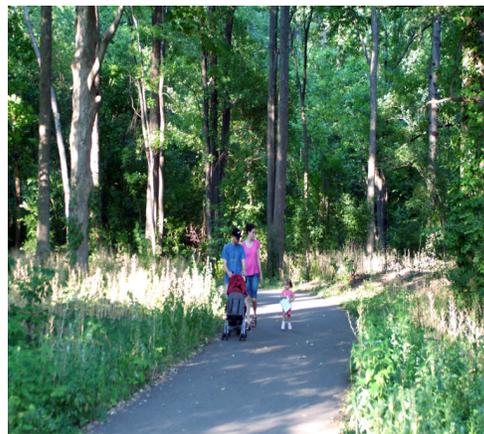
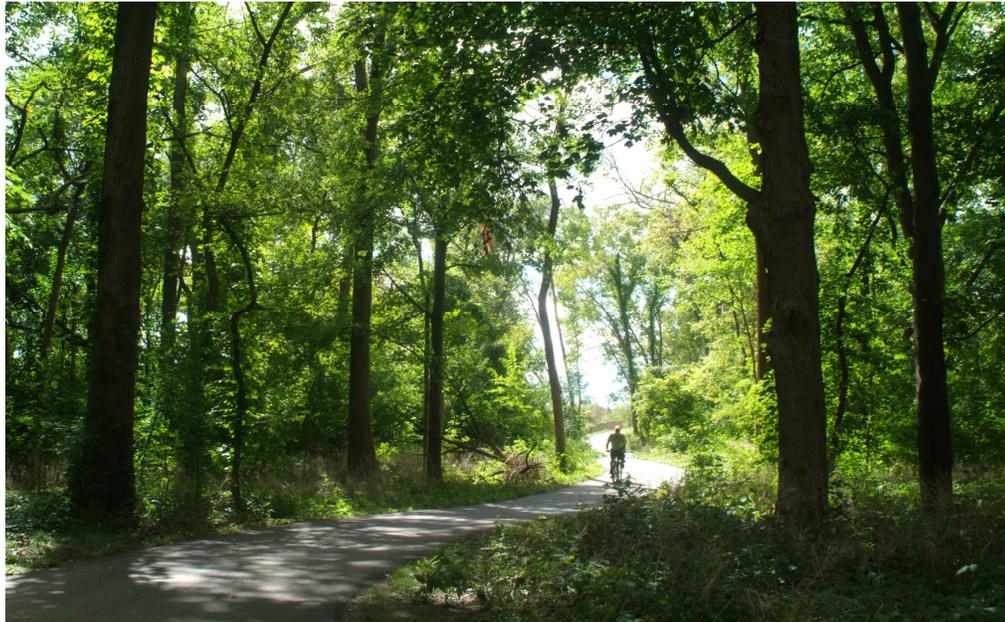


CITY OF DEARBORN MICHIGAN

COMPREHENSIVE ANNUAL FINANCIAL REPORT



GREENWAY TRAIL

For the Year Ended
June 30, 2014

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CITY OF DEARBORN, MICHIGAN

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

MAYOR

John B. O'Reilly, Jr.

CITY COUNCIL

Council President

Susan A. Dabaja

Council President Pro-Tem

Thomas P. Tafelski

Council Members

Michael T. Sareini
Brian O'Donnell
David Bazy
Robert A. Abraham
Mark Shooshanian

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, 2013

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

November 24, 2014

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, 2014, 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 5-20 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

Transmittal Letter
November 24, 2014

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 2014.

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 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

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passed away during a term of office. Mayor O'Reilly was re-elected in November 2009 and again in November 2013 to a serve 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 and the 27-hole golf course at Camp Dearborn. The Housing Department manages four retirement buildings with two City owned and two for the Housing Commission under the Federal program. The Parking System Fund accounts for the construction, maintenance and operation of City-owned parking decks and lots. A group of internal service funds are operated to support the primary government.

FIDUCIARY FUND TYPE OPERATIONS

The City operates three pension trust funds, including two for police and fire personnel and a third for general full-time personnel. All three pension systems were closed with the following operation durations: Policemen and Firemen April 1, 1943 to July 1, 1956, Revised Police and Fire July 1, 1956 to July 1, 2005 (Police) and May 1, 2009 (Fire), General Employees July 1, 1951 to January 1 through July 1, 2002 depending on the labor group. As of April 2009 the police and fire new hires have the option to participate in the Municipal Employees Retirement System (MERS) defined

benefit program, which is a State-wide program. All full-time personnel not covered by one of these pension plans participate in the defined contribution plan.

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 property 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. The legislature approved the phase out of business personal property tax. It is very important that the intended replacement revenue stream be provided as the general expectation is no financial impact to municipalities.

Ford Motor Company has a significant presence with the Ford World Headquarters, Regent Court Marketing Center, and the Research and Engineering complex. The Rouge operations are competitive with the most advanced manufacturing plants in the world. Because of its flexible platform design, the Rouge assembly plant has been targeted to produce the next generation of Ford's most popular vehicle, the aluminum F-150 pickup truck. The plant is being converted for this purpose during the fall of 2014 and will begin producing the 2015 model as soon as the conversion is complete. Over 850 new workers have been added to the plant to undertake this bold advancement in light truck production. Ford is also moving forward on a substantial makeover of its Research and Engineering Center, which will result in several thousand additional jobs being added and consolidated at this center of creativity, design and engineering capabilities.

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Severstal/AK Steel Investment - Severstal has completed 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. In October of 2014, Severstal sold its Dearborn steel mill to AK Steel of West Chester, Ohio (Greater Cincinnati). AK Steel is enthusiastic about the investments made at the Rouge complex, and anxious to show their substantial experience at successfully operating large steelmaking facilities in the Midwest. This acquisition makes them one of the largest steel producers in America, with nine steelmaking/processing facilities and over 7,900 employees.

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 will open in December of 2014, with higher speed service occurring in 2015-16. 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 (UrbCam) to construct the first phase of modern student housing for its campus on the site of the Fairlane Town Center. This project provided housing for 525 students by the beginning of the 2013 fall school year. Based on the very successful first phase, another 80 units have been targeted for completion during the current 2014-15 school year, bringing the total to 625 beds. Eventually, the project 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.

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 voted supplemental 3.5

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operating millage will sunset after fiscal year 2017. The Mayor is planning to initiate a second Community Task Force to review the current status and consider various alternatives.

The City has downsized 205 non-public safety full-time positions since 2001, reduced or modified the compensation package, enhanced efficiencies, closed lower demand facilities, and adjusted the program/service mix. These efforts have produced cost savings of at least \$15 million annually. The efforts to date have been successful, but continued efforts to cut costs to hedge against escalating legacy costs for pensions, retiree health care, increases in other operating costs and general inflation are necessary. The City of Melvindale fire operation was consolidated with Dearborn and seven firefighter positions were added. Both communities financially benefited from the consolidation in addition to enhanced service.

The September 2014 single family unit home supply (on-market listings) was approximately 359 units. The median sale price was \$110,000 in September 2014 compared to \$102,500 in September 2013 and the average days on the market was 36 days in September 2014 compared to 34 days in September 2013. The historical normal range was between 500 and 650 units. The demand/supply equation has stabilized 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>	in millions
2011-2012	(\$5.3)	(\$10.4)	(\$1.8)	Reserve Use
2012-2013	(\$4.6)	(\$6.4)	(\$0.6)	Reserve Use
2013-2014	\$0.07	(\$4.5)	\$4.6	Actual is a favorable <i>increase</i> to reserves

The favorable 2013-2014 results are reflective of one-time \$2.5 million return of capital from the Capital Improvement Fund and savings driven by unfilled staff positions. The additional variance to the amended budget is associated with outside \$3 million of support from Severstal Steel for capital projects negating the General Fund budgeted contribution out and miscellaneous other savings in relation to budget estimates.

The City issued 2014 UTGO Sewer Bonds to refund 2004 in July 2014 post 2013-2014 year-end producing savings of \$2.4 million or present value savings of \$1.9 million. Moody's confirmed the Aa3 rating indicating the following components that could move the rating up:

- Sustained growth and diversification of the city's tax base
- Improvement in the city's socioeconomic profile
- Trend of positive financial operations that supports growth in available reserves

The City has made notable progress on the first and third items. Therefore, bond ratings may see some positive movement at the next review.

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 participated in the Master Plan update to provide continuity between these two important and related efforts. The Master Plan recognizes 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 retained a consultant to help navigate the 2030 Master Plan Update process, which was completed in 2014. Once a new Master Plan is adopted 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 (2017).

NEIGHBORHOOD STABILIZATION PROGRAM

The City continues to take an active role to stem the negative impact of vacated homes due to the mortgage crisis. The City purchases low-cost homes from lenders, HUD and private owners. The focus is on removing housing stock that is deteriorating and past its useful life. The homes are demolished and the vacant property is sold to either private developers that construct new modern homes or, if the lot size is less than 40 feet, it is split and offered for sale to the adjoining neighbors as side yard. The result is an upgrade to the housing stock that protects City neighborhoods. The City is currently holding in excess of \$7.3 million of property in land inventory (lower of cost or market value).

OTHER INITIATIVES

CSO: The Federally mandated Combined Sewer Overflow (CSO) project continues to be a major endeavor. A revised National Pollution Discharge Elimination System permit was negotiated with the Michigan Department of Environmental Quality (MDEQ) which provides for completion of all projects by 2030. Three retention caissons are operational one has been demolished, and the remaining two units are being redesigned. All major lawsuits are now settled with recent favorable results in excess of \$13 million which is income reported in 2014-2015.

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.

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AWARDS

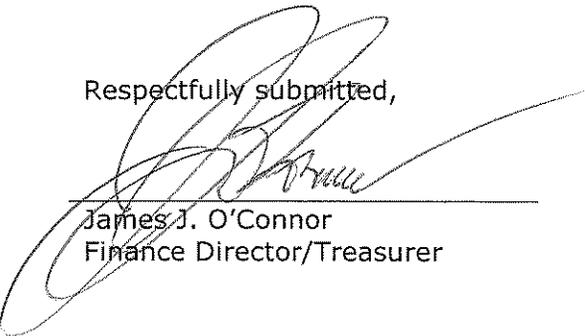
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Dearborn for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2013. This was the fifteenth consecutive year that the City has 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 staff.

