	4,885,875
Community improvement	-	-	-	-	-
Utilities	-	-	342,879	32,006	-
Capital outlay	-	-	744,847	582,656	377,610
Unrealized loss on land held for resale	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	2,800,330	2,739,678	3,367,290	994,305	5,263,485
Revenues Over (Under) Expenditures	2,260,291	(596,879)	(940,518)	(502,789)	(1,749,317)
Other Financing Sources (Uses)					
Transfers in	205,000	2,225,000	1,160,000	-	2,200,000
Transfers out	(1,350,000)	-	-	-	-
Total other financing sources (uses)	(1,145,000)	2,225,000	1,160,000	-	2,200,000
Net Change in Fund Balances	1,115,291	1,628,121	219,482	(502,789)	450,683
Fund Balances - Beginning of Year	4,181,739	3,736,898	424,891	2,761,499	-
Fund Balances - End of Year	\$ 5,297,030	\$ 5,365,019	\$ 644,373	\$ 2,258,710	\$ 450,683

**Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended June 30, 2013**

Special Revenue Funds					
Community Development Fund	Tele- communications Fund	Designated Purposes Fund	Total Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 3,252,368	\$ 2,235,410	\$ 5,487,778
-	-	6,750	6,669,795	-	6,669,795
1,780,226	-	-	1,894,902	-	1,894,902
-	-	13,500	74,504	-	74,504
-	-	22,602	935,213	-	935,213
-	-	-	489,808	-	489,808
-	1,012,069	-	2,540,938	-	2,540,938
71,416	6,098	75,244	747,815	-	747,815
-	-	40,652	41,023	-	41,023
-	2,435	521	21,023	2,341	23,364
<u>1,851,642</u>	<u>1,020,602</u>	<u>159,269</u>	<u>16,667,389</u>	<u>2,237,751</u>	<u>18,905,140</u>
-	425,317	37,788	463,105	5,206	468,311
-	-	4,409	384,052	-	384,052
-	-	11,517	5,551,525	-	5,551,525
-	365,857	212,138	7,743,434	-	7,743,434
1,839,728	-	-	1,839,728	-	1,839,728
-	-	-	374,885	-	374,885
-	21,795	-	1,726,908	-	1,726,908
182,500	-	-	182,500	-	182,500
-	-	-	-	3,450,598	3,450,598
-	-	-	-	230,051	230,051
<u>2,022,228</u>	<u>812,969</u>	<u>265,852</u>	<u>18,266,137</u>	<u>3,685,855</u>	<u>21,951,992</u>
(170,586)	207,633	(106,583)	(1,598,748)	(1,448,104)	(3,046,852)
-	-	11,618	5,801,618	1,572,041	7,373,659
-	(10,000)	-	(1,360,000)	-	(1,360,000)
<u>-</u>	<u>(10,000)</u>	<u>11,618</u>	<u>4,441,618</u>	<u>1,572,041</u>	<u>6,013,659</u>
(170,586)	197,633	(94,965)	2,842,870	123,937	2,966,807
<u>1,004,209</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>\$ 833,623</u>	<u>\$ 2,078,319</u>	<u>\$1,384,646</u>	<u>\$ 18,312,403</u>	<u>\$ 207,390</u>	<u>\$ 18,519,793</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, 2013

	Final Budget (Unaudited)	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Intergovernmental revenues:					
State sources	\$ 4,969,405	\$ 4,878,815	\$ (90,590)	\$ -	\$ 4,878,815
Federal sources	3,602,363	114,676	(3,487,687)	-	114,676
Miscellaneous revenue	71,845	61,401	(10,444)	-	61,401
Private source contributions	-	23	23	-	23
Investment income	7,354	5,706	(1,648)	-	5,706
Total revenues	8,650,967	5,060,621	(3,590,346)	-	5,060,621
Expenditures - Public works	11,094,584	5,814,762	5,279,822	(3,014,432)	2,800,330
Revenues Over (Under) Expenditures	(2,443,617)	(754,141)	1,689,476	3,014,432	2,260,291
Other Financing Sources (Uses)					
Transfers in	205,000	205,000	-	-	205,000
Transfers out	(1,350,000)	(1,350,000)	-	-	(1,350,000)
Total other financing sources (uses)	(1,145,000)	(1,145,000)	-	-	(1,145,000)
Net Change in Fund Balances	(3,588,617)	(1,899,141)	1,689,476	3,014,432	1,115,291
Fund Balances - Beginning of Year	4,181,739	4,181,739	-	-	4,181,739
Reserved for Encumbrances	-	3,014,432	3,014,432	(3,014,432)	-
Fund Balances - End of Year	\$ 593,122	\$ 5,297,030	\$ 4,703,908	\$ -	\$ 5,297,030

City of Dearborn, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Local Street Fund Year Ended June 30, 2013

	Final Budget (Unaudited)	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Intergovernmental revenues:					
State sources	\$ 1,615,000	\$ 1,737,752	\$ 122,752	\$ -	\$ 1,737,752
Miscellaneous revenue	1,118,292	399,032	(719,260)	-	399,032
Investment income	9,404	6,015	(3,389)	-	6,015
Total revenues	2,742,696	2,142,799	(599,897)	-	2,142,799
Expenditures - Public works	8,825,213	5,866,517	2,958,696	(3,126,839)	2,739,678
Revenues Over (Under) Expenditures	(6,082,517)	(3,723,718)	2,358,799	3,126,839	(596,879)
Other Financing Sources (Uses)					
Transfers in	2,225,000	2,225,000	-	-	2,225,000
Transfers out	-	-	-	-	-
Total other financing sources (uses)	2,225,000	2,225,000	-	-	2,225,000
Net Change in Fund Balances	(3,857,517)	(1,498,718)	2,358,799	3,126,839	1,628,121
Fund Balances - Beginning of Year	3,736,898	3,736,898	-	-	3,736,898
Reserved for Encumbrances	-	3,126,839	3,126,839	(3,126,839)	-
Fund Balances - End of Year	\$ (120,619)	\$ 5,365,019	\$ 5,485,638	\$ -	\$ 5,365,019

City of Dearborn, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Camp Dearborn Operating Fund Year Ended June 30, 2013

	Final Budget (Unaudited)	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Intergovernmental revenues:					
State sources	\$ 268,900	\$ -	\$ (268,900)	\$ -	\$ -
Charges for services:					
Use and admission	687,050	564,558	(122,492)	-	564,558
Sales	369,830	298,505	(71,325)	-	298,505
Fines and forfeits	7,100	1,340	(5,760)	-	1,340
Rents and royalties:					
Golf course	193,916	-	(193,916)	-	-
Oil exploration	90,000	72,779	(17,221)	-	72,779
Facilities	1,406,550	1,448,216	41,666	-	1,448,216
Miscellaneous revenue	53,070	40,306	(12,764)	-	40,306
Investment income	5,145	1,068	(4,077)	-	1,068
Total revenues	3,081,561	2,426,772	(654,789)	-	2,426,772
Expenditures					
Recreation and culture	2,370,398	2,313,286	57,112	(33,722)	2,279,564
Utilities	348,570	343,016	5,554	(137)	342,879
Capital outlay	1,314,019	775,109	538,910	(30,262)	744,847
Total expenditures	4,032,987	3,431,411	601,576	(64,121)	3,367,290
Revenues Over (Under) Expenditures	(951,426)	(1,004,639)	(53,213)	64,121	(940,518)
Other Financing Sources (Uses)					
Transfers in	1,160,000	1,160,000	-	-	1,160,000
Transfers out	-	-	-	-	-
Total other financing sources (uses)	1,160,000	1,160,000	-	-	1,160,000
Net Change in Fund Balances	208,574	155,361	(53,213)	64,121	219,482
Fund Balances - Beginning of Year	424,891	424,891	-	-	424,891
Reserved for Encumbrances	-	64,121	64,121	(64,121)	-
Fund Balances - End of Year	\$ 633,465	\$ 644,373	\$ 10,908	\$ -	\$ 644,373

City of Dearborn, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Drug Law Enforcement Fund Year Ended June 30, 2013

	Final Budget (Unaudited)	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Fines and forfeits	\$ 400,996	\$ 400,995	\$ (1)	\$ -	\$ 400,995
Miscellaneous revenue	86,920	86,918	(2)	-	86,918
Investment income	9,585	3,603	(5,982)	-	3,603
Total revenues	497,501	491,516	(5,985)	-	491,516
Expenditures					
Public safety	637,705	384,857	252,848	(5,214)	379,643
Utilities	33,000	32,006	994	-	32,006
Capital outlay	631,535	582,656	48,879	-	582,656
Total expenditures	1,302,240	999,519	302,721	(5,214)	994,305
Revenues Over (Under) Expenditures	(804,739)	(508,003)	296,736	5,214	(502,789)
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net Change in Fund Balances	(804,739)	(508,003)	296,736	5,214	(502,789)
Fund Balances - Beginning of Year	2,761,499	2,761,499	-	-	2,761,499
Reserved for Encumbrances	-	5,214	5,214	(5,214)	-
Fund Balances - End of Year	<u>\$ 1,956,760</u>	<u>\$ 2,258,710</u>	<u>\$ 301,950</u>	<u>\$ -</u>	<u>\$ 2,258,710</u>

City of Dearborn, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Library Fund Year Ended June 30, 2013

	Final Budget (Unaudited)	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Taxes, assessments and penalties on taxes	\$ 3,234,263	\$ 3,252,368	\$ 18,105	\$ -	\$ 3,252,368
Intergovernment revenues:					
State sources	30,000	46,478	16,478	-	46,478
Local	80,000	61,004	(18,996)	-	61,004
Charges for Services	44,500	49,548	5,048	-	49,548
Fines and forfeits	86,500	87,473	973	-	87,473
Rents and royalties	6,800	7,874	1,074	-	7,874
Private source contributions	\$ 100	348	248	-	348
Miscellaneous revenue	8,000	7,400	(600)	-	7,400
Investment income	-	1,675	1,675	-	1,675
Total revenues	3,490,163	3,514,168	24,005	-	3,514,168
Expenditures					
Recreation and culture	5,024,492	4,885,970	138,522	(95)	4,885,875
Capital outlay	436,220	415,013	21,207	(37,403)	377,610
Total expenditures	5,460,712	5,300,983	159,729	(37,498)	5,263,485
Revenues Over (Under) Expenditures	(1,970,549)	(1,786,815)	183,734	37,498	(1,749,317)
Other Financing Sources (Uses)					
Transfers in	2,200,000	2,200,000	-	-	2,200,000
Transfers out	-	-	-	-	-
Total other financing sources (uses)	2,200,000	2,200,000	-	-	2,200,000
Net Change in Fund Balances	229,451	413,185	(183,734)	37,498	450,683
Fund Balances - Beginning of Year	-	-	-	-	-
Reserved for Encumbrances	-	37,498	37,498	(37,498)	-
Fund Balances - End of Year	\$ 229,451	\$ 450,683	\$ (146,236)	\$ -	\$ 450,683

City of Dearborn, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Community Development Fund Year Ended June 30, 2013

	Final Budget (Unaudited)	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Intergovernmental revenues:					
Federal sources	\$ 4,745,058	\$ 1,780,226	\$ (2,964,832)	\$ -	\$ 1,780,226
Miscellaneous revenue	78,428	71,416	(7,012)	-	71,416
Sale of land inventory	491,803	-	(491,803)	-	-
Total revenues	<u>5,315,289</u>	<u>1,851,642</u>	<u>(3,463,647)</u>	<u>-</u>	<u>1,851,642</u>
Expenditures					
Community improvement	4,282,492	2,264,977	2,017,515	(425,249)	1,839,728
Unrealized loss on land held for resale	182,500	182,500	-	-	182,500
Total expenditures	<u>4,464,992</u>	<u>2,447,477</u>	<u>(2,017,515)</u>	<u>(425,249)</u>	<u>2,022,228</u>
Revenues Over (Under) Expenditures	850,297	(595,835)	(5,481,162)	425,249	(170,586)
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	(1,207,244)	(716,281)	490,963	716,281	-
Total other financing sources (uses)	<u>(1,207,244)</u>	<u>(716,281)</u>	<u>490,963</u>	<u>716,281</u>	<u>-</u>
Net Change in Fund Balances	(356,947)	(1,312,116)	(4,990,199)	1,141,530	(170,586)
Fund Balances - Beginning of Year	1,004,209	1,004,209	-	-	1,004,209
Reserved for Encumbrances	-	1,141,530	1,141,530	(1,141,530)	-
Fund Balances - End of Year	<u>\$ 647,262</u>	<u>\$ 833,623</u>	<u>\$ (3,848,669)</u>	<u>\$ -</u>	<u>\$ 833,623</u>

City of Dearborn, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Telecommunications Fund Year Ended June 30, 2013

	Final Budget (Unaudited)	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Rents and royalties	\$ 890,000	\$ 1,012,069	\$ 122,069	\$ -	\$ 1,012,069
Miscellaneous revenue	4,200	6,098	1,898	-	6,098
Investment income	4,238	2,435	(1,803)	-	2,435
Total revenues	898,438	1,020,602	122,164	-	1,020,602
Expenditures					
Recreation and culture	388,704	366,349	22,355	(492)	365,857
General government	483,638	416,754	66,884	8,563	425,317
Capital outlay	21,795	21,795	-	-	21,795
Total expenditures	894,137	804,898	89,239	8,071	812,969
Revenues Over (Under) Expenditures	4,301	215,704	211,403	(8,071)	207,633
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	(10,000)	(10,000)	-	-	(10,000)
Total other financing sources (uses)	(10,000)	(10,000)	-	-	(10,000)
Net Change in Fund Balances	(5,699)	205,704	211,403	(8,071)	197,633
Fund Balances - Beginning of Year	1,880,686	1,880,686	-	-	1,880,686
Reserved for Encumbrances	-	(8,071)	(8,071)	8,071	-
Fund Balances - End of Year	<u>\$ 1,874,987</u>	<u>\$ 2,078,319</u>	<u>\$ 203,332</u>	<u>\$ -</u>	<u>\$ 2,078,319</u>

City of Dearborn, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Designated Purposes Fund Year Ended June 30, 2013