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:

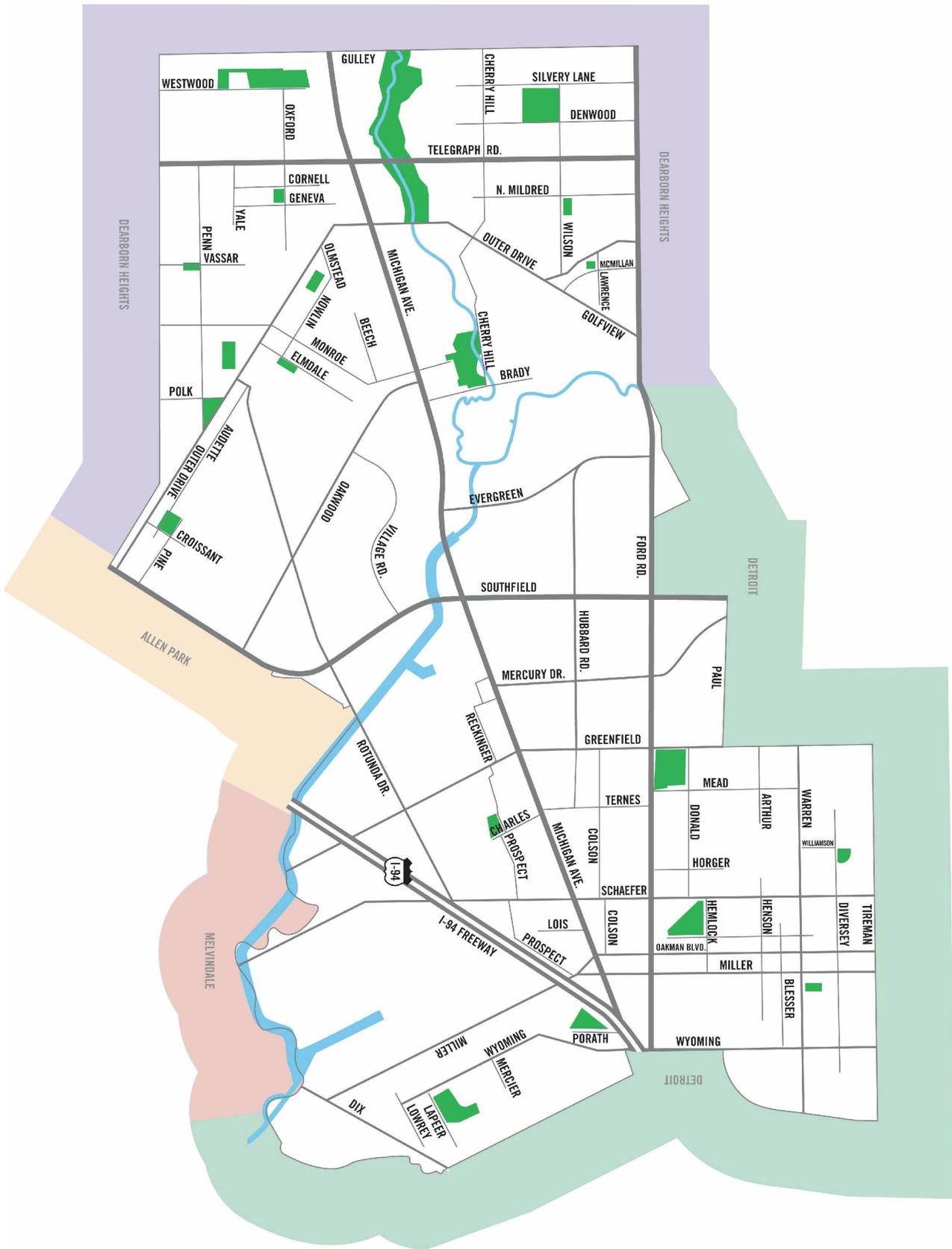
- ◆ Trust, respect, honesty, and fairness
- ◆ The basic resources needed to do a good job
- ◆ Clear and complete direction when necessary
- ◆ A supportive environment that encourages input on what should be done and how it should be done
- ◆ Recognition and reward based on merit

City employees are expected to:

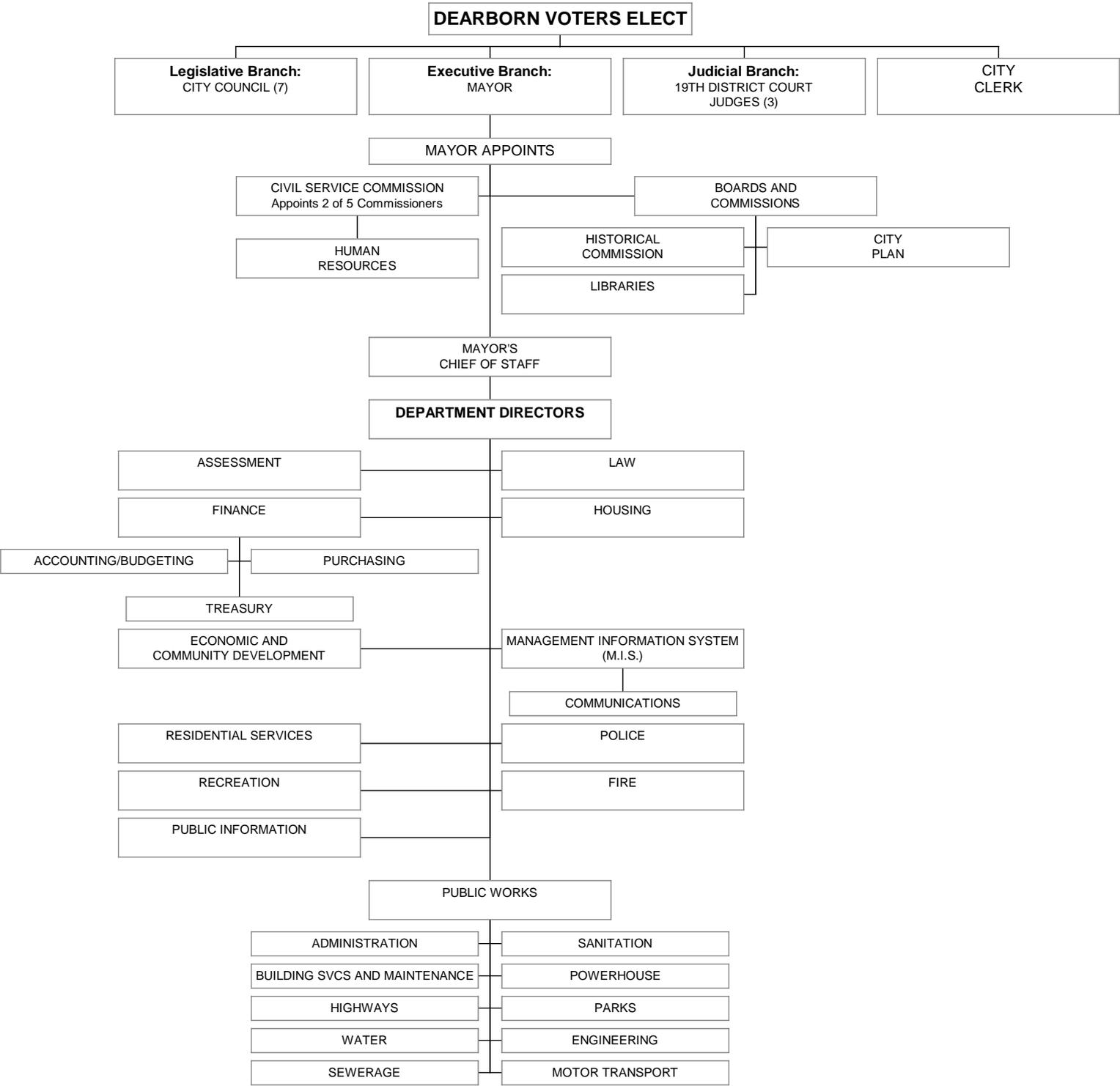
- ◆ Make a total commitment to provide the best possible public service
- ◆ Use all available resources efficiently and effectively
- ◆ Continuously seek ways to improve service delivery through innovation
- ◆ Continuously seek feedback from citizens
- ◆ Be responsible and accountable for their actions
- ◆ 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, 2014

<u>TITLE</u>	<u>NAME</u>
Mayor	John B. O'Reilly, Jr.
City Clerk	Kathleen Buda
City Council President	Susan A. Dabaja
Council President Pro Tem	Thomas P. Tafelski
Council Members	Michael T. Sareini
	Brian O'Donnell
	David Bazzy
	Robert A. Abraham
	Mark Shooshanian
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 as of and for the year ended June 30, 2014, 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 an opinion 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 in accordance with *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, 2014 and the respective changes in its financial position, and, where applicable, cash flows, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

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

Emphasis of Matter

As discussed in Note 18 to the basic financial statements, during the year ended June 30, 2014, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans*. Our opinion is not modified with respect to this matter.

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, 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, the schedule of expenditures of federal awards, included in the federal awards supplemental information section, and the introductory section and statistical section, as identified in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

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.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2014 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

November 24, 2014

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City of Dearborn, Michigan

Management's Discussion & Analysis June 30, 2014

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, 2014. 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 21) and the Statement of Activities (on pages 22 and 23) 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 24. 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 21. 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.

City of Dearborn, Michigan

Management's Discussion & Analysis June 30, 2014

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 24 and provides detailed information about the most significant funds; not the City as a whole. The City's two types 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 the modified accrual accounting method 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 the reader 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 reported in the government-wide statements with more detail and additional information, such as cash flows, for proprietary funds. Internal service funds (the other component of proprietary funds) are used 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 36 and 37. These activities are excluded 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.

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	
	FY2014	FY2013	FY2014	FY2013	FY2014	FY2013
Current and other assets	\$ 95.5	\$ 85.7	\$ 102.6	\$ 105.6	\$ 198.1	\$ 191.3
Capital assets	159.3	148.6	390.3	382.3	549.6	530.9
Total assets	254.8	234.3	492.9	487.9	747.7	722.2
Long-term liabilities	28.8	20.2	191.6	201.4	220.4	221.6
Other liabilities	12.7	12.6	27.1	28.0	39.8	40.6
Total liabilities	41.5	32.8	218.7	229.4	260.2	262.2
Net position:						
Net investment in capital assets	157.7	145.4	184.7	167.7	342.4	313.1
Restricted	13.9	14.9	14.0	13.1	27.9	28.0
Unrestricted (deficit)	41.7	41.2	75.5	77.7	117.2	118.9
Total net position	\$ 213.3	\$ 201.5	\$ 274.2	\$ 258.5	\$ 487.5	\$ 460.0

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 \$487.5 million as of June 30, 2014. 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 6% or \$27.5 million from \$460.0 million to \$487.5 million. Of this change, an \$11.8 million increase is related to Governmental Activities and the remaining \$15.7 million is included in the Business-type Activities. Specific information about these changes follows.

Governmental activities - Total assets increased by 8.7% or \$20.5 million from \$234.3 million to \$254.8 million due to increases of \$10.7 million in capital assets, \$12.5 million in cash and cash equivalents, \$2 million in long-term investments offset by a \$4.3 million decrease in the amount due from other governments. The increase in total liabilities of \$8.7 million is the result of an \$8.5 million increase in other postemployment benefits and \$300 thousand in claims payable.

Business-type activities - The most significant changes in business-type activities are driven by capital assets and long-term liabilities associated with the Combined Sewer Overflow (CSO) project. The increase in net position and corresponding cash was disbursed to reduce \$14.9 million of outstanding debt principal. Cash, combined with \$6.2 million in new financing, was

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

City of Dearborn, Michigan

Management's Discussion & Analysis June 30, 2014

used to construct \$9.3 million in new system assets. Tables 3 and 4 provide more information on capital assets and long-term liabilities. Restricted net position is 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	
	FY2014	FY2013	FY2014	FY2013	FY2014	FY2013
Revenues						
Program revenues:						
Charges for services	\$ 22.0	\$ 18.2	\$ 53.4	\$ 53.9	\$ 75.4	\$ 72.1
Operating grants	11.7	11.0	-	-	11.7	11.0
Capital grants	14.4	11.6	0.7	3.3	15.1	14.9
General revenues:						
Taxes	75.0	77.2	15.4	16.4	90.4	93.6
Intergovernmental revenue	8.9	8.7	-	-	8.9	8.7
Investment earnings	-	-	-	0.1	-	0.1
Gain on sale of assets	-	-	-	-	-	-
Other general revenues	-	0.4	2.5	1.1	2.5	1.5
Total revenues	132.0	127.1	72.0	74.8	204.0	201.9
Program expenses						
General government	15.6	13.0	-	-	15.6	13.0
Public safety	60.9	52.8	-	-	60.9	52.8
Public works	19.7	19.7	-	-	19.7	19.7
Recreation & culture	19.6	20.8	-	-	19.6	20.8
Community improvement	3.4	3.0	-	-	3.4	3.0
Interest on long-term debt	-	0.2	-	-	-	0.2
Housing	-	-	3.6	2.5	3.6	2.5
Golf course	-	-	0.9	1.0	0.9	1.0
Parking	-	-	2.1	2.0	2.1	2.0
Sewer	-	-	34.4	35.2	34.4	35.2
Water	-	-	16.3	16.1	16.3	16.1
Total expenses	119.2	109.5	57.3	56.8	176.5	166.3
Excess (deficiency) before transfers	12.8	17.6	14.7	18.0	27.5	35.6
Transfers	(1.0)	(0.9)	1.0	0.9	-	-
Increase (decrease) in net position	\$ 11.8	\$ 16.7	\$ 15.7	\$ 18.9	\$ 27.5	\$ 35.6

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

City of Dearborn, Michigan

Management's Discussion & Analysis June 30, 2014

Table 2 Comments:

Governmental activities – Governmental activities increased the City's net position by \$11.8 million. Charges for services were up \$3.8 million during the year. The City's Fire Department began providing services to neighboring Melvindale under a \$1.1 million combined services agreement; there was an increase of over \$500 thousand in food and beverage sales at the City's recreation facilities at Camp Dearborn, Mystic Creek and the Ford Community and Performing Arts Center; and general admissions to Camp Dearborn related to the Mystic Creek golf course were up \$325 thousand during the year. The City also had land sale proceeds of \$753 thousand and an increase of \$375 thousand in Community Development Block Grant funding for General Government and Public Safety functions.

Capital grants were up by \$2.8 million in large part because of an increase of \$1.7 million in federal funding for the Intermodal Rail Passenger Station project. The City also received an additional \$1.2 million in Community Development Block grant funding for local streets projects.

Tax revenues decreased during the year by \$2.2 million due to the elimination of general debt service mills associated with the voted Ford Community & Performing Arts Center bonds that were paid off in the prior year.

Increases in the Other Postemployment Benefits (OPEB) liability of \$1.4 million for General Government and \$5.8 million for Public Safety were major drivers of the increase in expenditures.

Business-type activities – Business-type activities increased the City's net position by \$15.7 million during the year. Revenues decreased \$2.8 million of which \$2.6 million is a decrease in grant activity. Expenses increased by \$600 thousand. Housing facility balcony repairs were expensed increasing this program cost for this year.

City of Dearborn, Michigan

Management's Discussion & Analysis June 30, 2014

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 \$8.7 million below the final budget amount. This is attributable to private capital contribution of \$3.0 million reducing the City Council authorized contribution for the renovation of, and relocation to, the new Dearborn Administrative Center replacing the 1920's City Hall with a modern facility providing both facility operating savings and significant operational efficiency gains. Additional budgetary savings were \$3.5 million in personnel costs and also the departments' continued efforts to save money through attention to controlling costs.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014, the City had approximately \$550 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	
	FY2014	FY2013	FY2014	FY2013	FY2014	FY2013
Land	\$ 7,919,540	\$ 7,919,540	\$ 5,929,738	\$ 5,929,262	\$ 13,849,278	\$ 13,848,802
Right-of-ways	37,818	37,818	-	-	37,818	37,818
Construction in progress	21,748,477	11,151,749	56,024,040	53,877,404	77,772,517	65,029,153
Infrastructure assets	58,528,096	55,585,090	-	-	58,528,096	55,585,090
Buildings & improvements	62,593,711	64,959,432	30,299,075	31,649,998	92,892,786	96,609,430
Equipment	8,489,780	8,899,949	34,295,976	36,929,669	42,785,756	45,829,618
Water system	-	-	59,020,219	56,417,775	59,020,219	56,417,775
Sewer system	-	-	204,672,298	197,467,013	204,672,298	197,467,013
Total	\$ 159,317,422	\$ 148,553,578	\$ 390,241,346	\$ 382,271,121	\$ 549,558,768	\$ 530,824,699

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

City of Dearborn, Michigan

Management's Discussion & Analysis June 30, 2014

Table 3 Comments:

This year's major changes included:

Governmental activities:

Construction in progress:

Intermodal Passenger Rail Facility (IPRF)	\$	9,974,846
Dearborn Administration Center		695,689
Camp Dearborn - Non-Motorized Trail		162,655
Ball Diamonds Lighting Upgrade		123,745
	\$	<u>10,956,935</u>

Infrastructure assets, net decrease due to cost less depreciation \$ 2,943,006

Buildings and improvements, net change due to completed projects less depreciation \$ (2,365,721)

Machinery and Equipment, net change due to acquisitions, disposals, less depreciation

Vehicle net	\$	375,825
Other machinery and equipment net		(785,993)
	\$	<u>(410,168)</u>

Business-type activities

Construction in progress:

Water System	\$	(484,620)
Sewer System		2,669,683
	\$	<u>2,185,063</u>

Buildings and improvements, net change due to completed projects less depreciation \$ (760,354)

Machinery and Equipment, net change due to acquisitions, disposals, less depreciation \$ (2,633,693)

Water System, net change due to completed projects less depreciation \$ 2,602,444

Sewer System, net change due to completed projects less depreciation \$ 7,205,285

Additional information on the City of Dearborn's capital assets can be found in Note 3 on pages 58-59 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, 2014

Debt

At June 30, 2014 the City had approximately \$208 million in bonds and notes outstanding versus \$218 last fiscal year – a decrease of 5% - as shown in Table 4.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY2014	FY2013	FY2014	FY2013	FY2014	FY2013
General obligation bonds (backed by City)	\$ 1,626,558	\$ 3,180,981	\$198,808,356	\$205,531,240	\$ 200,434,914	\$208,712,221
Revenue bonds and notes (backed by specific tax and fee revenue)	-	-	7,549,455	9,584,711	7,549,455	9,584,711
Total	<u>\$ 1,626,558</u>	<u>\$ 3,180,981</u>	<u>\$206,357,811</u>	<u>\$215,115,951</u>	<u>\$ 207,984,369</u>	<u>\$218,296,932</u>

Table 2 Comments:

Governmental activities – The 2008 refunding bonds were paid off in-full and the remaining 2004 refunding bonds are close to completion.

Business-type activities – The City continues to draw State Revolving Fund (SRF) funds authorized in prior years for construction of the CSO project. The voter approved CSO debt millage currently is generating and paying the outstanding debt principal, which exceeds the new issued debt in the Sewer fund resulting in a reduction in the total outstanding debt.

Additional information on the City of Dearborn's long-term debt can be found in Note 4 on pages 60-69 of this report.

Fiscal Year 2015 Budgets & Rates

The fiscal year 2015 General Fund budget for revenue is estimated at \$101,656,882 with appropriations of \$101,769,124 producing a budgeted use of fund balance of \$112,242.

The primary revenue of the General Fund is property taxes. Property taxes are comprised of two components--the tax rate, which is controllable within limits of law and property values, which are market driven. Property tax values declined across the country and since 2008 have declined 25% in Dearborn.

The voters approved in August of 2004 a debt millage to cover the debt service associated with the issuance of debt for the Federally-mandated remediation of sewer system overflows (referred to as CSO) to the Rouge River. With the rapid decline in property values, the voters in November 2011 approved a 5-year 3.5 mill supplemental operating millage and a 10-year library millage. The 2013-2014 millage rate declined .90 mills with the payoff of the community center debt and associated millage and other millage adjustments. The 2014-2015 budget millage increased .70 mills to fully support the library system with a dedicated millage representing a .54 mill increase

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

City of Dearborn, Michigan

Management's Discussion & Analysis June 30, 2014

and a .36 mill increase in the garbage and rubbish millage to cover inflation and also to return funding for more frequent street sweeping and leaf pickup programs. These were offset by a .20 mill reduction to the CSO millage.

The tax millage rates in total have increased. However, it is important to note that the CSO project/debt and associated millage occurred simultaneously with the unprecedented decline in property values. Excluding the unique CSO millage, the operating millage required to produce the exact same tax revenue for the 2014-2015 fiscal year is 19.83 mills compared with 14.67 mills in 2007-2008. This difference is 100% associated with property tax value declines and is an equivalent tax burden.

The remaining millage difference is 2.48 mills to produce the total non-debt millage of 22.31 mills. The Consumer Price Index (CPI)-Urban Consumers from 2008 to April 2014 is 12.31 or an average of 1.95% per year. The 2.48 mill increase averages 1.79% which is less than the consumer CPI. The average property city millage tax bill (excluding debt) was \$1,168 in 2007-2008 and projected for 2014-2015 is \$1,259 or a \$92 increase representing a 7.86% increase over 7 years or an average of 1.12% per year. The conclusion one can draw from these figures is that tax rates have increased and property values declined, and both by a fair amount, but overall the operating tax burden on the average taxpayer has been less than inflation and well under 2% annually.

The State continued to pass laws designed to phase out business personal property taxation but they also have provided avenues for replacement municipal income. Voter action is required to complete the tax method transition and the ballot proposal is expected to be presented for the August 2014 election.

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 128 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 314 public safety positions of the total full-time staffing count of 693. The fiscal year 2001 City-wide budget included 911 full-time positions. The non-public safety staff has declined 35% or (205 positions) from 585 in 2001 to 380 as of the date of this memo.

A total of 16 positions were added for the fiscal year 2015 budget, which are reflected in the previous staffing counts. The Melvindale fire operation was consolidated with Dearborn and 7 firefighter positions were added. The DPW operation added nine positions primarily for returning the street sweeping program to an in-house operation and also to enhance the sewer system inspection and preventative maintenance program. There are other staff changes, but the two mentioned are the major changes.

All of the labor groups have agreed to concessions with the exception of the lieutenants & sergeants who are close to completing the negotiation process. The concession target was set at 10% and the employee groups agreed to various changes including: 4% nonrefundable

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

City of Dearborn, Michigan

Management's Discussion & Analysis June 30, 2014

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 traditional defined benefit and City paid retiree health care programs have all been closed for years. Employees hired after these closures participate in defined contribution retirement programs. However, the public safety group new hires can select a defined benefit program administered by the Municipal Employees Retirement System (MERS) statewide program.

The City's move to self-insured status for one of the health care providers continues to be favorable. For the second consecutive fiscal year health care costs 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 retirees' 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 grade higher than the City currently has. The low interest rate 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.

The General Fund equity (fund balance) as of June 30, 2014 was \$23.6 million. The City is currently preparing to relocate City Hall operations to a modern 10-year old office building contiguous with the central city municipal campus. The City will benefit by gaining operating efficiencies through lower utility and maintenance costs, as well as layout efficiencies and synergy productivity gains. The current City Hall building will be sold to Artspace which will invest \$17 million in renovations to convert the facility to a 50-unit live/work artist community.

The fiscal year 2015 budget projects a minimal use of fund balance and basically returns the City's primary operating fund to a break-even status. The greatest threats are inflationary costs exceeding property taxable value growth as restricted by proposal A of 1994 and the Headlee Amendment, and the fiscal year 2017-2018 expiration of supplemental operating millage.

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

City of Dearborn, Michigan

Management's Discussion & Analysis June 30, 2014

The Mayor is leading a community planning effort to update the community vision. The program/service make-up and the financing model options and alternatives will be evaluated during 2014/2015. Cost reductions must primarily come from public safety operations. Recommendations and the corresponding actions will follow. The financial position and outlook for the City is very stable with cost inflation the largest challenge.

Fiscal Year 2015 Budgetary Assumptions:

- ✓ Taxable Value increased for fiscal year 2015 1.28% and real property values are projected to have modest growth in the coming years.
- ✓ Tax Rates and Water/Sewer Rates

Description	Fiscal Year 2013-2014	Fiscal Year 2014-2015	Difference
Tax Millage Rate:			
City Operating	18.50	18.50	n/a
Garbage & Rubbish	1.91	2.27	.36
Library	1.00	1.54	.54
Debt Service	4.49	4.29	(.20)
Total Millage Rate	25.90	26.60	.70
Water Rate	\$20.00	\$20.00	n/a
Sewer Rate	\$36.50	\$37.60	\$1.10

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.