	Final Budget (Unaudited)	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Intergovernmental revenues:					
Federal sources	\$ 75,000	\$ -	\$ (75,000)	\$ -	\$ -
State sources	289,500	6,750	(282,750)	-	6,750
Local Sources	-	13,500	13,500	-	13,500
Charges for services	43,568	22,602	(20,966)	-	22,602
Miscellaneous revenue	154,572	75,244	(79,328)	-	75,244
Investment income	559	521	(38)	-	521
Private source contributions	40,652	40,652	-	-	40,652
Total revenues	603,851	159,269	(444,582)	-	159,269
Expenditures					
General government	213,567	46,788	166,779	(9,000)	37,788
Public safety	291,576	4,409	287,167	-	4,409
Public works	112,088	11,517	100,571	-	11,517
Recreation and culture	1,367,502	302,045	1,065,457	(89,907)	212,138
Capital outlay	6,000	-	6,000	-	-
Total expenditures	1,990,733	364,759	1,625,974	(98,907)	265,852
Revenues Over (Under) Expenditures	(1,386,882)	(205,490)	1,181,392	98,907	(106,583)
Other Financing Sources (Uses)					
Transfers in	15,659	11,618	(4,041)	-	11,618
Transfers out	(75,056)	-	75,056	-	-
Total other financing sources (uses)	(59,397)	11,618	71,015	-	11,618
Net Change in Fund Balances	(1,446,279)	(193,872)	1,252,407	98,907	(94,965)
Fund Balances - Beginning of Year	1,479,611	1,479,611	-	-	1,479,611
Reserved for Encumbrances	-	98,907	98,907	(98,907)	-
Fund Balances - End of Year	\$ 33,332	\$ 1,384,646	\$ 1,351,314	\$ -	\$ 1,384,646

City of Dearborn, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Debt Service Fund Year Ended June 30, 2013

	Final Budget (Unaudited)	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Taxes, assessments and penalties on taxes	\$ 2,220,185	\$ 2,235,410	\$ 15,225	\$ -	\$ 2,235,410
Investment income	515	2,341	1,826	-	2,341
Total revenues	2,220,700	2,237,751	17,051	-	2,237,751
Expenditures					
General government	16,453	5,206	11,247	-	5,206
Debt service:					
Principal	3,450,598	3,450,598	-	-	3,450,598
Interest and fiscal charges	230,982	230,051	931	-	230,051
Total expenditures	3,698,033	3,685,855	12,178	-	3,685,855
Revenues Over (Under) Expenditures	(1,477,333)	(1,448,104)	29,229	-	(1,448,104)
Other Financing Sources (Uses)					
Transfers in	1,572,041	1,572,041	-	-	1,572,041
Transfers out	-	-	-	-	-
Total other financing sources (uses)	1,572,041	1,572,041	-	-	1,572,041
Net Change in Fund Balances	94,708	123,937	29,229	-	123,937
Fund Balances - Beginning of Year	83,453	83,453	-	-	83,453
Fund Balances - End of Year	\$ 178,161	\$ 207,390	29,229	\$ -	\$ 207,390

City of Dearborn, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Capital Projects Fund Year Ended June 30, 2013

	Final Budget (Unaudited)	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Intergovernmental revenues:					
State sources	\$ 21,615	21,615	\$ -	\$ -	\$ 21,615
Federal sources	23,880,133	7,408,448	(16,471,685)	-	7,408,448
Local sources	305,000	90,000	(215,000)	-	90,000
Charges for services	34,669	9,626	(25,043)	-	9,626
Miscellaneous revenue	1,049,867	1,087,751	37,884	-	1,087,751
Private source contributions	9,200	-	(9,200)	-	-
Investment income	28,137	10,462	(17,675)	-	10,462
Total revenues	<u>25,328,621</u>	<u>8,627,902</u>	<u>(16,700,719)</u>	<u>-</u>	<u>8,627,902</u>
Expenditures					
Capital outlay	28,041,969	21,380,895	6,661,074	(12,786,143)	8,594,752
Unrealized loss on land held for resale	269,000	269,000	-	-	269,000
Total expenditures	<u>28,310,969</u>	<u>21,649,895</u>	<u>6,661,074</u>	<u>(12,786,143)</u>	<u>8,863,752</u>
Revenues Over (Under) Expenditures	<u>(2,982,348)</u>	<u>(13,021,993)</u>	<u>(10,039,645)</u>	<u>12,786,143</u>	<u>(235,850)</u>
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	(3,967)	(175)	3,792	-	(175)
Total other financing sources (uses)	<u>(3,967)</u>	<u>(175)</u>	<u>3,792</u>	<u>-</u>	<u>(175)</u>
Net Change in Fund Balances	<u>(2,986,315)</u>	<u>(13,022,168)</u>	<u>(10,035,853)</u>	<u>12,786,143</u>	<u>(236,025)</u>
Fund Balances - Beginning of Year	13,288,514	13,288,514	-	-	13,288,514
Reserved for Encumbrances	-	12,786,143	12,786,143	(12,786,143)	-
Fund Balances - End of Year	<u>\$10,302,199</u>	<u>\$13,052,489</u>	<u>\$ 2,750,290</u>	<u>\$ -</u>	<u>\$13,052,489</u>

City of Dearborn, Michigan

Combining Statement of Net Position Nonmajor Enterprise Funds June 30, 2013

	Golf Course	Seniors Apartment Operating Fund	Total Nonmajor Enterprise Funds
Assets			
Current assets:			
Cash and cash equivalents	\$ 1,292	\$ 8,996,384	\$ 8,997,676
Accounts receivable (Net)	-	31,046	31,046
Accrued interest receivable	97	11,657	11,754
Due from other funds	35,000	69	35,069
Due from other governments	-	97,917	97,917
Prepaid items	-	27,374	27,374
Inventories	22,678	-	22,678
Total current assets	<u>59,067</u>	<u>9,164,447</u>	<u>9,223,514</u>
Noncurrent assets:			
Restricted cash and investments:			
Debt service	181,733	-	181,733
Investments, long-term	-	354,328	354,328
Capital assets (Net)	1,799,373	2,871,779	4,671,152
Total noncurrent assets	<u>1,981,106</u>	<u>3,226,107</u>	<u>5,207,213</u>
Total assets	<u>2,040,173</u>	<u>12,390,554</u>	<u>14,430,727</u>
Liabilities			
Current liabilities:			
Accounts payable	16,887	75,829	92,716
Accrued interest payable	2,706	-	2,706
Accrued liabilities	19,129	41,704	60,833
Deposits/refunds payable	56,351	137,910	194,261
Due to other governments	2,435	-	2,435
Due to other funds	100,794	12,830	113,624
Deferred revenue	22,485	4,846	27,331
Current portion of long-term debt	88,562	-	88,562
Total current liabilities	<u>309,349</u>	<u>273,119</u>	<u>582,468</u>
Noncurrent liabilities:			
Current portion of long-term debt payable with restricted assets	181,733	-	181,733
Other liabilities	18,878	115,881	134,759
Long-term debt, net of current portion	729,575	-	729,575
Total noncurrent liabilities	<u>930,186</u>	<u>115,881</u>	<u>1,046,067</u>
Total liabilities	<u>1,239,535</u>	<u>389,000</u>	<u>1,628,535</u>
Net Position			
Net investment in capital assets	981,236	2,871,779	3,853,015
Unrestricted	(180,598)	9,129,775	8,949,177
Total net position	<u>\$ 800,638</u>	<u>\$ 12,001,554</u>	<u>\$ 12,802,192</u>

City of Dearborn, Michigan

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position Nonmajor Enterprise Funds Year Ended June 30, 2013

	Golf Course	Seniors Apartment Operating Fund	Total Nonmajor Enterprise Funds
Operating Revenues			
Intergovernmental revenue:			
Sales	\$ 309,491	\$ -	\$ 309,491
Charges for services	302,427	799,048	1,101,475
Rents and royalties	161,857	1,748,097	1,909,954
Miscellaneous	19,757	26,315	46,072
Total operating revenues	<u>793,532</u>	<u>2,573,460</u>	<u>3,366,992</u>
Operating Expenses			
Personnel services	381,771	1,395,739	1,777,510
Contractual services	169,129	104,363	273,492
Insurance and bonds	9,641	70,709	80,350
Utilities	41,832	390,104	431,936
Repair and maintenance	18,077	167,409	185,486
Supplies	88,774	55,169	143,943
Cost of sales	64,632	-	64,632
Cost of rentals	24,454	76,148	100,602
Depreciation	221,285	232,293	453,578
Other	23,715	3,530	27,245
Total operating expenses	<u>1,043,310</u>	<u>2,495,464</u>	<u>3,538,774</u>
Operating Income (Loss)	(249,778)	77,996	(171,782)
Nonoperating Revenues (Expenses)			
Investment income	41	12,916	12,957
Other interest	(17,529)	-	(17,529)
Total nonoperating revenues (expenses)	<u>(17,488)</u>	<u>12,916</u>	<u>(4,572)</u>
Income (Loss) before Transfers	(267,266)	90,912	(176,354)
Transfers			
Transfers in	230,000	-	230,000
Transfers out	-	-	-
Net transfers	<u>230,000</u>	<u>-</u>	<u>230,000</u>
Net Income (Loss)	(37,266)	90,912	53,646
Net Position - Beginning of Year	<u>837,904</u>	<u>11,910,642</u>	<u>12,748,546</u>
Net Position - End of Year	<u>\$ 800,638</u>	<u>\$ 12,001,554</u>	<u>\$ 12,802,192</u>

City of Dearborn, Michigan

Combining Statement of Cash Flows Nonmajor Enterprise Funds Year Ended June 30, 2013

	Golf Course	Seniors Apartment Operating Fund	Total Nonmajor Enterprise Funds
Cash Flows from Operating Activities			
Receipts from customers	\$ 761,615	\$ 2,516,404	\$ 3,278,019
Payments to suppliers	(435,462)	(835,453)	(1,270,915)
Payments to employees	(375,421)	(1,394,636)	(1,770,057)
Internal activity	63,621	1,484	65,105
Other receipts	19,757	26,315	46,072
Other payments	(23,715)	(3,530)	(27,245)
Net cash provided (used) by operating activities	<u>10,395</u>	<u>310,584</u>	<u>320,979</u>
Cash Flows from Noncapital Financing Activities			
Transfers in	230,000	-	230,000
Transfers out	-	-	-
Net cash provided by noncapital financing activities	<u>230,000</u>	<u>-</u>	<u>230,000</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition and construction of capital assets	-	(97,374)	(97,374)
Principal paid on debt	(261,020)	-	(261,020)
Interest paid on debt	(18,934)	-	(18,934)
Net cash provided (used) by capital and related financing activities	<u>(279,954)</u>	<u>(97,374)</u>	<u>(377,328)</u>
Cash Flows from Investing Activities			
Net sale (purchase) of investments	-	111,090	111,090
Investment income	410	20,827	21,237
Net cash provided (used) by investing activities	<u>410</u>	<u>131,917</u>	<u>132,327</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(39,149)	345,127	305,978
Cash and Cash Equivalents - Beginning of Year	<u>222,174</u>	<u>8,651,257</u>	<u>8,873,431</u>
Cash and Cash Equivalents - End of Year	<u>\$ 183,025</u>	<u>\$ 8,996,384</u>	<u>\$ 9,179,409</u>
Cash and Cash Equivalents - Unrestricted	\$ 1,292	\$ 8,996,384	\$ 8,997,676
Cash and Cash Equivalents - Restricted	181,733	-	181,733
Cash and Cash Equivalents - End of Year	<u>\$ 183,025</u>	<u>\$ 8,996,384</u>	<u>\$ 9,179,409</u>

City of Dearborn, Michigan

Combining Statement of Cash Flows Nonmajor Enterprise Funds Year Ended June 30, 2013

	Golf Course	Seniors Apartment Operating Fund	Total Nonmajor Enterprise Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (249,778)	\$ 77,996	\$ (171,782)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	221,285	232,293	453,578
Change in assets and liabilities:			
Accounts receivable	-	(26,737)	(26,737)
Due from other funds	(35,000)	-	(35,000)
Due from other governments	-	(13,012)	(13,012)
Inventories	5,026	-	5,026
Accounts payable	11,443	27,567	39,010
Accrued liabilities	1,803	882	2,685
Customer deposits	7,073	11,898	18,971
Accrued vacation and sick leave	6,350	1,103	7,453
Due to other funds	98,621	1,484	100,105
Due to other governments	(37,195)	-	(37,195)
Deferred revenue	(19,233)	(2,890)	(22,123)
Net cash provided (used) by operating activities	<u>\$ 10,395</u>	<u>\$ 310,584</u>	<u>\$ 320,979</u>

City of Dearborn, Michigan

	Information Systems Fund	Facilities Fund	Fleet Replacement Fund
Assets			
Current assets:			
Cash and cash equivalents	\$ 4,952,604	\$ 3,851,829	\$ 4,319,035
Accounts receivable (Net)	-	46,999	55,001
Accrued interest receivable	6,417	4,991	5,596
Due from other funds	11	196	-
Prepaid items	-	-	-
Total current assets	<u>4,959,032</u>	<u>3,904,015</u>	<u>4,379,632</u>
Noncurrent assets:			
Investments, long-term	195,068	151,712	170,113
Capital assets (Net)	599,108	59,261,021	4,066,384
Total noncurrent assets	<u>794,176</u>	<u>59,412,733</u>	<u>4,236,497</u>
Total assets	<u>5,753,208</u>	<u>63,316,748</u>	<u>8,616,129</u>
Liabilities			
Current liabilities:			
Accounts payable	73,572	218,588	81,714
Accrued interest payable	-	1,096	-
Accrued liabilities	31,361	70,717	-
Due for tax appeals	-	-	-
Deferred revenue	67,000	-	-
Due to other funds	6,507	18,178	-
Current portion of long-term debt	-	108,750	-
Total current liabilities	<u>178,440</u>	<u>417,329</u>	<u>81,714</u>
Noncurrent liabilities:			
Other liabilities	95,708	75,700	-
Claims payable	-	-	-
Total noncurrent liabilities	<u>95,708</u>	<u>75,700</u>	<u>-</u>
Total liabilities	<u>274,148</u>	<u>493,029</u>	<u>81,714</u>
Net Position			
Net investment in capital assets	599,108	59,152,271	4,066,384
Unrestricted	4,879,952	3,671,448	4,468,031
Total net position	<u>\$ 5,479,060</u>	<u>\$ 62,823,719</u>	<u>\$ 8,534,415</u>