- ✓ Employee compensation rates are based on the current or most recent labor contracts. General employees pay rates have increased 3% in total over the past 11 years for an average of .27% per year. Public safety pay rates have increased between 17% and 19% or 1.55% to 1.73% per year average. 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. Pension (Chapter 22 & 23 closed defined benefit programs) and postemployment healthcare 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 notes to the financial statements are an integral part of this statement.

City of Dearborn, Michigan

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the last audit, results have exceeded the actuarial required contribution which is reported as an audit finding, but is a favorable result.

- ✓ Funding for fleet replacement is \$2,147,930 and facility reinvestment is \$1,034,450 (of which \$827,958 is associated with specific capital projects). The facility funding is based on 20% of the projected funding need. The fleet funding is intended to accumulate sufficient resources to replace components of the fleet as needed, but not replace the entire fleet. The facility funding is structured to accumulate resources for major capital component repair or replacement.
- ✓ The technology replacement funding for computers and copiers continues to be suspended. However there is \$500,000 budgeted for the replacement of the telephone system that is spread over the three years 2013 – 2015 as follows: \$200,000, \$200,000, and \$100,000.
- ✓ Gasoline costs are based on a projected price of \$3.86 per gallon.

Major Capital Initiatives

The 2014-2015 funding of the Capital Improvement Plan is \$23,474,541. The City is reinvesting in infrastructure and public assets. A classification breakdown follows with some notable projects specifically identified. The projects are supported by various funds including the General Fund via the General Capital Improvement fund, the Facilities fund, Community Development Block Grant fund, Major Street & Trunkline fund, Local Street fund, Water and Sewer funds, and by federal aid for street projects, grants and the Wayne County Parks Millage allocation.

Property - \$250,175

◆ Neighborhood Stabilization Program	\$ 150,000
◆ Land Acquisition for Resale	\$ 100,000
◆ HUD Dollar Program	\$ 175

Infrastructure - \$20,128,136

◆ Streets	9,910,776
◆ Water	4,998,160
◆ Sewer	5,000,000
◆ Sidewalks, Alleys, Streetscape	220,000

Facilities - \$3,095,430

◆ Parks	1,286,302
◆ Libraries	125,566
◆ Public Works Facilities	70,792
◆ Recreation Facilities	745,800
◆ Public Safety	198,516
◆ Hubbard Manor	279,000
◆ Other	389,454

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

Development and Progress

Ford Recovery and Investment - 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. This stabilization of the company has also allowed the implementation of their succession plan, placing Mark Fields at the top of the organization along with Bill Ford, Jr. as Alan Mullaly retires. For Dearborn this means ongoing stable employment at the World Headquarters, Regent Court Marketing Center, and the Research and Engineering complex. Ford is now moving into an upgrade mode for these corporate facilities in Dearborn. This will result in significant investment and the addition of more than 3,000 engineers and other highly paid executives to the Ford ranks. The Dearborn Truck Plant is celebrating its ten year anniversary, having produced over 2.5 million of America's most popular light truck, the F-150. Because of its flexible platform design, the Rouge assembly plant will continue to be an ongoing integral element of Ford's production capabilities and is being adapted to produce the next generation military grade aluminum F-150 for 2015.

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 steel 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), which has been stalled due to federal government political posturing. 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 is investing in corridor upgrades. 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 the fall of 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. Planning for Transit Oriented Development (TOD) around the new station is occurring with the City and critical partners including Ford Land, The Henry Ford, the West Downtown Development Authority and The University of Michigan-Dearborn.

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

City of Dearborn, Michigan

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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 has provided housing for 525 students during the 2013-14 school year. The developer, UrbCam, is currently examining the phased addition of growth on this site to nearly 900 students over the next two years. This adaptive reuse of a former Ford test facility was completed through a partnership between the City of Dearborn, UM-D, Wayne County and MDOT and is being complemented by the construction of a greenway extension from the Rouge Gateway Greenway to link the new student housing to the UM-D Dearborn campuses, the new Intermodal Station and the West Downtown District. This student housing project is providing multiple economic development benefits to the Dearborn institutional and business community.

City Hall and Artspace - The development of the Dearborn Artspace Lofts project has occurred over a five-year timeframe through a partnership between the City and the East Dearborn Downtown Development Authority. Artspace is a Minneapolis, MN based organization that has successfully developed over 30 similar projects nationwide to provide affordable housing for artists as a catalytic redevelopment anchor in downtown/emerging districts. In Dearborn, the \$17 million investment in the former City Hall campus will result in about 50 artist lofts and studios plus various galleries, performing arts space and incubator areas for budding artists. Development of the Artspace project in the historic City Hall is also combined with the City being able to take advantage of a cost efficient relocation opportunity to move to a modern office building located on its civic campus at Greenfield and Michigan Avenue. The City will be relocated to its new home at the Dearborn Administrative Center (DAC) in the fall of 2014, and Artspace will open in the fall of 2015.

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.

Other Governmental Fund Types

This section addresses other fund types and is not intended to be a detailed review of all funds. The Major Street & Trunkline and Local Street funds rely on State Gas & Weight Tax revenue. The FY2015 estimated Gas & Weight Tax revenue budget for both funds combined increased \$189,300 from FY2014. 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. Garbage and Rubbish tax revenues for street sweeping and leaf pick-up are now recorded in the street funds.

The Camp Dearborn Operating fund is currently self-sufficient and is budgeted to have favorable results in excess of \$300 thousand in FY2015. The oil royalties and in-house operation of the 27-hole golf course offset the operating costs of the camp. Additional New Amish-style rustic cabins are being added as well as the development of a zip line and other improvements designed to further enhance the park and attract additional activity/income.

The grant revenue from the Community Development Block Grant Fund is projected to be \$1.7 million 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.

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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 expected to be billed and the parking systems require contributions from the General Fund in the amount of \$545,000. The debt is expected to be restructured and the General Fund contribution discontinued. The \$13 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.

Robert Herndon Dearborn Hills Golf Course

This operation has struggled due to the poor economic conditions and state of the golf market. The General Fund is contributing \$560,500 to support the debt payments and also for capital improvements. The debt will be paid off in 2017.

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 2014-2015 is 4.29 mills for debt service to pay the principal and interest payments on these bonds. Sewer separation projects are scheduled through 2022. The final phase of the project may require additional revenue bonds.

The Sewer budget includes operation and maintenance expenses of caissons (facilities), which capture water overflows and hold them until they can be pumped to Detroit's water treatment plant or until they can be screened and chlorinated before discharging into the Rouge River. Facilities located at Prospect, Military, Outer Drive and a pump house on Greenfield Rd. became operational

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

City of Dearborn, Michigan

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during staggered timing in FY2011 and FY2012. 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 the caissons are also included in the budget.

Insurance & Fiduciary 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 postemployment healthcare for more than 20 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.

Michigan law now requires the budgeting of pension systems. The City has three closed defined benefit plans and the budget follows the same assumptions as adopted for actuary calculations. The overall revenue and appropriation budgets increased significantly with the addition of budgeting for these funds.

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, 16901 Michigan Avenue, Suite 1, Dearborn, MI 48126.

City of Dearborn, Michigan

Government Wide Statement of Net Position June 30, 2014

	Primary Government			Component Units (See page 39)
	Governmental Activities	Business-type Activities	Total	
Assets				
Current assets:				
Cash and cash equivalents (Note 2)	\$ 74,021,871	\$ 73,107,078	\$ 147,128,949	\$ 4,909,054
Accounts receivable (Net)	1,878,116	10,580,065	12,458,181	75,000
Accounts receivable (Other)	15,089	-	15,089	-
Unbilled accounts receivable	-	3,699,752	3,699,752	-
Property taxes receivable	199,363	44,847	244,210	-
Accrued interest receivable	33,189	35,723	68,912	2,145
Internal balances	134,916	(134,916)	-	-
Due from component units	-	-	-	-
Due from other governments	6,259,563	561,826	6,821,389	-
Prepaid items	506,285	25,760	532,045	-
Inventories	7,651,024	1,715,596	9,366,620	-
Total current assets	<u>90,699,416</u>	<u>89,635,731</u>	<u>180,335,147</u>	<u>4,986,199</u>
Noncurrent assets:				
Restricted cash and investments	-	8,821,949	8,821,949	-
Investments, long-term	4,764,373	4,167,313	8,931,686	182,618
Capital assets, not being depreciated (Note 3)	29,705,835	61,953,778	91,659,613	-
Capital assets, net of depreciation (Note 3)	129,611,587	328,287,568	457,899,155	-
Total noncurrent assets	<u>164,081,795</u>	<u>403,230,608</u>	<u>567,312,403</u>	<u>182,618</u>
Total assets	<u>254,781,211</u>	<u>492,866,339</u>	<u>747,647,550</u>	<u>5,168,817</u>
Liabilities				
Current liabilities:				
Accounts payable	5,936,058	9,575,134	15,511,192	39,137
Accrued interest payable	5,367	1,015,493	1,020,860	-
Accrued liabilities	2,645,277	575,020	3,220,297	2,829
Deposits/refunds payable	661,908	315,894	977,802	-
Due for tax refunds	1,567,779	-	1,567,779	-
Due to other governments	10,982	225,420	236,402	-
Due to primary government	-	-	-	-
Unearned revenue	915,109	9,424	924,533	-
Current portion of long-term debt (Note 4)	903,299	15,333,220	16,236,519	282,801
Total current liabilities	<u>12,645,779</u>	<u>27,049,605</u>	<u>39,695,384</u>	<u>324,767</u>
Noncurrent liabilities:				
Current portion of long term debt payable with restricted assets (Note 4)	-	786,018	786,018	-
Accrued interest payable with restricted assets	-	59,481	59,481	-
Claims payable	1,712,245	-	1,712,245	-
Other liabilities - Other postemployment benefits (Note 7)	21,006,555	-	21,006,555	-
Long-term debt, net of current portion (Note 4)	6,106,530	190,792,491	196,899,021	10,595,191
Total noncurrent liabilities	<u>28,825,330</u>	<u>191,637,990</u>	<u>220,463,320</u>	<u>10,595,191</u>
Total liabilities	<u>41,471,109</u>	<u>218,687,595</u>	<u>260,158,704</u>	<u>10,919,958</u>
Net Position				
Net investment in capital assets	157,690,864	184,669,553	342,360,417	-
Restricted for:				
Capital projects	-	7,082,451	7,082,451	-
Debt service	-	7,936,395	7,936,395	-
Road construction, preservation, maintenance	10,517,667	-	10,517,667	-
Law enforcement activities	1,926,790	-	1,926,790	-
Historical museum activities	704,059	-	704,059	-
Community development	737,069	-	737,069	-
Unrestricted	41,733,653	74,490,345	116,223,998	(5,751,141)
Total net position	<u>\$ 213,310,102</u>	<u>\$ 274,178,744</u>	<u>\$ 487,488,846</u>	<u>\$ (5,751,141)</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	\$ 15,580,246	\$ 4,682,807	\$ 294,183	\$ 2,850
Public safety	60,883,155	8,712,212	923,975	100,353
Public works	19,658,290	389,269	6,814,420	4,229,123
Health and welfare	274	1,575	-	-
Recreation and culture	19,580,632	7,476,466	2,178,671	315,788
Community improvement	3,423,885	764,477	1,475,238	9,702,506
Interest on long-term debt	66,307	-	-	-
Total governmental activities	<u>119,192,789</u>	<u>22,026,806</u>	<u>11,686,487</u>	<u>14,350,620</u>
Business-type activities:				
Housing	3,617,191	2,576,516	-	-
Golf Course	964,229	809,909	-	-
Parking	2,075,909	1,516,758	-	475,000
Sewer	34,387,772	29,303,558	-	120,000
Water	16,293,822	19,215,410	-	124,455
Total business-type activities	<u>57,338,923</u>	<u>53,422,151</u>	<u>-</u>	<u>719,455</u>
Total primary government	<u>\$ 176,531,712</u>	<u>\$ 75,448,957</u>	<u>\$ 11,686,487</u>	<u>\$ 15,070,075</u>
Component units:				
West Dearborn Downtown Development Authority	\$ 654,114	\$ -	\$ -	\$ -
East Dearborn Downtown Development Authority	1,025,154	-	-	-
Brownfield Redevelopment Authority	3,399,628	-	-	-
Economic Development Corporation	249	-	-	-
Total component units	<u>\$ 5,079,145</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Property Taxes				
Intergovernmental revenues - Unrestricted				
Investment earnings				
Miscellaneous				
Transfers				
Total general revenues, special items and transfers				
Change in net 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, 2014