City of Dearborn, Michigan

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

Workers' Compensation and Employee Insurance Fund	Fleet & General Liability Insurance Fund	Total
\$ 5,092,795	\$ 4,534,527	\$ 22,750,790
28,410	-	130,410
6,444	5,939	29,387
-	-	207
1,389,627	-	1,389,627
<u>6,517,276</u>	<u>4,540,466</u>	<u>24,300,421</u>
195,876	180,512	893,281
-	-	63,926,513
<u>195,876</u>	<u>180,512</u>	<u>64,819,794</u>
<u>6,713,152</u>	<u>4,720,978</u>	<u>89,120,215</u>
66,105	450,514	890,493
-	-	1,096
-	-	102,078
-	1,385,482	1,385,482
-	-	67,000
-	124,757	149,442
-	-	108,750
<u>66,105</u>	<u>1,960,753</u>	<u>2,704,341</u>
-	-	171,408
<u>876,039</u>	<u>552,555</u>	<u>1,428,594</u>
<u>876,039</u>	<u>552,555</u>	<u>1,600,002</u>
<u>942,144</u>	<u>2,513,308</u>	<u>4,304,343</u>
-	-	63,817,763
<u>5,771,008</u>	<u>2,207,670</u>	<u>20,998,109</u>
<u>\$ 5,771,008</u>	<u>\$ 2,207,670</u>	<u>\$ 84,815,872</u>

City of Dearborn, Michigan

	Information Systems Fund	Facilities Fund	Fleet Replacement Fund
Operating Revenues			
Intergovernmental revenues:			
Local sources	\$ -	\$ 47,000	\$ -
Charges for services	1,794,252	4,941,571	-
Rents and royalties	1,011,647	1,191,506	1,795,610
City contributions for insurance premiums	-	-	-
Miscellaneous	10,281	38,422	225,418
Total operating revenues	<u>2,816,180</u>	<u>6,218,499</u>	<u>2,021,028</u>
Operating Expenses			
Contractual services	2,017,602	1,334,884	-
Utilities	-	1,502,444	-
Repair and maintenance	-	1,631,495	-
Cost of sales	-	-	2,100
Depreciation	248,533	2,283,190	1,104,895
Insurance and bonds	-	-	-
Insurance benefits	-	-	-
Claims and judgments	-	-	-
Other	-	-	-
Total operating expenses	<u>2,266,135</u>	<u>6,752,013</u>	<u>1,106,995</u>
Operating Income (Loss)	550,045	(533,514)	914,033
Nonoperating Revenues (Expenses)			
Investment income	6,357	5,373	6,059
Other interest	-	(7,760)	-
Gain/(loss) on disposal of assets	-	-	(13,102)
Total nonoperating revenues (expenses)	<u>6,357</u>	<u>(2,387)</u>	<u>(7,043)</u>
Income (Loss) before Operating Transfers	556,402	(535,901)	906,990
Transfers			
Transfers in	-	-	-
Transfers out	-	-	-
Net transfers	<u>-</u>	<u>-</u>	<u>-</u>
Net Income (Loss)	556,402	(535,901)	906,990
Net Position - Beginning of Year	4,922,658	63,359,620	7,627,425
Net Position - End of Year	<u>\$ 5,479,060</u>	<u>\$ 62,823,719</u>	<u>\$ 8,534,415</u>

City of Dearborn, Michigan

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position Internal Service Funds Year Ended June 30, 2013

Workers' Compensation and Employee Insurance Fund	Fleet & General Liability Insurance Fund	Total
\$ -	\$ -	\$ 47,000
-	-	6,735,823
-	-	3,998,763
17,999,874	2,917,426	20,917,300
1,673,643	49,214	1,996,978
<u>19,673,517</u>	<u>2,966,640</u>	<u>33,695,864</u>
265,357	145,348	3,763,191
-	-	1,502,444
-	-	1,631,495
-	-	2,100
-	-	3,636,618
190,297	851,402	1,041,699
41,055	-	41,055
17,707,974	848,961	18,556,935
114,519	79,871	194,390
<u>18,319,202</u>	<u>1,925,582</u>	<u>30,369,927</u>
1,354,315	1,041,058	3,325,937
6,676	5,259	29,724
-	-	(7,760)
-	-	(13,102)
<u>6,676</u>	<u>5,259</u>	<u>8,862</u>
1,360,991	1,046,317	3,334,799
-	-	-
-	-	-
-	-	-
1,360,991	1,046,317	3,334,799
4,410,017	1,161,353	81,481,073
<u>\$ 5,771,008</u>	<u>\$ 2,207,670</u>	<u>\$ 84,815,872</u>

City of Dearborn, Michigan

	Information Systems Fund	Facilities Fund	Fleet Replacement Fund
Cash Flows from Operating Activities			
Receipts from customers	\$ 2,855,899	\$ 6,133,078	\$ 1,740,609
Payments to suppliers	(1,954,690)	(4,529,179)	-
Internal activity	(7,610)	(14,530)	-
Claims paid	-	-	-
Other receipts	10,281	38,422	294,984
Other payments	-	-	-
Net cash provided (used) by operating activities	<u>903,880</u>	<u>1,627,791</u>	<u>2,035,593</u>
Cash Flows from Noncapital Financing Activities			
Transfers in	-	-	-
Transfers out	-	-	-
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities			
Principal paid on debt	-	(105,019)	-
Prepaid interest on debt	-	(8,329)	-
Acquisition and construction of capital assets	(150,374)	(3,544,179)	(1,457,849)
Net cash provided (used) by capital and related financing activities	<u>(150,374)</u>	<u>(3,657,527)</u>	<u>(1,457,849)</u>
Cash Flows from Investing Activities			
Net sale (purchase) of investments	28,790	155,626	29,125
Investment income	9,352	13,303	8,840
Net cash provided (used) by investing activities	<u>38,142</u>	<u>168,929</u>	<u>37,965</u>
Net Increase (Decrease) in Cash and Cash Equivalents	791,648	(1,860,807)	615,709
Cash and Cash Equivalents - Beginning of Year	4,160,956	5,712,636	3,703,326
Cash and Cash Equivalents - End of Year	<u>\$ 4,952,604</u>	<u>\$ 3,851,829</u>	<u>\$ 4,319,035</u>

**Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2013**

Workers' Compensation and Employee Insurance Fund	Fleet & General Liability Insurance Fund	Total
\$ 18,030,015	\$ 2,966,640	\$ 31,726,241
(501,697)	(869,086)	(7,854,652)
-	1,911,517	1,889,377
(17,864,553)	(950,913)	(18,815,466)
1,673,643	-	2,017,330
(114,519)	(79,871)	(194,390)
<u>1,222,889</u>	<u>2,978,287</u>	<u>8,768,440</u>
-	-	-
-	-	-
-	-	-
-	-	(105,019)
-	-	(8,329)
-	-	(5,152,402)
-	-	(5,265,750)
5,999	(88,532)	131,008
8,720	3,187	43,402
<u>14,719</u>	<u>(85,345)</u>	<u>174,410</u>
1,237,608	2,892,942	3,677,100
3,855,187	1,641,585	19,073,690
<u>\$ 5,092,795</u>	<u>\$ 4,534,527</u>	<u>\$ 22,750,790</u>

City of Dearborn, Michigan

	Information Systems Fund	Facilities Fund	Fleet Replacement Fund
	<u> </u>	<u> </u>	<u> </u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 550,045	\$ (533,514)	\$ 914,033
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	248,533	2,283,190	1,104,895
Change in assets and liabilities:			
Accounts receivable	50,000	(46,999)	(55,001)
Due from other funds	239	1,433	-
Prepaid items	-	-	-
Accounts payable	53,993	34,690	71,666
Accrued liabilities	8,919	(95,046)	-
Due to other funds	(7,849)	(15,963)	-
Due to other governments	-	-	-
Claims payable	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Net cash provided (used) by operating activities	<u>\$ 903,880</u>	<u>\$ 1,627,791</u>	<u>\$ 2,035,593</u>

**Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2013**

Workers' Compensation and Employee Insurance Fund	Fleet & General Liability Insurance Fund	Total
\$ 1,354,315	\$ 1,041,058	\$ 3,325,937
-	-	3,636,618
30,141	-	(21,859)
-	1,786,760	1,788,432
178,889	851,402	1,030,291
(3,970)	76,064	232,443
-	-	(86,127)
-	124,757	100,945
-	(799,802)	(799,802)
(336,486)	(101,952)	(438,438)
<u>\$ 1,222,889</u>	<u>\$ 2,978,287</u>	<u>\$ 8,768,440</u>

City of Dearborn, Michigan

	General Employees' Retirement System Fund	Revised Police & Fire Retirement System Fund	Policemen's & Firemen's Retirement System Fund
Assets			
Current Assets:			
Cash and cash equivalents	\$ -	\$ 72	\$ -
Investments - short-term	2,120,491	12,012,482	462,373
Receivables:			
Accrued interest receivable	62,960	153,996	16,378
Other	778,355	219,851	70,233
Due from other funds	164,694	593,999	-
Total current assets	<u>3,126,500</u>	<u>12,980,400</u>	<u>548,984</u>
Noncurrent assets - investments:			
Long-term bonds	-	-	-
Fixed income mutual funds	45,422,690	82,078,203	14,988,470
Common stock	35,336,942	79,592,985	5,378,486
Collateral pledged on securities loaned - money		1,105	-
Real estate properties	6,136,377	11,022,427	1,444,084
Commingled and mutual funds	47,151,721	76,621,453	6,114,644
Total noncurrent assets	<u>134,047,730</u>	<u>249,316,173</u>	<u>27,925,684</u>
Total assets	<u>137,174,230</u>	<u>262,296,573</u>	<u>28,474,668</u>
Liabilities			
Accounts payable	111,007	220,179	22,665
Amounts due to broker under securities lending agreement	-	1,105	-
Due to other funds	804	-	-
Other liabilities	-	8,168,705	-
Total liabilities	<u>111,811</u>	<u>8,389,989</u>	<u>22,665</u>
Net Position			
Held in trust for pension benefits and other employee benefits	<u>\$ 137,062,419</u>	<u>\$ 253,906,584</u>	<u>\$ 28,452,003</u>

**Combining Statement of Net Position
Fiduciary Pension & Other Employee Benefits Funds
June 30, 2013**

Retiree Death Benefit Fund	Postemployment Healthcare Fund	Total
\$ 412,069	\$ 2,859,758	\$ 3,271,899
-	4,220,525	18,815,871
534	425,148	659,016
-	217,694	1,286,133
-	785,703	1,544,396
<u>412,603</u>	<u>8,508,828</u>	<u>25,577,315</u>
16,230	20,155,516	20,171,746
-	-	142,489,363
-	18,893,758	139,202,171
-	-	1,105
-	-	18,602,888
-	-	129,887,818
<u>16,230</u>	<u>39,049,274</u>	<u>450,355,091</u>
<u>428,833</u>	<u>47,558,102</u>	<u>475,932,406</u>
4,500	49,771	408,122
-	-	1,105
-	-	804
-	-	8,168,705
<u>4,500</u>	<u>49,771</u>	<u>8,578,736</u>
<u>\$ 424,333</u>	<u>\$ 47,508,331</u>	<u>\$ 467,353,670</u>

City of Dearborn, Michigan

	General Employees' Retirement System Fund	Revised Police & Fire Retirement System Fund	Policemen's & Firemen's Retirement System Fund
Additions			
Investment income:			
Interest and dividends	\$ 2,204,812	\$ 5,168,480	\$ 509,736
Net increase/(decrease) in value of investments	10,224,944	17,056,100	1,641,721
Investment/administrative expenses	(574,482)	(1,005,294)	(129,027)
Net investment income	<u>11,855,274</u>	<u>21,219,286</u>	<u>2,022,430</u>
Contributions:			
Employer	4,810,851	7,455,603	-
Employee	234,125	839,002	-
Reimbursements	260	-	-
Total contributions	<u>5,045,236</u>	<u>8,294,605</u>	<u>-</u>
Total additions	16,900,510	29,513,891	2,022,430
Deductions			
Benefit payments	11,266,762	16,480,292	2,572,408
Refunds of contributions	8,502	927,322	-
Total deductions	<u>11,275,264</u>	<u>17,407,614</u>	<u>2,572,408</u>
Change in Net Position	5,625,246	12,106,277	(549,978)
Net Position - Beginning of Year	131,437,173	241,800,307	29,001,981
Net Position - End of Year	<u>\$ 137,062,419</u>	<u>\$ 253,906,584</u>	<u>\$ 28,452,003</u>

**Combining Statement of Changes in Fiduciary Net Position
Fiduciary Pension & Other Employee Benefits Funds
Year Ended June 30, 2013**

Retiree Death Benefit Fund	Postemployment Healthcare Fund	Total
\$ 622	\$ 2,237,407	\$ 10,121,057
-	1,136,034	30,058,799
-	(116,877)	(1,825,680)
<u>622</u>	<u>3,256,564</u>	<u>38,354,176</u>
-	13,535,619	25,802,073
13,001	-	1,086,128
-	345,341	345,601
<u>13,001</u>	<u>13,880,960</u>	<u>27,233,802</u>
13,623	17,137,524	65,587,978
57,000	11,134,052	41,510,514
-	-	935,824
<u>57,000</u>	<u>11,134,052</u>	<u>42,446,338</u>
(43,377)	6,003,472	23,141,640
467,710	41,504,859	444,212,030
<u>\$ 424,333</u>	<u>\$ 47,508,331</u>	<u>\$ 467,353,670</u>

City of Dearborn, Michigan

Combining Statement of Net Position Fiduciary Agency Funds June 30, 2013

	Agency Fund	Imprest Payroll Fund	District Court Fund	Total
Assets				
Cash and cash equivalents	\$ 4,662,744	\$ 545,888	\$ 55,800	\$ 5,264,432
Accounts receivable (Net)	8,930	61	267,756	276,747
Due from other governments	-	7,832	-	7,832
Total assets	<u>\$ 4,671,674</u>	<u>\$ 553,781</u>	<u>\$ 323,556</u>	<u>\$ 5,549,011</u>
Liabilities				
Accounts payable	\$ 463,785	\$ -	\$ 79,728	\$ 543,513
Payroll deductions payable	-	70,323	-	70,323
Deposits/refunds payable	4,067,754	-	-	4,067,754
Due to other governments	115,054	483,458	243,828	842,340
Other liabilities	25,081	-	-	25,081
Total liabilities	<u>\$ 4,671,674</u>	<u>\$ 553,781</u>	<u>\$ 323,556</u>	<u>\$ 5,549,011</u>

City of Dearborn, Michigan

Statement of Changes in Assets and Liabilities Fiduciary Agency Funds Year Ended June 30, 2013

Agency Fund:

	Balance June 30, 2012	Additions	Deductions	Balance June 30, 2013
Assets				
Cash and cash equivalents	\$ 5,871,079	\$ 260,492,441	\$ 261,700,776	\$ 4,662,744
Accounts receivable (Net)	8,051	8,930	8,051	8,930
Due from other governments	42,251	-	42,251	-
Total assets	<u>\$ 5,921,381</u>	<u>\$ 260,501,371</u>	<u>\$ 261,751,078</u>	<u>\$ 4,671,674</u>
Liabilities				
Accounts payable	\$ 413,042	\$ 128,769,530	\$ 128,718,787	\$ 463,785
Deposits/refunds payable	5,366,224	3,873,704	5,172,174	4,067,754
Due to other governments	126,489	127,654,658	127,666,093	115,054
Other liabilities	15,626	203,479	194,024	25,081
Total liabilities	<u>\$ 5,921,381</u>	<u>\$ 260,501,371</u>	<u>\$ 261,751,078</u>	<u>\$ 4,671,674</u>

Imprest Payroll Fund:

	Balance June 30, 2012	Additions	Deductions	Balance June 30, 2013
Assets				
Cash and cash equivalents	\$ 597,470	\$ 25,253,031	\$ 25,304,613	\$ 545,888
Accounts receivable (Net)	34	2,089	2,062	61
Due from other governments	-	7,832	-	7,832
Total assets	<u>\$ 597,504</u>	<u>\$ 25,262,952</u>	<u>\$ 25,306,675</u>	<u>\$ 553,781</u>
Liabilities				
Payroll deductions payable	\$ 63,273	\$ 5,915,325	\$ 5,908,275	\$ 70,323
Due to other governments	534,231	16,483,104	16,533,877	483,458
Other liabilities	-	2,864,523	2,864,523	-
Total liabilities	<u>\$ 597,504</u>	<u>\$ 25,262,952</u>	<u>\$ 25,306,675</u>	<u>\$ 553,781</u>

City of Dearborn, Michigan

Statement of Changes in Assets and Liabilities Fiduciary Agency Funds Year Ended June 30, 2013

District Court Fund:

	Balance June 30, 2012	Additions	Deductions	Balance June 30, 2013
Assets				
Cash and cash equivalents	\$ 55,800	\$ 5,383,389	\$ 5,383,389	\$ 55,800
Accounts receivable (Net)	258,929	1,341,372	1,332,545	267,756
Total assets	<u>\$ 314,729</u>	<u>\$ 6,724,761</u>	<u>\$ 6,715,934</u>	<u>\$ 323,556</u>
Liabilities				
Accounts payable	\$ 77,989	\$ 4,049,542	\$ 4,047,803	\$ 79,728
Due to other governments	236,740	2,675,219	2,668,131	243,828
Total liabilities	<u>\$ 314,729</u>	<u>\$ 6,724,761</u>	<u>\$ 6,715,934</u>	<u>\$ 323,556</u>

Total - All Fiduciary Agency Funds:

	Balance June 30, 2012	Additions	Deductions	Balance June 30, 2013
Assets				
Cash and cash equivalents	\$ 6,524,349	\$ 291,128,861	\$ 292,388,778	\$ 5,264,432
Accounts receivable (Net)	267,014	1,352,391	1,342,658	276,747
Due from other governments	42,251	7,832	42,251	7,832
Total assets	<u>\$ 6,833,614</u>	<u>\$ 292,489,084</u>	<u>\$ 293,773,687</u>	<u>\$ 5,549,011</u>
Liabilities				
Accounts payable	\$ 491,031	\$ 132,819,072	\$ 132,766,590	\$ 543,513
Payroll deductions payable	63,273	5,915,325	5,908,275	70,323
Deposits/refunds payable	5,366,224	3,873,704	5,172,174	4,067,754
Due to other governments	897,460	146,812,981	146,868,101	842,340
Other liabilities	15,626	3,068,002	3,058,547	25,081
Total liabilities	<u>\$ 6,833,614</u>	<u>\$ 292,489,084</u>	<u>\$ 293,773,687</u>	<u>\$ 5,549,011</u>

City of Dearborn, Michigan

Statistical and Continuing Disclosures Section

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

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Financial Trends.....	136-147
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	148-157
These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property taxes.	
Debt Capacity.....	158-166
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.....	167-168
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	170-175
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,			
	2004	2005	2006	2007
Governmental Activities:				
Net investment in capital assets	\$ 96,668,519	\$ 100,547,204	\$ 107,826,375	\$ 114,134,870
Restricted	10,113,127	10,252,064	31,205,744	31,206,122
Unrestricted	74,831,204	72,982,717	50,220,578	52,858,376
Total net position	<u>\$ 181,612,850</u>	<u>\$ 183,781,985</u>	<u>\$ 189,252,697</u>	<u>\$ 198,199,368</u>
Business Type Activities:				
Net investment in capital assets	\$ 109,651,802	\$ 102,117,776	\$ 133,916,701	\$ 147,719,265
Restricted	15,871,374	38,417,150	17,366,288	23,528,470
Unrestricted	19,800,509	18,414,591	30,746,205	27,502,015
Total net position	<u>\$ 145,323,685</u>	<u>\$ 158,949,517</u>	<u>\$ 182,029,194</u>	<u>\$ 198,749,750</u>
Primary government in total:				
Net investment in capital assets	\$ 206,320,321	\$ 202,664,980	\$ 241,743,076	\$ 261,854,135
Restricted	25,984,501	48,669,214	48,572,032	54,734,592
Unrestricted	94,631,713	91,397,308	80,966,783	80,360,391
Total net position	<u>\$ 326,936,535</u>	<u>\$ 342,731,502</u>	<u>\$ 371,281,891</u>	<u>\$ 396,949,118</u>

City of Dearborn, Michigan

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

	Fiscal Year Ended June, 30				
2008	2009	2010	2011	2012	2013
\$ 117,712,886	\$ 122,778,610	\$ 125,057,087	\$ 126,568,635	\$ 133,330,927	\$ 145,372,597
28,024,207	34,250,362	34,203,674	9,491,161	12,654,851	14,849,367
55,653,280	42,313,022	36,180,495	46,286,480	38,769,382	41,245,404
<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>	<u>\$ 201,467,368</u>
\$ 165,847,821	\$ 186,175,486	\$ 139,515,797	\$ 144,425,891	\$ 153,591,879	\$ 167,677,966
24,264,408	17,411,175	21,003,170	9,525,175	13,815,795	13,093,011
32,338,924	42,209,231	44,559,441	68,270,100	72,201,183	77,743,118
<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>	<u>\$ 258,514,095</u>
\$ 283,560,707	\$ 308,954,096	\$ 264,572,884	\$ 270,994,526	\$ 286,922,806	\$ 312,846,089
52,288,615	51,661,537	55,206,844	19,016,336	26,470,646	27,108,755
87,992,204	84,522,253	80,739,936	114,556,580	110,970,565	120,026,619
<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>	<u>\$ 459,981,463</u>

City of Dearborn, Michigan

	Fiscal Year Ended June 30,			
	2004	2005	2006	2007
Expenses				
General government	\$ 17,310,436	\$ 21,122,681	\$ 17,970,243	\$ 18,558,136
Public safety	43,694,680	50,323,782	53,815,679	49,236,224
Public works	18,699,976	15,991,362	15,735,740	17,551,174
Health and welfare	910,537	960,649	1,033,980	1,004,187
Recreation and culture	19,441,507	20,302,546	20,887,064	19,233,843
Community improvement	5,002,834	3,496,589	3,057,027	2,269,759
Interest on long-term debt	2,015,054	1,319,681	1,207,120	1,298,032
Total expenses	107,075,024	113,517,290	113,706,853	109,151,355
Program revenues				
Charges for services				
General government	3,337,927	3,205,671	3,688,843	4,014,763
Public safety	7,573,247	6,990,454	7,604,854	7,290,859
Public works	1,936,530	1,808,400	1,784,182	1,989,214
Health and welfare	193,905	181,967	182,536	176,345
Recreation and culture	6,160,059	6,480,262	6,138,877	6,373,706
Community improvement	19,708	30,093	7,692	14,000
Total charges for services	19,221,376	18,696,847	19,406,984	19,858,887
Operating grants and contributions	9,905,623	9,528,743	11,220,655	10,438,719
Capital grants and contributions	4,183,852	4,136,188	4,890,813	1,324,987
Total program revenues	33,310,851	32,361,778	35,518,452	31,622,593
Net (expense) revenue	(73,764,173)	(81,155,512)	(78,188,401)	(77,528,762)
General revenues				
Property taxes	70,714,812	71,536,045	72,786,959	73,631,345
Intergovernmental revenues	10,362,606	10,225,375	9,967,910	9,594,061
Investment earnings	1,071,777	2,109,219	3,761,071	4,442,283
Miscellaneous	370,216	164,447	127,871	341,677
Total general revenues	82,519,411	84,035,086	86,643,811	88,009,366
Gain (loss) on sale of capital assets	(773,009)	-	(215,000)	-
Transfers	(803,364)	(710,439)	(2,769,698)	(1,533,933)
Change in net position	\$ 7,178,865	\$ 2,169,135	\$ 5,470,712	\$ 8,946,671

City of Dearborn, Michigan

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

		Fiscal Year Ended June 30,									
		2008	2009	2010	2011	2012	2013				
\$	18,623,714	\$	18,905,374	\$	12,376,173	\$	12,225,979	\$	11,993,709	\$	13,049,241
	53,534,358		56,413,381		57,738,469		62,196,288		59,102,614		52,835,042
	18,240,387		17,062,196		18,683,274		18,119,188		17,494,663		19,718,230
	884,660		899,100		382,038		373,951		(2,766)		1,270
	20,284,890		20,056,955		21,540,832		22,010,768		20,718,911		20,761,965
	2,263,778		2,840,908		2,726,471		5,281,873		6,013,857		2,966,945
	969,908		692,610		575,506		436,484		252,423		188,610
	114,801,695		116,870,524		114,022,763		120,644,531		115,573,411		109,521,303
	3,987,138		4,060,655		3,433,331		3,568,250		3,890,329		4,109,909
	7,279,165		7,183,233		6,058,870		8,746,633		8,044,980		7,681,405
	2,589,058		808,008		240,855		192,735		81,308		228,766
	170,208		187,589		220,888		151,598		7,820		2,151
	6,459,188		6,198,247		6,228,878		6,178,886		6,227,984		6,154,944
	139,747		41,900		15,942		28,632		23,511		6,063
	20,624,504		18,479,632		16,198,764		18,866,734		18,275,932		18,183,238
	9,304,569		9,668,790		11,580,040		11,248,838		10,805,625		11,012,688
	1,040,365		1,354,205		3,054,980		3,605,055		10,211,453		11,552,900
	30,969,438		29,502,627		30,833,784		33,720,627		39,293,010		40,748,826
	(83,832,257)		(87,367,897)		(83,188,979)		(86,923,904)		(76,280,401)		(68,772,477)
	74,411,232		74,177,428		70,861,323		65,008,877		64,815,389		77,177,876
	9,520,440		9,154,795		8,087,313		8,257,255		8,374,116		8,670,195
	4,484,831		2,800,349		825,396		252,343		75,276		93,240
	120,281		339,860		310,711		291,734		241,611		458,812
	88,536,784		86,472,432		80,084,743		73,810,209		73,506,392		86,400,123
	-		-		-		-		-		-
	(1,513,522)		(1,152,914)		(796,502)		18,715		5,182,893		(915,438)
\$	3,191,005	\$	(2,048,379)	\$	(3,900,738)	\$	(13,094,980)	\$	2,408,884	\$	16,712,208

City of Dearborn, Michigan

	Fiscal Year Ended June 30,			
	2004	2005	2006	2007
Expenses				
Housing	\$ 3,849,819	\$ 3,064,323	\$ 3,227,297	\$ 3,394,571
Golf course	1,542,704	1,601,870	1,563,400	1,557,375
Parking	407,820	473,676	608,254	1,934,091
Sewer	16,964,560	17,921,160	16,737,924	16,963,805
Water	11,158,986	11,122,419	10,717,015	11,518,094
Total expenses	<u>33,923,889</u>	<u>34,183,448</u>	<u>32,853,890</u>	<u>35,367,936</u>
Program revenues				
Charges for services				
Housing	3,128,263	3,169,921	3,370,818	3,311,667
Golf course	1,303,327	1,347,301	1,300,202	1,322,504
Parking	383,650	745,981	389,658	1,103,913
Sewer	18,442,613	19,537,082	19,660,321	20,252,157
Water	12,115,556	11,056,895	15,047,237	14,071,679
Total charges for services	<u>35,373,409</u>	<u>35,857,180</u>	<u>39,768,236</u>	<u>40,061,920</u>
Operating grants and contributions	23,775	-	-	-
Capital grants and contributions	2,556,992	9,707,284	7,084,833	3,720,899
Total program revenues	<u>37,954,176</u>	<u>45,564,464</u>	<u>46,853,069</u>	<u>43,782,819</u>
Net (expense) revenue	<u>4,030,287</u>	<u>11,381,016</u>	<u>13,999,179</u>	<u>8,414,883</u>
General revenues				
Property taxes	-	-	3,218,635	3,540,409
Intergovernmental revenues	102,836	73,862	-	10,950
Investment earnings	519,669	1,316,732	2,016,375	3,038,305
Miscellaneous	138,351	143,783	1,075,790	182,076
Total general revenues	<u>760,856</u>	<u>1,534,377</u>	<u>6,310,800</u>	<u>6,771,740</u>
Gain (loss) on sale of capital assets	-	-	-	-
Special items-loss on abandoned assets	(1,830,000)	-	-	-
Transfers	803,364	710,439	2,769,698	1,533,933
Change in net position	<u>\$ 3,764,507</u>	<u>\$ 13,625,832</u>	<u>\$ 23,079,677</u>	<u>\$ 16,720,556</u>
Change in Primary Government net position				
Change in Governmental net position	\$ 7,178,865	\$ 2,169,135	\$ 5,470,712	\$ 8,946,671
Change in Business-type net position	<u>3,764,507</u>	<u>13,625,832</u>	<u>23,079,677</u>	<u>16,720,556</u>
Total Change in Primary Government net position	<u>\$ 10,943,372</u>	<u>\$ 15,794,967</u>	<u>\$ 28,550,389</u>	<u>\$ 25,667,227</u>