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (10,600,406)	\$ -	\$ (10,600,406)	\$ -
(51,146,615)	-	(51,146,615)	-
(8,225,478)	-	(8,225,478)	-
1,301	-	1,301	-
(9,609,707)	-	(9,609,707)	-
8,518,336	-	8,518,336	-
(66,307)	-	(66,307)	-
<u>(71,128,876)</u>	<u>-</u>	<u>(71,128,876)</u>	<u>-</u>
-	(1,040,675)	(1,040,675)	-
-	(154,320)	(154,320)	-
-	(84,151)	(84,151)	-
-	(4,964,214)	(4,964,214)	-
-	3,046,043	3,046,043	-
<u>-</u>	<u>(3,197,317)</u>	<u>(3,197,317)</u>	<u>-</u>
<u>(71,128,876)</u>	<u>(3,197,317)</u>	<u>(74,326,193)</u>	<u>-</u>
-	-	-	(654,114)
-	-	-	(1,025,154)
-	-	-	(3,399,628)
-	-	-	(249)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,079,145)</u>
75,003,853	15,333,304	90,337,157	4,780,736
8,879,861	-	8,879,861	75,000
35,566	48,487	84,053	2,696
82,330	2,450,175	2,532,505	361,187
(1,030,000)	1,030,000	-	-
<u>82,971,610</u>	<u>18,861,966</u>	<u>101,833,576</u>	<u>5,219,619</u>
11,842,734	15,664,649	27,507,383	140,474
201,467,368	258,514,095	459,981,463	(5,891,615)
<u>\$ 213,310,102</u>	<u>\$ 274,178,744</u>	<u>\$ 487,488,846</u>	<u>\$ (5,751,141)</u>

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

City of Dearborn, Michigan

Balance Sheet Governmental Funds June 30, 2014

	General	Capital Projects	Other Governmental Funds (See page 121)	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 22,543,548	\$ 3,684,085	\$ 16,642,374	\$ 42,870,007
Accounts Receivable (Net)	1,217,513	25,822	603,977	1,847,312
Accounts Receivable (Other)	-	15,089	-	15,089
Property taxes receivable	190,358	-	9,005	199,363
Accrued interest receivable	10,922	1,631	6,817	19,370
Due from other funds	177,384	8,111	211,953	397,448
Due from other governments	2,275,874	2,463,602	1,520,087	6,259,563
Prepaid items	1,609	-	-	1,609
Inventories	250,977	6,770,692	576,540	7,598,209
Investments, long-term	1,868,906	209,703	909,773	2,988,382
Total assets	<u>\$ 28,537,091</u>	<u>\$ 13,178,735</u>	<u>\$ 20,480,526</u>	<u>\$ 62,196,352</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 1,350,793	\$ 1,720,602	\$ 1,541,459	\$ 4,612,854
Accrued liabilities	2,361,602	-	255,353	2,616,955
Deposits/refunds payable	126,276	11,603	524,029	661,908
Due for tax appeals	-	-	60,928	60,928
Due to other governments	177	-	10,805	10,982
Due to other funds	150	-	170,767	170,917
Unearned revenue	848,109	-	-	848,109
Total liabilities	<u>4,687,107</u>	<u>1,732,205</u>	<u>2,563,341</u>	<u>8,982,653</u>
Deferred Inflows of Resources:				
Unavailable revenue	227,249	1,557,466	235,239	2,019,954
Total deferred inflows of resources	<u>227,249</u>	<u>1,557,466</u>	<u>235,239</u>	<u>2,019,954</u>
Fund Balances:				
Nonspendable:				
Inventories	250,977	6,770,692	576,540	7,598,209
Prepaid expense	1,609	-	-	1,609
Restricted for:				
Law enforcement activities	-	-	1,926,790	1,926,790
Road construction, preservation, maintenance	-	-	10,517,667	10,517,667
Historical museum activities	-	-	704,059	704,059
Committed for:				
Engineering Services	-	-	93,138	93,138
Camp Dearborn	-	-	693,233	693,233
Telecommunications	-	-	2,252,775	2,252,775
Designated Purposes - community programs	-	-	353,443	353,443
Assigned for:				
Subsequent year's budget	435,600	-	-	435,600
Capital projects	-	3,118,372	-	3,118,372
Library	-	-	564,301	564,301
Unassigned	22,934,549	-	-	22,934,549
Total fund balances	<u>23,622,735</u>	<u>9,889,064</u>	<u>17,681,946</u>	<u>51,193,745</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 28,537,091</u>	<u>\$ 13,178,735</u>	<u>\$ 20,480,526</u>	<u>\$ 62,196,352</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, 2014

Total fund balance for governmental funds		\$ 51,193,745
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	\$ 27,830,146	
Cost of assets, depreciated	142,082,082	
Accumulated depreciation	<u>(73,077,404)</u>	
Total adjustment due to capital assets		96,834,824
2. Some receivables are expected to be collected over several years and are not available to pay for current year expenditures		2,019,954
3. Other assets used in governmental activities are financial resources and therefore are not reported in the governmental funds - inventory		52,815
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	-	
Noncurrent liabilities, due in one year	-	
Noncurrent liabilities, due in more than one year	(5,044,587)	
Noncurrent liabilities, other postemployment benefits	<u>(21,006,555)</u>	
Total adjustment due to long-term liabilities		(26,051,142)
5. Internal service funds are included as part of governmental activities		<u>89,259,906</u>
Net position of governmental activities		<u>\$ 213,310,102</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, 2014

	General	Capital Projects	Other Governmental Funds (See page 123)	Total Governmental Funds
Revenues				
Taxes, assessments and penalties on taxes	\$ 71,863,633	\$ -	\$ 3,282,687	\$ 75,146,320
Licenses and permits	1,607,365	-	-	1,607,365
Intergovernmental revenues:				
State sources	9,417,537	-	7,387,473	16,805,010
Federal sources	548,625	9,028,731	2,285,409	11,862,765
Local sources	654,270	-	60,029	714,299
Charges for services	9,505,493	56,157	1,831,446	11,393,096
Fines and forfeits	4,270,234	-	487,427	4,757,661
Rents and royalties	2,422,651	-	2,626,270	5,048,921
Miscellaneous revenue	628,823	1,464,467	1,512,167	3,605,457
Private source contributions	-	-	37,398	37,398
Investment income	24,531	3,202	9,192	36,925
Total revenues	100,943,162	10,552,557	19,519,498	131,015,217
Expenditures				
Current				
General government	15,028,031	-	641,913	15,669,944
Public safety	54,904,027	-	570,208	55,474,235
Public works	12,045,751	-	9,367,356	21,413,107
Recreation and culture	11,535,426	-	8,237,533	19,772,959
Community improvement	431,653	-	2,251,715	2,683,368
Utilities	-	-	393,639	393,639
Unrealized loss on land held for resale	-	-	251,778	251,778
Capital outlay	52,772	11,215,982	1,091,966	12,360,720
Debt service - principal	-	-	1,432,650	1,432,650
Debt service - interest and fiscal charges	-	-	102,911	102,911
Total expenditures	93,997,660	11,215,982	24,341,669	129,555,311
Revenues Over (Under) Expenditures	6,945,502	(663,425)	(4,822,171)	1,459,906
Other Financing Sources (Uses)				
Transfers in	2,507,000	-	6,188,075	8,695,075
Transfers out	(5,027,325)	(2,500,000)	(2,203,751)	(9,731,076)
Total other financing sources (uses)	(2,520,325)	(2,500,000)	3,984,324	(1,036,001)
Net Change in Fund Balances	4,425,177	(3,163,425)	(837,847)	423,905
Fund Balances - Beginning of Year	19,197,558	13,052,489	18,519,793	50,769,840
Fund Balances - End of Year	\$ 23,622,735	\$ 9,889,064	\$ 17,681,946	\$ 51,193,745

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, 2014

Net change in fund balance - Total Governmental Funds \$ 423,905

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	\$ 17,682,985	
Net book value of assets disposed	(87,975)	
Depreciation	<u>(5,370,304)</u>	
Total excess capital outlay		12,224,706
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.		939,044
3. Governmental funds report inventories as expenditures when purchased; however in the statement of activities, the cost of those assets is expensed when used.		(164,884)
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	3,072,231	
Interest payable	<u>14,475</u>	
Total reduction of long-term liabilities		3,086,706
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	(653,865)	
Other postemployment benefits	<u>(8,456,912)</u>	
Total expenses not reported in governmental funds		(9,110,777)
6. Internal service funds are included as part of governmental activities.		<u>4,444,034</u>
Change in net position of governmental activities		<u>\$ 11,842,734</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 134)
	Parking System Funds	Sewer	Water	
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,706,140	\$ 57,200,895	\$ 5,927,279	\$ 8,272,764
Accounts receivable (Net)	-	4,298,326	6,276,033	5,706
Property taxes receivable	-	44,847	-	-
Unbilled accounts receivable	-	2,415,116	1,284,636	-
Accrued interest receivable	777	28,542	2,647	3,757
Due from other governments	5,330	297,410	159,771	99,315
Due from other funds	-	-	-	150
Prepaid items	-	-	-	25,760
Inventories	794,700	185,960	708,854	26,082
Total current assets	<u>2,506,947</u>	<u>64,471,096</u>	<u>14,359,220</u>	<u>8,433,534</u>
Noncurrent assets:				
Restricted cash and investments:				
Construction and equipment	-	7,082,451	-	-
Debt service	39,191	1,494,425	17,805	188,077
Investments, long-term	99,886	3,262,168	340,223	465,036
Capital assets (Net)	<u>15,845,227</u>	<u>298,712,306</u>	<u>71,377,668</u>	<u>4,306,145</u>
Total noncurrent assets	<u>15,984,304</u>	<u>310,551,350</u>	<u>71,735,696</u>	<u>4,959,258</u>
Total assets	<u>18,491,251</u>	<u>375,022,446</u>	<u>86,094,916</u>	<u>13,392,792</u>
Liabilities				
Current liabilities:				
Accounts payable	114,791	6,094,726	3,315,249	50,368
Accrued interest payable	21,682	989,484	-	4,327
Accrued liabilities	6,416	356,867	147,412	64,325
Deposits/refunds payable	-	-	108,940	206,954
Accrued vacation and sick	-	-	-	-
Due for tax appeals	-	-	-	-
Due to other governments	-	222,435	-	2,985
Due to other funds	135,066	-	-	-
Unearned revenue	-	-	-	9,424
Current portion of long-term debt	906,030	14,327,471	41,250	58,469
Total current liabilities	<u>1,183,985</u>	<u>21,990,983</u>	<u>3,612,851</u>	<u>396,852</u>
Noncurrent liabilities:				
Current portion of long term debt payable with restricted assets	39,191	545,000	13,750	188,077
Accrued interest payable with restricted assets	-	55,426	4,055	-
Long-term debt, net of current portion	4,265,886	184,895,846	593,812	483,029
Other liabilities	-	120,266	290,397	143,255
Claims payable	-	-	-	-
Total noncurrent liabilities	<u>4,305,077</u>	<u>185,616,538</u>	<u>902,014</u>	<u>814,361</u>
Total liabilities	<u>5,489,062</u>	<u>207,607,521</u>	<u>4,514,865</u>	<u>1,211,213</u>
Net Position				
Net investment in capital assets	10,673,311	99,488,989	70,742,606	3,764,647
Restricted for:				
Construction	-	7,082,451	-	-
Debt service	-	7,936,395	-	-
Unrestricted	2,328,878	52,907,090	10,837,445	8,416,932
Total net position	<u>\$ 13,002,189</u>	<u>\$ 167,414,925</u>	<u>\$ 81,580,051</u>	<u>\$ 12,181,579</u>

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

**Statement of Net Position
Proprietary Funds
June 30, 2014**

Total	Governmental Activities - Internal Service Funds (See page 139)
\$ 73,107,078	\$ 31,151,864
10,580,065	30,804
44,847	-
3,699,752	-
35,723	13,819
561,826	-
150	-
25,760	504,676
1,715,596	-
89,770,797	31,701,163
7,082,451	-
1,739,498	-
4,167,313	1,775,991
390,241,346	62,482,599
403,230,608	64,258,590
493,001,405	95,959,753
9,575,134	1,323,204
1,015,493	5,367
575,020	112,482
315,894	-
-	860
-	1,506,851
225,420	-
135,066	91,615
9,424	67,000
15,333,220	818,279
27,184,671	3,925,658
786,018	-
59,481	-
190,238,573	808,279
553,918	253,665
-	1,712,245
191,637,990	2,774,189
218,822,661	6,699,847
184,669,553	60,856,041
7,082,451	-
7,936,395	-
74,490,345	28,403,865
\$ 274,178,744	\$ 89,259,906

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 135)
	Parking System Funds	Sewer	Water	
Operating Revenues				
Intergovernmental revenue:				
State sources	\$ -	\$ -	\$ -	\$ -
Sales	-	20,993,454	11,599,410	337,923
Charges for services	1,083,667	7,518,514	6,831,311	1,145,077
Fines	433,091	-	-	-
Penalties	-	791,590	784,689	-
Rents and royalties	-	-	-	1,903,425
City contributions for insurance premiums	-	-	-	-
Miscellaneous	-	2,341,155	24,432	84,588
Private source contributions	-	-	-	-
Total operating revenues	<u>1,516,758</u>	<u>31,644,713</u>	<u>19,239,842</u>	<u>3,471,013</u>
Operating Expenses				
Personnel services	206,381	2,205,315	4,775,532	1,891,117
Contractual services	619,406	3,193,290	973,503	292,958
Insurance and bonds	48,338	202,152	110,736	82,320
Insurance benefits	-	-	-	-
Claims and judgments	-	-	-	-
Utilities	145,918	421,833	14,325	492,870
Repair and maintenance	123,295	784,218	22,742	1,120,364
Supplies	77,975	177,119	485,214	131,801
Cost of sales	-	16,225,828	8,150,149	52,237
Cost of rentals	41,555	116,809	-	91,547
Depreciation	574,212	6,318,382	1,458,171	365,006
Other	22,916	751,834	272,676	40,056
Total operating expenses	<u>1,859,996</u>	<u>30,396,780</u>	<u>16,263,048</u>	<u>4,560,276</u>
Operating Income (Loss)	(343,238)	1,247,933	2,976,794	(1,089,263)
Nonoperating Revenues (Expenses)				
Taxes, assessments and penalties	-	15,333,304	-	-
Investment income	1,243	37,774	4,676	4,794
Contributions	-	(124,455)	-	-
Gain/(loss) on disposal of assets	93,601	(4,211)	(13,522)	-
Other interest	(309,514)	(3,862,326)	(17,252)	(21,144)
Total nonoperating revenues (expenses)	<u>(214,670)</u>	<u>11,380,086</u>	<u>(26,098)</u>	<u>(16,350)</u>
Income (Loss) before Capital Contributions & Transfers	(557,908)	12,628,019	2,950,696	(1,105,613)
Capital contributed from grants, developers & other	475,000	120,000	124,455	-
Total capital contributions and transfers	<u>475,000</u>	<u>120,000</u>	<u>124,455</u>	<u>-</u>
Income (Loss) before Transfers	(82,908)	12,748,019	3,075,151	(1,105,613)
Transfers				
Transfers in	545,000	-	-	485,000
Transfers out	-	-	-	-
Net transfers	<u>545,000</u>	<u>-</u>	<u>-</u>	<u>485,000</u>
Income (Loss)	462,092	12,748,019	3,075,151	(620,613)
Net Position - Beginning of Year	12,540,097	154,666,906	78,504,900	12,802,192
Net Position - End of Year	<u>\$ 13,002,189</u>	<u>\$ 167,414,925</u>	<u>\$ 81,580,051</u>	<u>\$ 12,181,579</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	\$ 1,578,676
Payments to suppliers	(1,018,704)
Payments to employees	(206,381)
Internal activity	197,389
Claims paid	-
Other receipts	-
Other payments	(22,916)
Net cash provided (used) by operating activities	<u>528,064</u>
Cash Flows from Noncapital Financing Activities	
Transfers in	545,000
Transfers out	-
Net cash provided (used) by noncapital financing activities	<u>545,000</u>
Cash Flows from Capital and Related Financing Activities	
Taxes, assessments & penalties on taxes	-
Grants and contributions received	475,000
Proceeds on the issuance of long term debt	-
Prepaid interest on debt	-
Principal paid on debt	(905,221)
Acquisition and construction of capital assets	-
Contribution of capital assets	-
Gain (loss) on sale of capital assets	132,028
Proceeds from sale of assets	-
Interest paid on debt	(313,110)
Net cash provided (used) by capital and related financing activities	<u>(611,303)</u>
Cash Flows from Investing Activities	
Net sale (purchase) of investments	(47,544)
Investment income	2,188
Net cash provided (used) by investing activities	<u>(45,356)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	416,405
Cash and Cash Equivalents - Beginning of Year	1,328,926
Cash and Cash Equivalents - End of Year	<u>\$ 1,745,331</u>
Cash and Cash Equivalents - Unrestricted	\$ 1,706,140
Cash and Cash Equivalents - Restricted	39,191
Cash and Cash Equivalents - End of Year	<u>\$ 1,745,331</u>

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

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

Business-type Activities Enterprise Funds				Governmental Activities - Internal Service Funds
Sewer	Water	Other Enterprise Funds (See page 136)	Total	(See page 143)
\$ 32,790,988	\$ 20,364,732	\$ 3,405,072	\$ 58,139,468	\$ 33,488,809
(21,776,396)	(11,325,863)	(2,304,193)	(36,425,156)	(8,373,372)
(2,181,266)	(4,784,494)	(1,882,621)	(9,054,762)	-
(26,623)	(45,054)	(78,624)	47,088	(57,620)
-	-	-	-	(18,828,798)
-	-	84,588	84,588	4,991,548
(751,834)	(272,676)	(40,056)	(1,087,482)	(1,788,652)
<u>8,054,869</u>	<u>3,936,645</u>	<u>(815,834)</u>	<u>11,703,744</u>	<u>9,431,915</u>
-	-	485,000	1,030,000	6,001
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>485,000</u>	<u>1,030,000</u>	<u>6,001</u>
15,333,304	-	-	15,333,304	-
120,000	-	-	595,000	-
6,257,285	-	-	6,257,285	-
-	-	-	-	(3,335)
(13,784,909)	(55,000)	(270,295)	(15,015,425)	1,517,808
(10,450,266)	(6,291,891)	-	(16,742,157)	(1,778,745)
-	-	-	-	-
-	-	1	132,029	-
-	-	-	-	81,118
(3,903,598)	(17,596)	(19,523)	(4,253,827)	-
<u>(6,428,184)</u>	<u>(6,364,487)</u>	<u>(289,817)</u>	<u>(13,693,791)</u>	<u>(183,154)</u>
(1,053,527)	(10,746)	(110,708)	(1,222,525)	(882,710)
91,083	12,868	12,791	118,930	29,022
<u>(962,444)</u>	<u>2,122</u>	<u>(97,917)</u>	<u>(1,103,595)</u>	<u>(853,688)</u>
664,241	(2,425,720)	(718,568)	(2,063,642)	8,401,074
65,113,530	8,370,804	9,179,409	83,992,669	22,750,790
<u>\$ 65,777,771</u>	<u>\$ 5,945,084</u>	<u>\$ 8,460,841</u>	<u>\$ 81,929,027</u>	<u>\$ 31,151,864</u>
\$ 57,200,895	\$ 5,927,279	\$ 8,272,764	\$ 73,107,078	\$ 31,151,864
8,576,876	17,805	188,077	8,821,949	-
<u>\$ 65,777,771</u>	<u>\$ 5,945,084</u>	<u>\$ 8,460,841</u>	<u>\$ 81,929,027</u>	<u>\$ 31,151,864</u>

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

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

Business-type Activities Enterprise Funds		Other Enterprise Funds (See page 137)	Total	Governmental Activities - Internal Service Funds (See page 145)
Sewer	Water			
\$ 1,247,933	\$ 2,976,794	\$ (1,089,263)	\$ 2,792,226	\$ 4,189,621
6,318,382	1,458,171	365,006	8,715,771	3,384,105
402,996	289,545	25,340	756,297	99,606
1,235	741	35,000	175,958	207
743,279	822,495	(1,479)	1,587,797	-
-	-	1,614	1,614	884,951
-	(304,125)	(3,404)	(307,529)	-
(685,644)	(1,262,105)	(42,348)	(1,953,664)	432,711
(46,573)	(2,964)	3,492	(44,695)	(57,012)
-	12,850	12,693	25,543	-
24,049	(8,962)	8,496	23,583	150,533
(27,858)	(45,795)	(113,624)	(128,870)	(57,827)
77,070	-	550	77,620	121,369
-	-	-	-	283,651
-	-	(17,907)	(17,907)	-
<u>\$ 8,054,869</u>	<u>\$ 3,936,645</u>	<u>\$ (815,834)</u>	<u>\$ 11,703,744</u>	<u>\$ 9,431,915</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, 2014

	Pension & Other Employee Benefits	Agency Funds
	<u> </u>	<u> </u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,642,316	\$ 4,725,909
Investments - short-term	7,966,749	-
Accounts receivable (Net)	-	263,916
Accrued interest receivable	631,164	-
Other	889,301	-
Due from other governments	-	9,940
Total current assets	<u>12,129,530</u>	<u>4,999,765</u>
Noncurrent assets - investments:		
Long-term bonds	28,686,243	-
Fixed income mutual funds	118,866,232	-
Common stock	160,474,127	-
Real estate properties	22,584,214	-
Commingled and mutual funds	172,434,523	-
Total noncurrent assets	<u>503,045,339</u>	<u>-</u>
Total assets	<u>515,174,869</u>	<u>\$ 4,999,765</u>
Liabilities		
Accounts payable	653,180	\$ 477,224
Payroll deductions payable	-	109,191
Deposits/refunds payable	-	3,969,753
Due to other governments	-	430,643
Other liabilities	-	12,954
Total liabilities	<u>653,180</u>	<u>\$ 4,999,765</u>
Net Position		
Held in trust for pension benefits and other employee benefits	<u>\$ 514,521,689</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, 2014