City of Dearborn, Michigan

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

		Fiscal Year Ended June 30,					
		2008	2009	2010	2011	2012	2013
\$	3,322,742	\$ 3,458,115	\$ 4,325,517	\$ 3,300,533	\$ 2,990,211	\$ 2,495,464	
	1,588,253	1,453,587	1,400,042	1,372,503	1,259,035	1,060,839	
	2,360,226	2,176,678	2,163,670	2,111,898	2,084,662	2,032,506	
	17,779,531	18,675,598	17,339,277	23,319,895	30,328,151	35,166,346	
	11,525,968	14,551,370	13,489,834	15,331,842	15,398,293	16,084,791	
	<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>	<u>56,839,946</u>	
	3,424,466	3,280,655	2,986,372	3,099,199	3,151,693	2,547,145	
	1,283,463	1,200,615	1,180,309	1,049,788	1,008,256	773,775	
	1,640,449	1,369,973	1,212,763	1,257,440	1,579,888	1,586,944	
	22,867,177	26,435,810	23,143,181	25,420,282	27,025,311	29,703,949	
	16,282,194	18,010,410	16,161,503	16,348,307	17,532,486	19,304,119	
	<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>	<u>53,915,932</u>	
	-	-	-	-	-	-	
	1,641,423	1,295,426	-	4,840,836	1,176,183	3,270,702	
	<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>57,186,634</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>	<u>346,688</u>	
	7,408,825	7,413,464	9,834,080	15,647,451	16,147,491	16,398,838	
	503,887	-	-	-	-	-	
	3,550,346	1,946,237	841,748	292,533	103,383	124,935	
	162,371	1,554,583	1,168,875	127,128	1,492,129	1,125,983	
	<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>	<u>17,649,756</u>	
	-	-	675,523	(18,977)	5,414,116	(6,644)	
	-	-	(60,000,000)	(5,465,843)	-	-	
	1,513,522	1,152,914	796,502	(18,715)	(5,182,893)	915,438	
\$	<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>18,905,238</u>	
\$	3,191,005	(2,048,379)	(3,900,738)	(13,094,980)	2,408,884	16,712,208	
	<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>18,905,238</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>	<u>35,617,446</u>	

City of Dearborn, Michigan

	As of June 30,			
	2004	2005	2006	2007
General fund				
Reserved	\$ 11,183,559	\$ 8,433,491	\$ 11,631,922	\$ 8,057,877
Unreserved	32,060,409	34,158,361	24,705,707	27,656,144
Nonspendable	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total general fund	<u>\$ 43,243,968</u>	<u>\$ 42,591,852</u>	<u>\$ 36,337,629</u>	<u>\$ 35,714,021</u>
All other governmental funds				
Reserved	\$ 28,425,497	\$ 31,208,243	\$ 35,197,980	\$ 36,093,486
Unreserved, reported in:				
Special revenue funds	3,033,591	1,003,246	2,182,390	2,820,754
Debt service fund	325,862	-	-	-
Capital projects fund	2,225,393	-	-	98,378
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Total all other governmental funds	<u>\$ 34,010,343</u>	<u>\$ 32,211,489</u>	<u>\$ 37,380,370</u>	<u>\$ 39,012,618</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,					
2008	2009	2010	2011 (1)	2012	2013
\$ 2,903,603	\$ 4,565,604	\$ 2,773,477	\$ -	\$ -	\$ -
27,091,088	23,822,046	19,649,622	-	-	-
-	-	-	203,754	247,488	234,932
-	-	-	5,707,125	5,075,442	-
-	-	-	15,657,636	14,483,393	18,962,626
<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>	<u>\$ 19,197,558</u>
\$ 36,269,424	\$ 34,249,675	\$ 33,578,417	\$ -	\$ -	\$ -
4,246,060	3,434,493	1,359,711	-	-	-
-	-	-	-	-	-
2,864,333	5,060,572	3,118,999	-	-	-
-	-	-	13,282,980	6,449,092	6,740,441
-	-	-	9,491,161	12,654,851	14,015,744
-	-	-	3,180,165	2,889,803	3,170,572
-	-	-	8,419,529	6,847,754	7,645,525
<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>	<u>\$ 31,572,282</u>

City of Dearborn, Michigan

	Year Ended June 30,			
	2004	2005	2006	2007
Revenues				
Taxes, assessments and penalties on taxes	\$ 71,225,476	\$ 71,636,846	\$ 73,074,475	\$ 73,956,411
Licenses and permits	3,012,402	2,484,862	2,211,330	2,354,012
Intergovernmental revenues:				
State sources	18,144,074	17,556,775	18,724,037	17,019,551
Federal sources	4,201,011	4,286,267	5,792,025	3,019,962
Local sources	-	-	-	-
Other sources	158,521	174,776	116,796	120,626
Charges for services	9,910,066	9,605,652	9,789,794	9,763,643
Fines and forfeits	3,722,143	3,615,747	4,480,045	4,591,880
Rents and royalties	4,860,730	5,066,367	5,206,021	5,216,764
Miscellaneous revenue	1,779,416	2,070,831	2,537,007	1,251,339
Private source contributions	395,049	553,421	257,048	159,203
Investment income	1,071,016	2,108,961	3,761,071	4,442,283
Total revenues	<u>118,479,904</u>	<u>119,160,505</u>	<u>125,949,649</u>	<u>121,895,674</u>
Expenditures				
General government	17,137,937	17,802,197	17,625,581	16,592,671
Public safety	40,209,968	47,448,269	50,596,105	47,815,559
Public works	19,752,523	18,740,517	20,545,286	23,264,645
Health and welfare	898,637	951,384	1,015,112	1,017,025
Recreation and culture	15,719,462	16,625,373	17,158,608	15,991,058
Community improvement	4,017,796	1,856,829	2,214,272	1,944,888
Utilities	3,840,690	4,060,359	4,464,391	4,302,158
Capital outlay	4,120,128	8,373,440	5,687,117	3,816,566
Debt service - principal	2,465,000	2,630,000	2,765,000	3,040,000
Debt service - interest and fiscal charges	1,842,076	1,347,823	1,229,742	1,242,580
Unrealized loss on land held for resale	-	-	-	-
Total expenditures	<u>110,004,217</u>	<u>119,836,191</u>	<u>123,301,214</u>	<u>119,027,150</u>
Revenues Over (Under) Expenditures	8,475,687	(675,686)	2,648,435	2,868,524
Other Financing Sources (Uses)				
Issuance of debt	-	-	-	9,840,000
Bond premium and other	8,630,000	-	-	285,831
Payments from (to) escrow agent	(8,475,000)	-	-	(10,125,831)
Transfers in	11,636,915	8,000,313	13,105,908	11,823,416
Transfers out	(13,312,059)	(9,775,597)	(16,303,606)	(13,683,300)
Contribution to component units	-	-	(536,079)	-
Total other financing sources (uses)	<u>(1,520,144)</u>	<u>(1,775,284)</u>	<u>(3,733,777)</u>	<u>(1,859,884)</u>
Net Change in Fund Balances	6,955,543	(2,450,970)	(1,085,342)	1,008,640
Fund Balances - Beginning of year	<u>70,298,768</u>	<u>77,254,311</u>	<u>74,803,341</u>	<u>73,717,999</u>
Fund Balances - End of year	<u>\$ 77,254,311</u>	<u>\$ 74,803,341</u>	<u>\$ 73,717,999</u>	<u>\$ 74,726,639</u>
Debt service as a percentage of noncapital expenditures	4.09%	3.62%	3.60%	3.97%

City of Dearborn, Michigan

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

Year Ended June 30,					
2008	2009	2010	2011	2012	2013
\$ 74,864,544	\$ 74,417,614	\$ 66,898,007	\$ 68,634,837	\$ 65,586,461	\$ 78,061,215
2,103,672	1,629,179	1,456,321	2,606,186	2,164,269	2,002,495
16,890,767	16,144,911	14,994,366	15,174,605	15,645,123	15,883,980
1,839,525	2,477,958	5,554,459	6,344,198	12,117,043	10,987,722
-	-	-	25,000	90,000	828,235
232,307	234,800	205,886	181,390	772,087	-
10,517,161	8,581,834	8,112,023	8,919,439	8,543,324	9,046,524
4,734,867	5,088,268	3,907,176	4,150,768	4,338,557	4,167,059
5,598,596	5,756,594	5,621,711	5,869,862	4,785,360	4,606,920
1,211,475	796,671	806,946	700,242	700,511	2,482,511
179,747	251,375	245,192	48,882	68,372	41,023
4,484,831	2,800,349	825,396	252,343	75,276	95,057
<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>	<u>128,202,741</u>
17,243,638	16,600,757	13,266,973	12,742,209	12,147,029	14,697,735
50,531,877	51,391,481	53,784,103	54,255,155	55,340,145	56,702,499
22,205,870	19,685,018	18,925,016	18,958,399	18,658,991	17,620,568
918,983	899,511	394,537	345,274	10,427	194
16,742,339	16,068,221	18,877,609	18,533,939	16,430,423	18,803,949
1,988,312	2,061,008	2,235,666	2,038,767	2,035,755	2,476,715
4,607,915	4,320,227	323,085	305,438	281,736	374,885
4,009,106	5,872,343	4,855,404	2,938,196	7,770,659	10,356,592
3,025,000	3,165,000	3,296,683	3,294,095	3,381,696	3,450,598
989,061	755,191	610,853	473,257	361,520	230,051
-	-	-	2,500,000	5,739,000	451,500
<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>	<u>125,165,286</u>
395,391	(2,639,204)	(7,942,446)	(3,476,977)	(7,270,998)	3,037,455
3,536,000	-	-	-	-	-
-	-	-	-	-	-
(3,520,000)	-	-	-	-	-
14,584,454	12,380,950	8,682,846	12,901,955	14,048,394	7,373,659
(16,347,976)	(11,983,864)	(11,392,564)	(13,962,854)	(14,071,923)	(8,289,097)
-	-	-	-	-	-
<u>(1,747,522)</u>	<u>397,086</u>	<u>(2,709,718)</u>	<u>(1,060,899)</u>	<u>(23,529)</u>	<u>(915,438)</u>
(1,352,131)	(2,242,118)	(10,652,164)	(4,537,876)	(7,294,527)	2,122,017
74,726,639	73,374,508	71,132,390	60,480,226	55,942,350	48,647,823
<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>	<u>\$ 50,769,840</u>
3.47%	3.48%	3.54%	3.45%	3.41%	3.26%

City of Dearborn, Michigan

	Fiscal Year Ended June 30,			
	2004	2005	2006	2007
Assets				
Current assets:				
Cash and cash equivalents	\$ 929,590	\$ 437,196	\$ 5,763,479	\$ 6,467,790
Investments	6,677,718	4,748,615	-	-
Accounts Receivable (Net)	99,553	99,780	253,969	132,941
Property taxes receivable	-	-	26,824	25,745
Unbilled accounts receivable	1,730,818	1,252,442	1,397,962	1,431,730
Accrued interest receivable	92,619	182,226	260,629	242,064
Due from other governments	13,729	5,622,110	80,365	117,150
Due from other funds	-	3,800,587	27,881	525,383
Prepaid items	13,533	13,933	18,463	21,360
Inventories	-	-	-	-
Total current assets	<u>9,557,560</u>	<u>16,156,889</u>	<u>7,829,572</u>	<u>8,964,163</u>
Noncurrent assets:				
Restricted cash and investments:				
Construction	12,426,930	34,395,584	16,716,242	17,383,758
Debt service	3,272,654	1,930,742	4,634,356	5,899,117
Investments, long-term	-	1,921,241	8,876,728	10,104,111
Capital assets (Net)	<u>79,675,648</u>	<u>103,200,190</u>	<u>150,864,429</u>	<u>194,582,424</u>
Total noncurrent assets	<u>95,375,232</u>	<u>141,447,757</u>	<u>181,091,755</u>	<u>227,969,410</u>
Total assets	<u>104,932,792</u>	<u>157,604,646</u>	<u>188,921,327</u>	<u>236,933,573</u>
Liabilities				
Current liabilities:				
Accounts payable	3,556,741	12,760,316	3,353,758	2,982,256
Accrued interest payable	281,605	491,671	600,494	725,490
Accrued liabilities	22,678	9,657	19,774	17,008
Due to other governments	392,772	434,056	421,876	182,071
Due to other funds	300,000	1,200,000	-	21,360
Liabilities payable from restricted assets	-	-	6,239,006	7,276,307
Current portion of long-term debt	<u>1,790,000</u>	<u>2,420,000</u>	<u>2,465,000</u>	<u>5,330,000</u>
Total current liabilities	<u>6,343,796</u>	<u>17,315,700</u>	<u>13,099,908</u>	<u>16,534,492</u>
Noncurrent liabilities:				
Liabilities payable from restricted assets	-	-	-	-
Current portion of long term debt payable with restricted assets	-	-	-	-
Accrued interest payable with restricted assets	-	-	-	-
Long-term debt, net of current portion	24,933,564	54,926,576	75,606,634	104,126,803
Other liabilities	10,684	15,668	25,636	4,084,562
Total noncurrent liabilities	<u>24,944,248</u>	<u>54,942,244</u>	<u>75,632,270</u>	<u>108,211,365</u>
Total liabilities	<u>31,288,044</u>	<u>72,257,944</u>	<u>88,732,178</u>	<u>124,745,857</u>
Net Position				
Net investment in capital assets	52,952,084	45,853,614	72,792,795	85,125,621
Restricted for:				
Construction	12,426,930	34,395,583	10,477,235	17,383,758
Debt service	3,272,654	1,930,742	6,156,096	5,899,117
Unrestricted	4,993,080	3,166,763	10,763,023	3,779,220
Total net position	<u>\$ 73,644,748</u>	<u>\$ 85,346,702</u>	<u>\$ 100,189,149</u>	<u>\$ 112,187,716</u>

City of Dearborn, Michigan

Statement of Net Position, Sewer Fund Last Ten Fiscal Years (accrual basis of accounting)