	<u>Pension & Other Employee Benefits</u>
Additions	
Investment income:	
Interest and dividends	\$ 8,530,026
Net increase/(decrease) in value of investments	57,829,021
Investment/administrative expenses	<u>(1,995,522)</u>
Net investment income	<u>64,363,525</u>
Contributions:	
Employer	23,753,372
Employee	1,330,250
Reimbursements	482,864
Total contributions	<u>25,566,486</u>
Total additions	89,930,011
Deductions	
Benefit payments	41,761,567
Refunds of contributions	1,000,425
Total deductions	<u>42,761,992</u>
Change in Net Position	47,168,019
Net Position - Beginning of Year	467,353,670
Net Position - End of Year	<u><u>\$ 514,521,689</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	\$ 601,927	\$ 2,294,543	\$ 1,718,147
Accounts Receivable (Net)	-	75,000	-
Accrued interest receivable	268	1,022	724
Investments - long-term	34,449	131,318	-
Total assets	<u>636,644</u>	<u>2,501,883</u>	<u>1,718,871</u>
Liabilities			
Accounts payable	7,851	30,186	1,100
Accrued liabilities	213	2,616	-
Current portion of long-term debt	-	-	282,801
Noncurrent liabilities:			
Other liabilities	-	68	654,344
Bonds payable	-	-	9,940,779
Total liabilities	<u>8,064</u>	<u>32,870</u>	<u>10,879,024</u>
Net Position - Unrestricted	<u>\$ 628,580</u>	<u>\$ 2,469,013</u>	<u>\$ (9,160,153) (1)</u>

(1) See Note 15

**Statement of Net Position
Component Units
June 30, 2014**

Economic Development Corporation	Total
\$ 294,437	\$ 4,909,054
-	75,000
131	2,145
16,851	182,618
<u>311,419</u>	<u>5,168,817</u>
-	39,137
-	2,829
-	282,801
-	654,412
-	9,940,779
<u>-</u>	<u>10,919,958</u>
<u>\$ 311,419</u>	<u>\$ (5,751,141)</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	\$ 654,114	\$ -	\$ -
East Dearborn Development Authority - Community improvement	1,025,154	-	-
Brownfield Redevelopment Authority - Community improvement	3,399,628	-	-
Economic Development Corporation - Community improvement	249	-	-
Total component units	<u>\$ 5,079,145</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:
 Taxes
 Federal sources
 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, 2014**

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
\$ (654,114)	\$ -	\$ -	\$ -	\$ (654,114)
-	(1,025,154)	-	-	(1,025,154)
-	-	(3,399,628)	-	(3,399,628)
-	-	-	(249)	(249)
<u>(654,114)</u>	<u>(1,025,154)</u>	<u>(3,399,628)</u>	<u>(249)</u>	<u>(5,079,145)</u>
440,350	748,175	3,592,211	-	4,780,736
-	75,000	-	-	75,000
455	1,309	765	167	2,696
11,687	349,500	-	-	361,187
<u>452,492</u>	<u>1,173,984</u>	<u>3,592,976</u>	<u>167</u>	<u>5,219,619</u>
(201,622)	148,830	193,348	(82)	140,474
830,202	2,320,183	(9,353,501)	311,501	(5,891,615)
<u>\$ 628,580</u>	<u>\$ 2,469,013</u>	<u>\$ (9,160,153)</u>	<u>\$ 311,419</u>	<u>\$ (5,751,141)</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, Dearborn Administrative Center, 16901 Michigan Avenue, Suite 6, Dearborn, MI 48126-2899.

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 on determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than on 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 was used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt. This fund was phased out as of June 30, 2014.

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 on 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.

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, 2014 for the City’s individual governmental funds and the nonmajor governmental funds in the aggregate are as follows:

	General	Capital Projects	Nonmajor Funds	Total
Receivables:				
Intergovernmental	\$ 2,275,874	\$ 2,463,602	\$ 1,520,087	\$ 6,259,563
Accounts	1,217,513	40,911	603,977	1,862,401
Net receivables	<u>\$ 3,493,387</u>	<u>\$ 2,504,513</u>	<u>\$ 2,124,064</u>	<u>\$ 8,121,964</u>

Revenues are reported net of uncollectible amounts. The amount in the allowance for uncollectibles in the General fund at June 30, 2014 is \$731,500 and represents potentially uncollectible ambulance billings. Most City service billings, if not paid, are assessed as a lien against the serviced property.

The unbilled accounts receivable in the Enterprise funds were for unbilled consumption of water and sewer as of June 30, 2014.

Inventories

Inventories are recorded at the lower of cost or market, cost being the weighted average method with the exception of the following: (1) Enterprise funds’ inventories, which are recorded on the first-in, first-out basis; and (2) Capital Projects fund inventories, which are recorded at actual cost. The Capital Projects fund has approximately \$6.8 million, the Community Development fund has approximately \$500 thousand and the Parking System funds have \$800 thousand invested in land inventory at June 30, 2014.

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.

Note 1 – Summary of Significant Accounting Policies (Continued)

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.

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.

Unearned Revenue

Unearned revenue represents monies that do not yet meet the criteria for revenue recognition. Unearned amounts are always reported as liabilities.

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.

Note 1 – Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has no deferred outflows of resources.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Unavailable revenue qualifies for reporting in this category and arises only under a modified accrual basis of accounting. Unavailable revenue is reported from the following sources:

	<u>Unavailable Revenue</u>
Taxes	\$ 233,391
Notes and mortgages	229,097
Grants	<u>1,557,466</u>
Total unavailable revenue	<u>\$ 2,019,954</u>

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 2013 levy that financed operations for the fiscal year ended June 30, 2014 had a taxable value of \$3,424,247,044. 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, 2014 was 25.90 mills, consisting of 15.00 mills operating, 3.50 mills for voted operations, 1.00 mills for library, 1.91 mills for garbage and rubbish and 4.49 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, 2014 was 23.2254 mills after applicable rollbacks.

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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	\$ 451,537
Capital Projects	4,109,670
Non major governmental funds	5,690,502
	<u>\$ 10,251,709</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.

Note 1 – Summary of Significant Accounting Policies (Continued)

Interfund Activity

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

Use of Estimates

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

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.

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Note 2 – Deposits and Investments

Michigan Compiled Laws section 129.91 (Public Act 20 of 1943, as amended), authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. In addition, bank deposits in the form of Certificate of Deposit Account Registry Service (CDARS) include out of state certificates of deposit. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan; and investment pools of financial institutions. The City does not engage in reverse repurchase agreements or in repurchase agreements without a master repurchase agreement and delivery of collateral to a third-party custodian.

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.

The City deposits all funds with Comerica Bank, but only operating funds required to meet current obligations are kept in Comerica Bank accounts. All other non-pension operating funds are invested with Munder Capital Management in securities backed by the federal government. The investment policy adopted by City Council is required by PA 20 of 1943 as amended. The deposit and investment policies of the City of Dearborn, Michigan, comply with applicable state statutes.

The City's cash and investments are subject to several types of risk, which are examined in more detail 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 \$9,693,875 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar

Note 2 –Deposits and Investments (Continued)

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>
U.S. Government Obligations	65,886,586	.70 years
<u>Fiduciary Investment Types</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Corporate Bonds	\$14,612,382	10.57 years
Federal Agency/Instrumentality	5,670,286	26.32 years
U.S. Government Obligations	7,789,941	12.25 years
Municipal Bonds	455,314	18.92 years
Fixed Income Mutual Funds	118,866,232	*

* The weighted average maturity for \$118,866,232 of Fixed Income Mutual Funds is not known based on the information available to the City as of June 30, 2014.

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,

Note 2 –Deposits and Investments (Continued)

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	\$87,421	N/R	
Bank Investment Pool	62,484,522	N/R	

<u>Fiduciary Investment Types</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Bank Investment Pool	\$7,846,510	N/R	
Bank Investment Pool J Funds	1,343,773	N/R	
Corporate Bonds	1,336,761	AAA	S & P
Corporate Bonds	513,046	AA+	S & P
Corporate Bonds	1,484,787	AA	S & P
Corporate Bonds	372,297	AA-	S & P
Corporate Bonds	2,975,394	A+	S & P
Corporate Bonds	2,162,139	A	S & P
Corporate Bonds	2,903,281	A-	S & P
Corporate Bonds	363,041	BBB+	S & P
Corporate Bonds	61,367	BBB	S & P
Corporate Bonds	2,440,269	N/R	
Federal Agency/Instrumentality	5,670,286	N/R	
Municipal Bonds	77,397	AAA	S & P
Municipal Bonds	299,681	AA	S & P
Municipal Bonds	78,236	AA+	S & P
Fixed Income Mutual Funds	118,866,232	*	

* The credit quality ratings for \$118,866,232 of Fixed Income Mutual Funds are not known based on the information available to the City as of June 30, 2014.

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, 2014, the City had more than 5% of its investments in the following:

Fiduciary Funds

Comerica Foreign Equity Fund	9.22%
Global Balanced Asset Allocation	7.96%
PIMCO	6.67%
Loomis Sayles Strategic Alpha	5.76%

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 \$1,962,553 had a weighted average maturity in years of .66. The component units did not have a concentration of credit risk.

Note 3 – Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

Governmental Activities

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Assets not being depreciated					
Land	\$ 7,919,540	\$ -	\$ -	\$ -	\$ 7,919,540
Right of ways	37,818	-	-	-	37,818
Construction in progress	11,151,749	11,020,311	(91,288)	(332,295)	21,748,477
Total capital assets not being depreciated	19,109,107	11,020,311	(91,288)	(332,295)	29,705,835
Other capital assets					
Building & improvements	118,428,498	164,023	-	69,471	118,661,992
Equipment	39,183,004	1,831,996	(747,605)	262,824	40,530,219
Infrastructure assets	98,439,907	6,687,667	-	-	105,127,574
Subtotal	256,051,409	8,683,686	(747,605)	332,295	264,319,785
Accumulated depreciation:					
Buildings & improvements	53,469,066	2,599,215	-	-	56,068,281
Equipment	30,283,055	2,410,533	(653,149)	-	32,040,439
Infrastructure assets	42,854,817	3,744,661	-	-	46,599,478
Subtotal	126,606,938	8,754,409	(653,149)	-	134,708,198
Net other capital assets	129,444,471	(70,723)	(94,456)	332,295	129,611,587
Net capital assets	\$ 148,553,578	\$ 10,949,588	\$ (185,744)	\$ -	\$ 159,317,422

Depreciation was charged to functions as follows:

Governmental activities:	
General government	\$ 544,750
Public Safety	1,815,651
Public Works	4,383,800
Recreation & culture	2,008,476
Community improvement	1,732
Total governmental activities depreciation expense	\$ 8,754,409

Note 3 – Capital Assets (Continued)

Business-type Activities

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Assets not being depreciated:					
Land	\$ 5,929,262	\$ 476	\$ -	\$ -	\$ 5,929,738
Construction in progress	53,877,404	16,546,024	(178,761)	(14,220,627)	56,024,040
Total capital assets not being depreciated	<u>59,806,666</u>	<u>16,546,500</u>	<u>(178,761)</u>	<u>(14,220,627)</u>	<u>61,953,778</u>
Other capital assets:					
Land improvements	20,655,674	-	-	-	20,655,674
Buildings & improvements	30,810,324	-	-	-	30,810,324
Equipment	44,279,257	334,561	(171,051)	-	44,442,767
Water system	97,890,278	-	(33,205)	3,941,536	101,798,609
Sewer system	228,859,113	-	(14,216)	10,279,091	239,123,988
Subtotal	<u>422,494,646</u>	<u>334,561</u>	<u>(218,472)</u>	<u>14,220,627</u>	<u>436,831,362</u>
Accumulated depreciation:					
Land improvements	7,419,461	590,569	-	-	8,010,030
Buildings & improvements	12,396,539	760,354	-	-	13,156,893
Equipment	7,349,588	2,959,904	(162,701)	-	10,146,791
Water system	41,472,503	1,333,920	(28,033)	-	42,778,390
Sewer system	31,392,100	3,071,024	(11,434)	-	34,451,690
Subtotal	<u>100,030,191</u>	<u>8,715,771</u>	<u>(202,168)</u>	<u>-</u>	<u>108,543,794</u>
Net other capital assets	<u>322,464,455</u>	<u>(8,381,210)</u>	<u>(16,304)</u>	<u>14,220,627</u>	<u>328,287,568</u>
Net capital assets	<u>\$ 382,271,121</u>	<u>\$ 8,165,290</u>	<u>\$ (195,065)</u>	<u>\$ -</u>	<u>\$ 390,241,346</u>