Fiscal Year Ended June, 30						
2008	2009	2010	2011	2012	2013	
\$ 7,922,004	\$ 9,070,122	\$ 12,964,653	\$ 55,444,100	\$ 56,444,046	\$ 58,221,954	
-	-	-	-	-	-	
717,338	180,871	217,236	311,122	310,900	4,449,552	
14,856	8,100	36,590	96,464	25,662	52,325	
1,710,865	3,452,578	2,721,972	2,388,135	2,573,752	2,659,408	
317,667	257,238	257,998	266,843	141,090	81,851	
379,451	150,000	412,328	-	48,637	1,040,689	
621,599	2,573	-	2,550	-	1,235	
-	-	-	-	-	-	
-	410,288	410,287	185,287	185,960	185,960	
<u>11,683,780</u>	<u>13,531,770</u>	<u>17,021,064</u>	<u>58,694,501</u>	<u>59,730,047</u>	<u>66,692,974</u>	
16,094,615	11,082,093	17,021,308	3,760,211	6,290,064	5,189,520	
7,917,774	6,071,919	9,354,234	2,100,296	1,901,803	1,702,056	
12,488,858	19,784,972	14,749,500	7,188,882	2,953,337	2,208,641	
<u>238,826,150</u>	<u>288,342,896</u>	<u>268,356,736</u>	<u>294,927,700</u>	<u>294,869,058</u>	<u>294,709,088</u>	
<u>275,327,397</u>	<u>325,281,880</u>	<u>309,481,778</u>	<u>307,977,089</u>	<u>306,014,262</u>	<u>303,809,305</u>	
<u>287,011,177</u>	<u>338,813,650</u>	<u>326,502,842</u>	<u>366,671,590</u>	<u>365,744,309</u>	<u>370,502,279</u>	
13,872,347	4,139,459	4,161,371	5,847,106	5,088,290	6,780,371	
845,248	969,634	1,071,114	1,052,796	1,037,490	1,010,803	
20,824	17,482	215,481	326,681	646,900	403,440	
208,085	158,973	731,868	101,641	273,850	145,365	
45,124	237	2,274	-	21,540	27,858	
8,550,000	7,424,423	5,634,823	-	-	-	
-	8,710,000	13,125,000	12,859,403	13,123,403	13,390,903	
<u>23,541,628</u>	<u>21,420,208</u>	<u>24,941,931</u>	<u>20,187,627</u>	<u>20,191,473</u>	<u>21,758,740</u>	
-	-	-	1,760,211	-	-	
-	-	-	476,546	491,546	509,046	
-	-	-	110,750	93,553	75,379	
130,489,516	162,048,508	185,962,103	208,397,658	202,297,273	193,395,991	
4,589,810	8,635,684	11,671,986	7,565,882	86,793	96,217	
<u>135,079,326</u>	<u>170,684,192</u>	<u>197,634,089</u>	<u>218,311,047</u>	<u>202,969,165</u>	<u>194,076,633</u>	
<u>158,620,954</u>	<u>192,104,400</u>	<u>222,576,020</u>	<u>238,498,674</u>	<u>223,160,638</u>	<u>215,835,373</u>	
99,786,634	117,584,388	69,269,633	73,670,639	79,448,382	87,922,193	
16,094,615	11,082,093	11,386,485	2,000,000	6,290,064	5,189,520	
7,917,774	6,071,919	9,354,234	7,525,175	7,525,731	7,903,491	
4,591,200	11,970,850	13,916,470	44,977,102	49,319,494	53,651,702	
<u>\$ 128,390,223</u>	<u>\$ 146,709,250</u>	<u>\$ 103,926,822</u>	<u>\$ 128,172,916</u>	<u>\$ 142,583,671</u>	<u>\$ 154,666,906</u>	

City of Dearborn, Michigan

Revenue Sharing Payments State of Michigan Last Ten Fiscal Years

<u>Fiscal Year Ending June 30,</u>	<u>Revenue Sharing Payments</u>
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	8,560,579
2014	8,763,869 (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
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
2014	2013	36.50	33.04	19,824.00

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
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
2013	2014	1,494,285,985	770,994,515	369,937,519	67,406,900	2,702,624,919

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 2013 (fiscal year 2014) taxable valuation is as follows:

By Class	Taxable Valuation	Percent of total
Real Property	\$ 2,702,624,919	73.96%
Personal Property	951,391,000	26.04%
Total	\$ 3,654,015,919	100.00%

By Use	Taxable Valuation	Percent of total
Commercial	\$ 770,994,515	21.10%
Industrial	369,937,519	10.12%
Residential	1,494,285,985	40.90%
Personal	1,018,797,900	27.88%
Total	\$ 3,654,015,919	100.00%

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

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

Personal Property Taxable Value

	Personal	Industrial Facilities Tax (IFT)	Total Personal	Total Taxable Value	Direct Tax Rate (mills)	Tax Increment Financing Total Captured Valuation	Assessed Value	Taxable as a % of Assessed Value
\$	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%
	552,866,800	398,524,200	951,391,000	3,654,015,919	25.90	183,491,553	3,686,871,400	99.11%

City of Dearborn, Michigan

Tax Year	Fiscal Year	Millage Rates - Direct City Taxes				Overlapping Taxes		
		General Operating (1)	Debt	Garbage & Rubbish	Library	Total Direct Taxes	County (2)	Community College (3)
Dearborn School District								
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	8.9266	3.0000
2013	2014	18.5000	4.4900	1.9100	1.0000	25.9000	5.6483 *	3.0000

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

Westwood School District

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	8.9266	2.2408
2013	2014	18.5000	4.4900	1.9100	1.0000	25.9000	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
2012	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) 2012 General operating millage rate of 18.5000 is made up of 15 mills of general operating under Dearborn charter and an additional 3.500 mills of voted operating as approved by voters on November 8, 2011.
- (2) County rate includes all Wayne County, Huron Clinton Metropolitan Park Authority and Wayne County Transit Authority (Smart) tax rates.
- (3) Henry Ford Community College is part of the Dearborn school system. Westwood school taxpayers pay a Wayne County Community College rate.
- (4) 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.
- (5) Dearborn School's P.R.E rate includes a "Homestead Supplemental" rate. This is applied to P.R.E. tax parcels only.

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. (5)	Total Tax Rate P.R.E. (4)(5)	Overlapping Taxes School Non - P.R.E.	Total Tax Rate Non - P.R.E.
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	48.2509	11.9800	60.2309	23.8100	72.0609
3.4643	6.0000	TBD *	11.5200	TBD *	23.3500	TBD *
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	46.5317	-	46.5317	18.0000	64.5317
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	2013			2012			2003		
	Taxable Value	Rank	Percent of total	Taxable Value	Rank	Percent of total	Taxable Value	Rank	Percent of total
Ford Motor Company	\$ 757,739,238	1	20.74%	\$ 765,494,780	1	20.66%	\$ 1,260,417,298	1	27.22%
Severstal Steel Company	328,255,000	2	8.98%	341,283,350	2	9.21%	-	-	-
Dearborn Industrial Generation	107,945,950	3	2.95%	110,028,200	3	2.97%	136,815,225	3	2.95%
Fairlane Town Center	36,528,600	4	1.00%	37,549,084.00	5	1.01%	47,879,350.00	5	-
Ford Motor Land Development Corp	33,404,834	5	0.91%	36,921,650	4	1.00%	-	-	0.00%
DTE Energy Company	29,009,600	6	0.79%	29,016,082	6	0.78%	41,773,912	7	0.90%
The ACG (AAA of Michigan)	20,548,500	7	0.56%	22,344,450	7	0.60%	36,829,816	8	0.80%
DTE Gas Company	15,324,050	8	0.42%	-	-	-	-	-	0.00%
Dearborn Schaefer Office Co LLC	12,334,000	9	0.34%	-	-	-	-	-	-
Kenwall Steel	10,757,050	10	0.29%	-	-	-	-	-	-
HRP NOM LP (Hallwood Mgmt Co)	-	-	-	19,499,288	8	0.53%	42,356,574.00	6	-
Michigan Consolidated Gas Co	-	-	-	13,876,950	9	0.37%	-	-	-
WCF Land LLC	-	-	-	13,180,500	10	0.36%	-	-	-
Rouge Steel Company	-	-	-	-	-	-	163,017,945	2	3.52%
Visteon	-	-	-	-	-	-	70,116,827	4	1.51%
Lear Corporation	-	-	-	-	-	-	21,944,106	10	0.47%
Fleet Business Credit	-	-	-	-	-	-	29,368,150	9	0.63%
Oakwood Health Services	-	-	-	-	-	-	-	-	0.00%
Ashford Hospitality Trust	-	-	-	-	-	-	-	-	0.00%
US Equipment Leasing LLS	-	-	-	-	-	-	-	-	0.00%
Total - ten largest taxpayers	1,351,846,822		37.00%	1,389,194,334		37.49%	1,850,519,203		39.97%
Total - all other taxpayers	2,302,169,097		63.00%	2,315,947,718		62.51%	2,780,252,084		60.03%
Total - all taxpayers	\$ 3,654,015,919		100.00%	\$ 3,705,142,052		100.00%	\$ 4,630,771,287		100.00%

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 2003 taxable year applicable to Ford Motor Company was \$50,683,000 Real and \$231,497,950 Personal Property and Rouge Steel was \$5,008,000 Real and \$15,872,850 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.

Abated Industrial Facilities Taxable Value for the 2013 tax year applicable to Ford Motor Company was \$46,846,650 Real and \$75,243,950 Personal Property; Severstal Steel Company was \$9,400,000 Real and \$221,841,250 Personal Property; and Dearborn Industrial Generation (DIG) was \$6,025,300 Real and \$97,095,050 Personal Property.

Source: City of Dearborn Department of Assessment

City of Dearborn, Michigan

Principal Sewage Utility Customers

Taxpayer	Fiscal Year Ended June 30, 2013		
	Estimated Sewage Volumes (in cubic feet) (1)	Rank	Estimated Sewage Disposal Charges Billed (2)
Severstal NA	65,953,000	1	\$ 2,407,285
Ford Rouge Plant	49,604,900	2	1,810,579
Oakwood Health Care	13,389,100	3	488,702
Dearborn Schools	7,468,800	4	272,611
Ford Motor Co. & Headquarters	7,210,900	5	263,198
Fairlane Town Ctr w/Movies	3,957,600	6	144,452
Henry Ford Village	3,931,600	7	143,503
U of M Dearborn	3,698,000	8	134,977
The Adoba (formerly Hyatt Regency)	3,509,800	9	128,108
The Henry (formerly Ritz Carlton)	<u>2,109,600</u>	10	<u>77,000</u>
Total - ten largest sewage customers	<u><u>160,833,300</u></u>		<u><u>\$ 5,870,416</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
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	69,894,003	69,778,678	99.8%	115,325
2013-2014	2013	69,673,108	in process of collection		

Tax Year	Delinquent Tax	Collections		
		Fiscal Year 2012-2013	Prior Fiscal Years	Total
2003	\$ 1,838,135	\$ -	\$ 1,944,537	\$ 1,944,537
2004	2,316,718	-	2,551,984	2,551,984
2005	2,120,203	289	1,897,969	1,898,258
2006	2,203,911	61	2,430,019	2,430,080
2007	2,566,053	63	2,670,161	2,670,224
2008	3,100,117	522	3,169,524	3,170,046
2009	2,825,257	12,644	2,882,205	2,894,849
2010	1,229,004	16,854	308,161	325,015
2011	116,788	33,348	57,173	90,521
2012	115,325	13,350	-	13,350

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

Delinquent Tax Collections/Adj.	Delinquent Balance as of June 30, 2013	Cumulative Collections & Adj. (Current and Delinquent)	Percent Collected
\$ 1,838,135	\$ -	\$ 64,668,527	100.0%
2,316,718	-	65,902,430	100.0%
2,120,203	-	66,782,028	100.0%
2,203,911	-	66,932,745	100.0%
2,566,053	-	68,037,423	100.0%
3,098,780	1,337	67,877,106	100.0%
2,818,256	7,001	65,087,600	100.0%
1,215,534	13,470	59,287,415	100.0%
83,085	33,703	60,437,882	99.9%
13,350	101,975	69,792,028	99.9%

Adjustments	Delinquent Balance as of June 30, 2013
\$ 106,402	\$ -
235,266	-
(221,945)	-
226,169	-
104,171	-
71,266	1,337
76,593	7,001
(890,519)	13,470
7,436	33,703
-	101,975

City of Dearborn, Michigan

	Fiscal Year Ended June 30,			
	2004	2005	2006	2007
Governmental activities:				
General obligation bonds	\$ 33,611,717	\$ 30,489,918	\$ 27,217,946	\$ 23,744,725
Business type activities:				
General obligation bonds	14,889,626	47,132,660	68,401,337	100,993,381
Revenue bonds	26,723,565	24,953,267	23,052,972	21,107,676
Total business type activities	41,613,191	72,085,927	91,454,309	122,101,057
Total debt of the government	\$ 75,224,908	\$ 102,575,845	\$ 118,672,255	\$ 145,845,782
Total residential personal income	\$ 2,100,989,200	\$ 2,067,333,614	\$ 2,067,333,614	\$ 2,167,472,786
Ratio of total debt to personal income	3.58%	4.96%	5.74%	6.73%
Total population*	99,499	99,382	99,909	99,089
Total debt per capita	\$ 756	\$ 1,032	\$ 1,188	\$ 1,472

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, 2004-2013" except the 2010 population is from the U.S. Census Bureau.

Ratios of Outstanding Debt Last Ten Fiscal Years

Fiscal Year Ended June 30,						
2008	2009	2010	2011	2012	2013	
\$ 20,217,780	\$ 17,024,420	\$ 13,703,672	\$ 10,277,268	\$ 6,765,244	\$ 3,180,981	
131,853,146	164,795,189	194,324,037	218,182,845	213,248,466	205,531,240	
19,122,380	17,092,083	15,011,788	13,589,363	11,665,007	9,584,711	
150,975,526	181,887,272	209,335,825	231,772,208	224,913,473	215,115,951	
<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>	<u>\$ 218,296,932</u>	
\$ 2,292,093,612	\$ 2,254,828,035	\$ 2,295,862,702	\$ 2,252,509,776	\$ 2,308,132,976	\$ 2,330,397,184	
7.47%	8.82%	9.71%	10.75%	10.04%	9.37%	
101,223	101,665	98,146	98,604	100,249	101,216	
\$ 1,691	\$ 1,957	\$ 2,273	\$ 2,455	\$ 2,311	\$ 2,157	

City of Dearborn, Michigan

Fiscal Year	Limited Tax General Obligation Bonds (LTGO)	Tax Supported Bonds (UTGO)	Less Pledged Debt Service Funds	Net General Bonded Debt	Taxable Value
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
2013	10,297,179	198,415,042	8,003,480	200,708,741	3,705,142,052

* 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 General Bond Debt Outstanding Last Ten Fiscal Years

Debt as a Percentage of Taxable Value	Population *	Debt per Capita
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%	98,146	1,942
5.14%	98,604	2,245
5.51%	100,249	2,122
5.42%	101,216	1,983

City of Dearborn, Michigan

	Fiscal Year Ended June 30,			
	2004	2005	2006	2007
Valuation base				
State equalized valuation - excluding IFT values	\$ 4,861,255,998	\$ 4,974,031,683	\$ 5,085,594,564	\$ 5,009,821,466
Plus: equivalent valuation of Act 198 exemptions	491,800,600	525,824,700	560,064,200	454,363,700
Total valuation	<u>\$ 5,353,056,598</u>	<u>\$ 5,499,856,383</u>	<u>\$ 5,645,658,764</u>	<u>\$ 5,464,185,166</u>
Legal Debt limitation - 10% of total valuation	\$ 535,305,660	\$ 549,985,638	\$ 564,565,876	\$ 546,418,517
Calculation of debt subject to limit:				
Total debt	75,224,906	102,575,845	118,672,255	145,845,782
Less: Revenue Bonds not subject to limit	(26,723,563)	(24,953,267)	(23,052,972)	(21,107,676)
Less: Amount available for repayment of general obligation bonds	(325,862)	(514,528)	(159,246)	(110,036)
Net debt subject to limit	<u>48,175,481</u>	<u>77,108,050</u>	<u>95,460,037</u>	<u>124,628,070</u>
Legal debt margin	<u>\$ 487,130,179</u>	<u>\$ 472,877,588</u>	<u>\$ 469,105,839</u>	<u>\$ 421,790,447</u>
Net debt subject to limit as % of debt limit	9.00%	14.02%	16.91%	22.81%

City of Dearborn, Michigan

Computation of Legal Debt Margin Last Ten Fiscal Years

Fiscal Year Ended June 30,					
2008	2009	2010	2011	2012	2013
\$ 5,029,644,744	\$ 4,506,733,763	\$ 4,324,230,997	\$ 3,910,703,378	\$ 3,472,254,144	\$ 3,240,541,555
424,934,650	531,658,100	568,894,850	527,237,801	458,649,808	509,444,690
<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>	<u>\$ 3,749,986,245</u>
\$ 545,457,939	\$ 503,839,186	\$ 489,312,585	\$ 443,794,118	\$ 393,090,395	\$ 374,998,625
171,193,306	198,911,692	223,039,498	242,049,476	231,678,717	218,296,932
(19,122,380)	(17,092,083)	(15,011,788)	(13,589,363)	(11,665,007)	(9,584,711)
(321,850)	(285,649)	(37,387)	(383)	(83,453)	(207,390)
<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>208,504,831</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>	<u>\$ 166,493,794</u>
27.82%	36.03%	42.51%	51.48%	55.95%	55.60%

City of Dearborn, Michigan

Computation of Direct and Overlapping Bonded Debt General Obligation Bonds June 30, 2013

Government Unit	Net Bonded Debt Outstanding	Percentage Applicable to Government	Amount Applicable to Government	Per Capita (2)
Direct - City of Dearborn	\$ 3,180,981	100.00%	\$ 3,180,981	\$ 31
Overlapping (1):				
Dearborn School District	155,177,000	95.25%	147,806,093	1,460
Westwood School District	1,200,000	6.86%	82,320	0.81
Wayne County at large	345,555,048	7.84%	27,091,516	268
Wayne County Community College	<u>7,470,000</u>	0.07%	<u>5,229</u>	<u>0.05</u>
Total Overlapping Debt	<u>509,402,048</u>	34.35%	<u>174,985,158</u>	<u>1,729</u>
Grand Total	<u>\$ 512,583,029</u>	34.76%	<u>\$ 178,166,139</u>	<u>\$ 1,760</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 101,216 as estimated in the Southeast Michigan Council of Governments' "Population and Household estimates in Southeast Michigan", July 2013.

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	
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%
2013	31,305,485	24,711,722	6,593,763	2,045,000	374,213	2,419,213	273%

(1) Total operating expenses exclusive of depreciation.

City of Dearborn, Michigan

Water Supply System Limited Tax Revenue Bonds Revenue Bond Coverage Last Three 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%
2013	19,604,108	14,614,823	4,989,285	55,000	18,627	73,627	6,776%

(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)
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	98,146	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%
2013	101,216	2,330,397,184	23,024	7.4%

(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, 2004-2013" 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

City of Dearborn, Michigan

Principal Employers Current Year and Nine Years Previous

	2012 (1)			2003 (2)		
	Employees	Rank	Percentage of Total	Employees	Rank	Percentage of Total
Ford Motor Company	34,119 (3)	1	46.04%	48,060 (4)	1	68.25%
ADP	10,000	2	13.49%	-	-	-
Automotive Component Holdings LLC	7,000	3	9.44%	-	-	-
Oakwood Hospital Corporation	5,933	4	8.00%	6,750 (4)	2	9.59%
Severstal (Including Seversal International)	4,900	7	6.61%	-	-	-
Percepta	4,450	5	6.00%	-	-	-
School District of the City of Dearborn	3,454	6	4.66%	2,897	4	4.11%
AAA Michigan	1,664	8	2.25%	2,081 (4)	6	2.96%
EP Management Corp.	1,400	9	1.89%	-	-	-
United Technologies Auto	1,200	10	1.62%	-	-	-
Visteon	-	-	-	4,600 (4)	3	6.54%
Rouge Steel Company	-	-	-	2,670	5	3.79%
UM Child Development Center	-	-	-	954	7	1.35%
City of Dearborn	-	-	-	897	8	1.27%
Volplex	-	-	-	764	9	1.08%
Pioneer Engineering & Mfg. Company	-	-	-	750	10	1.06%
	<u>74,120</u>		<u>100.00%</u>	<u>70,423</u>		<u>100.00%</u>

Sources:

(1) 2012 Michigan Manufacturers Directory, 2012 Crain's Book of Lists and Manta Company Intelligence Website.

(2) 2003 Michigan Manufacturers Directory, Michigan Community Economic Profiles, and Dearborn Economic Development Corporation

(3) 2011 Crain's Book of Lists: Wayne County's Largest Employers. Full-time employees only

(4) Wayne County Totals from 2003 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,		
	2004	2005	2006
Primary government			
Governmental activities:			
General government	206.75	193.41	190.15
Public safety	468.60	448.34	459.38
Public works	104.30	93.09	90.30
Health and welfare	23.03	23.51	23.44
Recreation and culture	304.73	288.80	287.38
Community improvement	18.65	15.31	14.43
Total governmental activities	<u>1,126.06</u>	<u>1,062.46</u>	<u>1,065.08</u>
Business-type activities:			
Housing	25.85	22.84	24.69
Golf course	28.07	27.83	26.22
Parking	-	6.69	5.08
Sewer	12.75	12.00	12.00
Water	39.67	39.84	37.82
Total business-type activities	<u>106.34</u>	<u>109.20</u>	<u>105.81</u>
Total primary government	<u>1,232.40</u>	<u>1,171.66</u>	<u>1,170.89</u>
Component unit			
East Dearborn Downtown Development Authority	-	1.00	1.00
Total employees	<u>1,232.40</u>	<u>1,172.66</u>	<u>1,171.89</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						
2007	2008	2009	as of July 1, 2010	2011	2012	2013
180.12	177.70	183.59	180.81	182.37	171.31	165.19
446.38	442.63	442.57	433.20	432.60	428.42	434.06
84.20	61.66	58.67	60.73	54.91	48.13	43.14
23.05	19.23	19.39	4.72	3.72	1.00	-
284.95	278.92	282.61	288.04	278.80	242.50	238.46
13.23	16.03	17.03	18.00	14.75	13.40	11.10
<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>	<u>891.95</u>
24.69	25.86	24.51	24.51	23.51	23.00	21.00
25.56	24.36	24.20	23.30	20.39	20.02	13.36
5.08	5.08	6.43	6.43	6.43	6.43	6.43
14.68	17.09	17.44	17.44	16.53	17.00	18.20
34.97	55.73	53.72	52.72	51.31	52.97	49.09
<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>108.08</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>	<u>1,000.03</u>
1.00	1.00	1.00	1.00	2.00	1.50	1.50
<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>	<u>1,001.53</u>

City of Dearborn, Michigan

Functions/programs	Fiscal Year Ended June 30,			
	2004	2005	2006	2007
Public safety				
Police patrol units	49	49	49	49
Fire stations	4	4	4	4
Emergency response vehicles	5	5	6	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	309.90	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	299,908	300,294	302,154	308,988
Utilities				
Water				
Miles of water mains	372.50	372.50	372.50	372.67
Fire hydrants	2,822	2,822	2,822	2,824
Sewer				
Miles of sanitary sewers	79.14	79.14	79.14	72.82
Miles of storm sewers	144.27	144.27	144.27	162.26
Miles of combined sewers	404.35	404.35	404.35	378.16

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

**Capital Asset Statistics
Last Ten Fiscal Years**

Fiscal Year Ended June 30,					
2008	2009	2010	2011	2012	2013
50	51	51	58	61	51
4	4	4	4	4	4
6	6	6	6	6	6
9	10	10	10	10	11
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	310.00	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	2
2	2	2	2	2	2
4	4	4	4	4	3
306,916	299,265	293,888	276,590	228,162	223,220
388.00	387.93	387.93	387.93	387.93	387.93
2,822	2,834	2,834	2,834	2,838	2,838
72.00	72.76	72.76	72.76	72.76	72.76
144.00	144.56	144.56	144.56	144.56	144.56
404.00	404.00	404.00	404.00	404.00	404.00

City of Dearborn, Michigan

Functions/programs	Fiscal Year Ended June 30,		
	2004	2005	2006
Election data			
Registered voters	45,660	51,056	54,882
District court			
Number of court cases	63,705	69,090	63,735
Building and safety			
Permits issued	10,663	9,412	9,096
Permit inspections conducted	27,773	28,231	17,165
Police			
Calls for service	59,260	54,432	56,467
Traffic citations	18,846	NA	22,458
Parking citations	10,191	NA	11,727
Fire			
Fire incidents	2,149	2,256	2,320
Emergency medical services incidents	7,282	7,522	7,475
Public works			
Miles of street resurfaced	2.35	5.40	3.09
Curbside refuse collected (tons)	49,739	39,958	44,400
Curbside compost collected (tons)	11,160	8,848	10,800
Curbside recyclables collected (tons)	4,626	4,046	4,200
Leaf collection (cubic yards)	18,204	24,300	19,762
Recreation			
Passholder visits	208,949	199,728	209,443
Library			
Collection - number of volumes	299,908	300,294	302,154
Circulation - number of transactions	1,277,048	1,143,446	1,034,882
Number of visitors	594,316	538,527	520,973
Water			
Number of customers billed	32,946	32,949	32,860
Total consumption (100 cubic feet)	8,002,471	7,782,069	7,532,607
Sewer			
Sewer water conveyed to Detroit (100 cubic feet)	13,202,404	11,820,680	11,561,647

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,						
2007	2008	2009	2010	2011	2012	2013
57,427	57,128	58,245	58,147	58,156	59,032	60,117
68,577	71,052	80,189	73,079	79,779	77,805	77,020
8,173	8,326	6,525	6,769	6,769	7,009	6,344
19,367	20,452	17,186	15,223	15,301	14,741	13,689
58,356	58,723	56,591	62,162	62,624	54,164	52,953
21,477	16,784	14,961	14,403	18,873	21,509	18,045
20,191	26,967	38,732	34,061	34,639	29,022	31,476
2,032	2,083	2,081	2,107	2,221	2,942	3,099
7,471	7,382	7,184	7,502	7,768	7,901	7,942
1.57	1.28	5.03	2.60	7.09	2.60	3.99
39,043	38,202	39,043	35,884	27,510	34,962	31,226
8,072	7,588	8,072	7,881	7,653	7,631	6,258
3,912	3,824	3,912	3,642	4,989	3,889	5,671
19,888	20,323	20,325	28,209	18,268	18,943	20,450
203,637	200,779	206,035	218,405	211,738	285,055	180,520
308,988	306,916	299,265	293,888	276,590	228,162	223,220
918,886	860,642	870,252	907,385	874,771	751,668	662,312
489,984	491,259	511,809	511,737	477,827	420,271	402,934
32,818	32,927	32,826	32,696	32,662	32,826	32,396
6,820,710	7,277,128	6,676,634	6,278,524	6,298,102	6,993,560	6,197,018
11,392,378	11,615,212	12,193,727	10,352,858	9,745,433	11,331,781	9,614,895

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City of Dearborn, Michigan

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

City of Dearborn, Michigan

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Dearborn, Michigan (the "City") as of and for the year ended June 30, 2013 and related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 4, 2013.

Internal Control Over Financial Reporting

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

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

To Management, 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 entity'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 2013-001, 2013-002, 2013-003, and 2013-004 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Dearborn, Michigan's Responses to Findings

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. The City of Dearborn, Michigan's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Plante & Moran, PLLC

December 4, 2013

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

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Dearborn, Michigan's compliance.

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

Basis for Qualified Opinion on ARRA COPS Hiring Recovery Program and 2012 COPS Hiring Program

As described in the accompanying schedule of findings and questioned costs, the Department of Justice has determined that the City of Dearborn, Michigan did not comply with requirements regarding CFDA 16.710 ARRA COPS Hiring Recovery Program and 2012 COPS Hiring Program, as described in finding number 2013-005 for special tests. As noted in Finding 2013-005, the City is still working with the Department of Justice to resolve the monitoring visit findings.

Compliance with such requirements is necessary, in our opinion, for the City of Dearborn, Michigan to comply with the requirements applicable to that program.

Qualified Opinion on ARRA COPS Hiring Recovery Program and 2012 COPS Hiring Program

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion* paragraph, the City of Dearborn, Michigan complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 16.710 ARRA COPS Hiring Recovery Program and 2012 COPS Hiring Program for the year ended June 30, 2013.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, City of Dearborn, Michigan complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

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

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

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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2013-005 to be a material weakness.

The City of Dearborn, Michigan's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The City of Dearborn, Michigan's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Plante & Morse, PLLC

December 4, 2013

City of Dearborn, Michigan

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

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	\$ 1,103,147
Neighborhood Stabilization Program	14.218	<u>504,803</u>
Total CDBG Entitlement Grant Cluster		1,607,950
Emergency Shelter Grant	14.231	38,843
Passed through the Michigan State Housing Development Authority - Home Investment Partnerships Program - Home Resource Fund - Grant Year 2010		
	14.239	<u>390,694</u>
Total U.S. Department of Housing and Urban Development		2,037,487
U.S. Department of Agriculture:		
Emergency Food Assistance Cluster - U.S. Department of Agriculture - Passed through County of Wayne, Michigan - Emergency Food Distribution Program		
	10.569	13,805
Passed through Michigan Department of Natural Resources 2013 Urban & Community Forestry Program Grant		
	10.664	<u>5,000</u>
Total U.S. Department of Agriculture		18,805
U.S. Department of Justice:		
JAG Program Cluster - Passed through the Wayne County Sheriff's Department:		
2006 Edward Byrne Memorial Justice Assistance Grant Program	16.738	10,184
2010 Edward Byrne Memorial Justice Assistance Grant Program	16.738	15,961
ARRA - 2009 Edward Byrne Memorial Justice Assistance Grant Program	16.804	<u>6,896</u>
Total JAG Program Cluster		33,041
Direct programs:		
Bullet Proof Vest Program	16.607	11,561
Equitable Sharing of Federally Forfeited Property	16.922	693,324
ARRA COPS Hiring Recovery Program	16.710	625,923
2012 COPS Hiring Program	16.710	154,725
Passed through Detroit Community Justice Partnership - Project Safe Neighborhoods Anti-Gang Initiative		
	16.744	<u>35,262</u>
Total U.S. Department of Justice		1,553,836
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	23,119
Passed through Michigan Department of Transportation:		
Traffic Signal Optimization	20.205	45,619
ARRA Intermodal Rail Passenger Facility	20.319	<u>7,314,807</u>
Total U.S. Department of Transportation		7,383,545

See Notes to Schedule of Expenditures
of Federal Awards.

City of Dearborn, Michigan

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2013

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	\$ 34,419
Passed through the Michigan Department of Environmental Quality: State Revolving Fund Loan - Combined Sewer Overflow Phase I	66.458	782,316
State Revolving Fund Loan - East Dearborn CSO Control Program	66.458	<u>248,972</u>
Total U.S. Environmental Protection Agency		1,065,707
U.S. Department of Energy - Direct Program - ARRA Energy Efficiency and Conservation Block Grant	81.125	7,674
Federal Emergency Management Agency:		
Direct programs:		
2007 Assistance to Firefighters Grant	97.044	27,291
2010 Staffing for Adequate Fire and Emergency Response Grant (SAFER)	97.044	513,577
2011 Assistance to Firefighters Grant	97.044	229,516
Passed through the Michigan Department of State Police - Civil Preparedness Program	97.042	<u>83,917</u>
Total Federal Emergency Management Agency		854,301
U.S. Department of Homeland Security - Passed through the Michigan Department of State Police - 2008 Buffer Zone Protection Program	97.078	<u>102,366</u>
Total federal awards		<u>\$ 13,023,721</u>

City of Dearborn, Michigan

Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended June 30, 2013

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 10,987,722
Add noncash assistance	13,805
Add federal money to be recorded as a capital contribution from grants on the financial statements	34,419
Add federal money recorded as a liability (combined sewer overflow projects)	1,031,288
Add federal money classified as forfeited revenue	693,324
Add federal revenue classified as miscellaneous revenue on financial statements	71,416
Add cash proceeds on sale of HUD NSP land	147,002
Add grant receivable/revenue not recorded as revenue under modified accrual accounting	126,789
Less federal grants received not administered by the City	(71,277)
Less revenue for prior year expenditures received in current year	<u>(10,767)</u>
Federal expenditures per the schedule of expenditures of federal awards	<u><u>\$ 13,023,721</u></u>

City of Dearborn, Michigan

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

Note 1 - Basis of Presentation and Significant Accounting Policies

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

Because the Schedule presents only a selected portion of the operations of the City of Dearborn, Michigan, it is not intended to, and does not, present the financial position, changes in net position, or cash flows, if applicable, of the City of 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, 2013 that is included on the schedule of expenditures of federal awards:

Federal Program	CFDA Number	Description	Amount
U.S. Department of Agriculture	10.569	Emergency Food Distribution Program	\$ 13,805

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	\$ 54,423
Emergency Shelter Grant	14.231	38,843
Total		\$ 93,266

City of Dearborn, Michigan

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

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 2012. 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, 2013

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?

Yes No

Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

Yes No

City of Dearborn, Michigan

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

Section I - Summary of Auditor's Results (Continued)

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
66.458	U.S. Environmental Protection Agency - State Revolving Fund Loan
20.319	U.S. Department of Transportation - Intermodal Rail Passenger Facility
16.710	U.S. Department of Justice - ARRA COPS Hiring Recovery Program
16.710	U.S. Department of Justice - 2012 COPS Hiring Program
16.922	U.S. Department of Justice - Equitable Sharing of Federally Forfeited Property
97.044	Federal Emergency Management Agency - 2010 Staffing for Adequate Fire and Emergency Response
97.044	Federal Emergency Management Agency - 2007 Assistance to Firefighters Grant
97.044	Federal Emergency Management Agency - 2011 Assistance to Firefighters Grant

Dollar threshold used to distinguish between type A and type B programs: \$390,712

Auditee qualified as low-risk auditee? _____ Yes X No

City of Dearborn, Michigan

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

Section II - Financial Statement Audit Findings

Reference

Number

Finding

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

Criteria - There should be proper segregation of duties for information technology controls.

Condition - During the prior year audit, the information technology (IT) department provided a system-generated report that indicated the finance director had the ability to create financial application users. Subsequent to the prior year audit, representatives of the IT department stated they did not believe the finance director had such ability; however, there was no logging function, so we could not verify this statement. The finance director did have the ability to turn on access to the financial application for existing users and had the ability to post journal entries. During current fiscal year, the IT department removed the finance director's abilities to grant access to the financial application for existing users and post journal entries, and has confirmed the finance director had not had the ability to create application users.

Context - 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.

Cause - For the period from July 2012 through November 2012, we are unable to verify if the City had properly segregated IT controls.

Effect - As a result of this potential lack of segregation of duties, the finance director may have had the ability to override the various established internal controls that could lead to a material misstatement of the financial statements.

Recommendation - The City of Dearborn, Michigan should continuously monitor user access rights to ensure that there is a proper segregated IT controls.

Views of Responsible Officials and Planned Corrective Actions - The finance director objects to this finding because he has not created financial application users since the IT department assumed that responsibility at least six 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 users. The finance director reported that he has not adjusted user securities since the responsibility was centralized with the IT department.

City of Dearborn, Michigan

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

Section II - Financial Statement Audit Findings (Continued)

Reference

Number

Finding

2013-002 **Finding Type** - Material weakness

Criteria - Bank reconciliations should be completed on a timely basis and be fully reconciled.

Condition - The City did not timely prepare and review timely bank reconciliations for the general checking cash account during the year ended June 30, 2013.

Context - This year's general checking account June 30, 2013 bank reconciliation was prepared in October 2013. The City still had an unreconciled difference of \$121,728 by the end of the audit fieldwork. Subsequent to the end of audit fieldwork, the City continued to reconcile the variance between the general ledger and adjusted bank balance and was able to reduce the unreconciled difference to \$16,058.

Cause - The City had significant turnover in accounting staff during the year. As a result of the City's turnover, the bank reconciliation process was not performed in a timely manner.

Effect - While misappropriations of assets were not found during the City's audit, untimely preparation and review of bank reconciliations significantly increases the risk for misappropriation to occur and also has an adverse impact on efficiencies related to internal control.

Recommendation - The City should prepare all bank reconciliations on a timely basis (30-45 days from month end).

Views of Responsible Officials and Planned Corrective Actions - Management recognizes the importance of reconciling bank accounts on a timely basis and has a long history of doing so. The finance department experienced turnover of 42 percent of its staff in 2013, including the two staff familiar with reconciling the complicated general bank account which includes the activity of over 50 separate accounts. The department has devoted significant additional hours to overcome the challenges of loss of experience in this area and has implemented procedures to streamline the reconciliation process. It is anticipated that each monthly reconciliation will be completed within the following month during fiscal year 2014.

City of Dearborn, Michigan

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

Section II - Financial Statement Audit Findings (Continued)

Reference

Number

Finding

2013-003 **Finding Type** - Material weakness

Criteria - 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).

Condition - As a result of current year audit procedures, we noted three items that were not properly calculated and/or presented in accordance with GAAP: (1) water and sewer fund accounts receivable were overstated due to a large customer bill calculated at twice the proper rate, (2) the City has contributed above the actuarially required amounts for the defined benefit pension funds without recognizing it in the financial statements, (3) the City improperly classified and began depreciating water and sewer capital assets that were still under construction.

Context - 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 three exceptions.

The City's new billing software system calculated a single billing at twice the proper rate. The Water Department fixed the error but recorded the entry to fiscal year 2014 and not the current fiscal year. This led to the water and sewer receivable and revenue being overstated in the current year.

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 they elect to do so, GAAP requires a net pension asset to be recognized.

The City does review the construction in progress listing for items that were placed into service during the year. In the current year, the City incorrectly identified one project as having been placed in service. The City did correct the error after it was noted during our testing.

Cause - 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.

City of Dearborn, Michigan

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

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2013-003 (Cont't)	<p>Effect - The noted miscalculations and/or decisions made by management had the following results: water and sewer revenue and receivable were overstated by \$718,132. An adjusting entry was made to correct the overstatement. The City has not recorded a net pension asset that would have amounted to \$1,540,355 as of June 30, 2013, including interest. The City improperly classified \$1,442,915 of water and sewer capital assets as having been placed in service rather than remaining construction in progress. An adjusting entry was made to correct the classification.</p> <p>Recommendation - We recommend the City implement additional review procedures to verify significant amounts are accurately reported before the financial statement audit begins.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The new Water and Sewer billing software system calculated a single billing at twice the rate for the correct consumption amount for one of its large customers. This miscalculation of the bill was caused by a change in the meter type to better serve the high volume user. The consumption amount was correct; however, the calculation of the bill was inadvertently doubled. The department identified the miscalculation and corrected the billing, but the timing crossed year end and the correction was not recorded in the fiscal year in which it originally occurred.</p> <p>The water and sewer division reviews consumption and bill amounts when billing occurs. In addition, the water and sewer division has added the process of reviewing the amount of the bill when a meter or any other change has been made to any of the billing components.</p>

City of Dearborn, Michigan

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

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2013-003 (Con't)	<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 system has an unfunded accrued liability that represents earned benefits that are not fully funded, it has always been the position that any excess annual contribution was favorable. A pension benefit enhancement was negotiated with the City's general employees in 2013. The City Council directed and approved that the unfunded accrued liability of \$780,000 associated with the benefit enhancement was to be paid in full when incurred. 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>The finance department experienced turnover of 42 percent of its staff in 2013, including the staff experienced with fixed assets accounting. The department has devoted significant additional hours to overcome the challenges of loss of experience in this area. The fixed assets accountant intends to work in close review with the water and sewer accountant to prevent misclassification going forward.</p>

City of Dearborn, Michigan

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

Section II - Financial Statement Audit Findings (Continued)

Reference

Number

Finding

2013-004 **Finding Type** - Material weakness

Criteria - There should be a monthly reconciliation of the water and sewer receivable general ledger balance to the subsidiary ledger.

Condition - During the current year's audit testing, it was noted that the City was not reconciling the subsidiary water and sewer ledger to the general ledger.

Context - During our testing, we noted an immaterial difference between the June 30, 2013 subsidiary ledger and the general ledger, but there is a potential for a larger difference between the two balances.

Cause - The City changed its water and sewer IT software during the year. In the new software, the City staff were unable to successfully generate the subsidiary ledger report. This led to the City not performing the reconciliation between the subsidiary ledger and the general ledger.

Effect - While misappropriations of assets were not found during the City's audit, the lack of reconciliations between the subsidiary ledger and the general ledger significantly increases the risk for misappropriation to occur and also has an adverse impact on efficiencies related to internal control.

Recommendation - The City should prepare water and sewer receivable reconciliations on a monthly basis (30-45 days from month end).

Views of Responsible Officials and Planned Corrective Actions - The City replaced its water and sewer billing software but the process to create a detailed subsidiary ledger was not functioning properly and the staff was unable to successfully create the subsidiary ledger. The City's IT department has now updated the software to correct the problem.

The accountant for the Water and Sewer Fund will run a detailed, as well as a total, subsidiary report when reconciling the water and sewer subsidiary ledger to the general ledger each month. The water and sewer division will also run a detailed subsidiary report on a monthly basis and review account balances for irregularities.

City of Dearborn, Michigan

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

Section III - Federal Program Audit Findings

Reference

Number

Finding

2013-005 **Program Name** - 16.710 - ARRA COPS Hiring Recovery Program and 2012 COPS Hiring Program

Pass-through Entity - N/A

Finding Type - Material weakness and material noncompliance with laws and regulations

Criteria - The City has two unresolved COPS monitoring visit findings that could lead to the City having to repay some or all of the COPS funding.

Condition - During the audit, the City received a monitoring report from the Department of Justice that states the City incorrectly used COPS funds to supplant local funds. It may also have \$21,162 of unallowable shift premium expenses if the Department of Justice does not allow the City to reallocate its budget to include shift premiums.

Questioned Costs - Unknown

Context - At the time of issuance, the COPS monitoring findings have not been resolved and it is unclear as to how much, if any, the City will have to repay the Department of Justice. As of June 30, 2013, the City has drawdown approximately \$2.3 million in COPS expenditures since the two grants' inception.

Cause and Effect - The City included in their COPS application that they would be hiring officers as part of their charter mandated staffing levels. The Department of Justice is now reviewing whether the City used COPS funds to supplant local funds rather than supplement. The City will be submitting documentation to the Department of Justice to prove that they did not supplant local funds.

The City is also working with the Department of Justice to reallocate their budget to include shift premiums.

Recommendation - The City should work with the Department of Justice to resolve these two monitoring visit findings.

Views of Responsible Officials and Planned Corrective Actions - The COPS grant management team is preparing a response to the monitoring visit findings that it believes will establish that local funds were not supplanted. The team has also initiated a request with the Department of Justice for a grant modification to be allowed to use cost savings from other fringe benefits categories for shift premium expenses incurred under the grants.

City of Dearborn, Michigan

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

Prior Year Finding Number	Federal Program	Original Finding Description	Status	Planned Corrective Action
2012-1	N/A	IT segregation of duties	Because the condition continued to exist into the year ended June 30, 2013, this is a repeat finding.	See current year finding 2013-001 for planned corrective action
2012-2	N/A	The City recorded four items that were not properly calculated and/or presented in accordance with GAAP.	As of June 30, 2013 this is a repeat finding.	See current year finding 2013-003 for planned corrective action
2012-3	16.710 - ARRA COPS Hiring Recovery Program	The City identified that they had charged unallowable costs to the grant related to overtime, gun, uniform, and PEHC expenses.	Corrected	N/A
2012-4	20.319 ARRA Intermodal Rail Passenger Facility	The City purchased land for the intermodal rail passenger facility without obtaining an independent written appraisal or a review appraisal.	Corrected	N/A