Depreciation was charged to functions as follows:

Business-type activities:	
Parking System	\$ 574,212
Housing	235,406
Golf Course	129,600
Sewer	6,318,382
Water	<u>1,458,171</u>
Total business activities depreciation expense	<u>\$ 8,715,771</u>

Note 4 – Long-term Debt

Outstanding Debt

The following is a summary of the debt outstanding of the City as of June 30, 2014:

	Principal Outstanding	
	Governmental Activities	Business-type Activities
2004 General Obligation Limited Tax Refunding Bonds, 2.00% to 4.00%, dated April 23, 2004	\$ 1,626,558	\$ -
2004 Capital Improvement General Obligation Limited Tax Bonds, Series A (Non-taxable), 2.75% to 4.55%, dated June 24, 2004		3,138,771
2004 Capital Improvement General Obligation Limited Tax Bonds, Series B (Taxable), 5.90% to 6.00%, dated June 24, 2004		421,906
2006 General Obligation Limited Tax Refunding Bonds, (Taxable), 5.50% to 5.80%, dated April 25, 2006		1,650,429
2008 General Obligation Limited Tax Refunding Bonds, 3.25% to 3.75% dated February 7, 2008		729,575
Sewage Disposal System Revenue Bonds, 2.00%, dated September 29, 1994		245,000
Sewage Disposal System Revenue Refunding Bonds, 2.00% to 4.00%, dated February 17, 2004		3,565,643
Sewage Disposal System Revenue Bonds, 2.25%, dated September 28, 1995		20,000
Sewage Disposal System Revenue Bonds, 2.50%, dated March 28, 2002		3,070,000

Note 4 – Long-term Debt (Continued)

Outstanding Debt

The following is a summary of the debt outstanding of the City as of June 30, 2014:

	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	\$ -	\$ 19,653,399
2004 Sewage Disposal System General Obligation Unlimited Tax Bonds, 2.125%, dated September 23, 2004		25,404,705
2005 Sewage Disposal System General Obligation Unlimited Tax Bonds, 1.625% dated September 22, 2005		45,191,299
2006 Sewage Disposal System General Obligation Unlimited Tax Bonds, 1.625%, dated June 22, 2006		4,897,942
2007 Sewage Disposal System General Obligation Unlimited Tax Bonds, 1.625% dated September 20, 2007		81,960,000
2009 Sewage Disposal System General Obligation Unlimited Tax Bonds, 2.50% dated September 28, 2009		4,990,000
2012 Sewage Disposal System General Obligation Unlimited Tax Bonds, 2.50% dated June 26, 2012		7,465,000
2013 Sewage Disposal System General Obligation Unlimited Tax Bonds, 2.50% dated April 9, 2013		3,305,330
2009 Water Supply System Revenue Bonds, 2.50% dated September 28, 2009		648,812
Subtotal	1,626,558	206,357,811
Accumulated sick, vacation and PTO benefits	5,383,270	553,918
Total	\$ 7,009,828	\$ 206,911,729

City of Dearborn, Michigan

Notes to Financial Statements June 30, 2014

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, 2014 the City's general obligation debt margin amounted to approximately \$168,000,000.

Changes in Long-term Debt

The following is a summary of long-term debt transactions of the City for the year ended June 30, 2014:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Bonds & notes payable - General obligation bonds	\$ 3,180,981	\$ -	\$ (1,554,423)	\$ 1,626,558	\$ 818,279
Other liabilities - Compensated absences	4,620,271	762,999	-	5,383,270	85,020
Total governmental activities	<u>\$ 7,801,252</u>	<u>\$ 762,999</u>	<u>\$ (1,554,423)</u>	<u>\$ 7,009,828</u>	<u>\$ 903,299</u>

Business-type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Bonds & notes payable - General obligation bonds	\$ 205,531,240	\$ 6,257,285	\$ (12,980,169)	\$ 198,808,356	\$ 13,846,420
Revenue bonds	9,584,711	-	(2,035,256)	7,549,455	2,272,818
Subtotal	215,115,951	6,257,285	(15,015,425)	206,357,811	16,119,238
Other liabilities - Compensated absences	530,334	32,545	(8,961)	553,918	-
Total business-type activities	<u>\$ 215,646,285</u>	<u>\$ 6,289,830</u>	<u>\$ (15,024,386)</u>	<u>\$ 206,911,729</u>	<u>\$ 16,119,238</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, 2014 (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
2015	\$ 818,279	\$ 64,400	\$ 16,119,238	\$ 4,475,849
2016	808,279	32,000	16,429,244	4,104,836
2017	-	-	14,796,356	3,662,696
2018	-	-	14,899,873	3,345,046
2019	-	-	15,219,878	3,022,284
2020-2024	-	-	67,437,112	10,646,819
2025-2029	-	-	45,907,506	4,962,873
2030-2034	-	-	15,548,604	1,286,394
2035-2039	-	-	-	-
Total	<u>\$ 1,626,558</u>	<u>\$ 96,400</u>	<u>\$ 206,357,811</u>	<u>\$ 35,506,797</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, 2014, \$800,000 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 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 \$3,699,600. During the current year, net revenues of the system were \$8,728,037 compared to the annual debt requirements of \$1,892,000 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 was due April 1, 2008 and will continue to be due April 1 through 2027. As of June 30, 2014 the City has drawn down \$46,944,705 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 was due April 1, 2009 and will continue to be due April 1 through 2028. As of June 30, 2014 the City has drawn down \$68,026,299 of the total authorized amount.

On June 22, 2006, the City of Dearborn and the Michigan Municipal Bond Authority entered into an agreement whereby the City of Dearborn would issue, and the Michigan Municipal Bond

Note 4 – Long-term Debt (Continued)

Authority would purchase, up to \$7,450,000 in principal of General Obligation Sewer Bonds, Series 2006 (Unlimited Tax General Obligation) for the construction of the Combined Sewer Overflow project. As of December, 2010 this portion of the project was administratively complete 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 was 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 was 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 was 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 was 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, 2014 is \$648,812.

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 1, 2014 and will continue to be due October 1 through 2033. The amount drawn as of June 30, 2014 was \$7,465,000.

On April 9, 2013, 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

Note 4 – Long-term Debt (Continued)

would purchase, up to \$8,105,000 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, 2013 and semiannually thereafter. The first principal payment is due October 1, 2015 and will continue to be due October 1 through 2034. The amount drawn as of June 30, 2014 is \$3,305,330.

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, 2014:

	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	\$ 9,707,506	\$ 9,280	\$ -	\$ 9,716,786	\$ (8,992)
2009 General Obligation Limited Tax Redevelopment Bonds, Series B (Taxable) 3.10% to 4.75%, dated November 12, 2009	625,000	-	(200,000)	425,000	210,000
Loan due to DCC (see Note 15)	736,138	-	-	736,138	81,793
Subtotal	11,068,644	9,280	(200,000)	10,877,924	282,801
Other Liabilities - Compensated Absences	574	-	(506)	68	-
Total Component Unit Activities	<u>\$ 11,069,218</u>	<u>\$ 9,280</u>	<u>\$ (200,506)</u>	<u>\$ 10,877,992</u>	<u>\$ 282,801</u>

Debt Service Requirements – Component Units

The annual requirements to service all component unit debt outstanding as of June 30, 2014 (excluding sick, vacation and PTO benefits), including both principal and interest, are as follows:

June 30,	Units	
	Principal	Interest
2015	\$ 282,801	\$ 544,847
2016	288,105	535,713
2017	298,425	525,500
2018	308,766	514,250
2019	324,123	502,500
2020-2024	1,749,923	2,312,500
2025-2029	1,885,169	1,900,450
2030-2034	2,485,612	1,321,100
2035-2039	3,255,000	555,775
Total	<u>\$ 10,877,924</u>	<u>\$ 8,712,635</u>

Note 4 – Long-term Debt (Continued)

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, 2014 represent interfund receivables and payables:

Receivable Fund	Payable Fund	Amount
Due from / to Other Funds		
General	Parking System	\$ 13,561
	Nonmajor governmental funds	72,633
	Internal service funds	91,190
	Total General	177,384
Nonmajor governmental funds	Nonmajor governmental funds	92,598
	Parking System	119,355
	Total nonmajor governmental funds	211,953
Capital Projects	Nonmajor governmental funds	5,536
	Parking System	2,150
	Internal service funds	425
	Total Capital Projects	8,111
Nonmajor enterprise funds	General	150
Total		\$ 397,598

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, 2014 represent interfund transfers in and out:

Transferred In Fund	Transferred Out Fund	Amount
General	Nonmajor governmental funds	\$ 7,000
	Capital projects	2,500,000
	Total General	<u>2,507,000</u>
Nonmajor governmental funds	General	\$ 3,997,325
	Nonmajor governmental funds	2,190,750
	Total nonmajor governmental funds	<u>6,188,075</u>
Parking system	General	545,000
Nonmajor enterprise funds	General	485,000
Internal service funds	Nonmajor governmental funds	<u>6,001</u>
Total		<u><u>\$ 9,731,076</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.

Management of the plans is vested in the Pension Boards for Chapter 22 and 23 and with the City of Dearborn for Chapter 21. The Chapter 22 Board consists of five members—two elected by plan members, one appointed by the Mayor, one appointed by the City Council and one appointed by the Civil Service Commission.

The Chapter 23 Board consists of seven members—four elected by plan members, two appointed by the Mayor, and one appointed by the City Council.

At June 30, 2013, 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	590	362	74
Terminated employees entitled to benefits but not yet receiving them	59	10	-
Current active employees	225	194	-

Chapter 21 Benefits

The last active member retired in the plan year ended June 30, 1995. The plan contains an “unlimited escalator” provision which calls for annuity payments to be changed automatically whenever the active member pay schedule changes for Chapter 23. If a member had elected an optional form of benefit and the beneficiary were to predecease the member, the amount payable

Note 7 – Pension and Other Postemployment Plans (Continued)

to the member would “pop-up” to the amount that would have been payable if the optional form had not been elected. This “pop-up” benefit was provided at no cost to the retiring member.

Chapter 22 Benefits

A member may retire after either attaining age 55 (age 50 for Police Dispatch members) and completing 25 years of service or after attaining age 60 and completing 10 years of service.

Benefits are calculated at 2.50% of final average earnings times the first 26 years of credited service plus 1.75% of final average earnings times the next three years of credited service, and 2.25% for the 30th year of service. Final average earnings means the average of the member's highest annual pays received during any three consecutive years of service contained within the last 10 years of credited service.

Optional Forms of Benefit – Retiring members may elect to receive a reduced retirement allowance with the provision that a portion (100%, 75%, or 50%) of the reduced amount will continue to a beneficiary after the death of the retiree. The reduction amount is based upon 7.25% interest, the 1994 Group Annuity Mortality Table with an 85% Unisex blend, and the ages of the retiree and beneficiary on the member's voluntary retirement date. If a member elects an optional form and the beneficiary predeceases the member, the amount payable to the member “pops-up” to the amount that would have been payable if the optional form had not been elected. This “pop-up” benefit is provided at no cost to the retiring member.

Deferred Retirement - A member with 10 or more years of service who leaves City employment before retirement receives an annuity computed in the same manner as an age and service annuity, payments beginning upon application at voluntary retirement age.

Disability Retirement – A member who becomes totally and permanently disabled from duty-connected causes before attaining age 60 receives, subject to offsetting for workers' compensation, Social Security, and other remuneration, a duty disability annuity computed in the same manner as an age and service annuity, including service credit for the period from disability to age 60.

A member with 10 or more years of service who becomes totally and permanently disabled from other than duty-connected causes receives, subject to offsetting for workers' compensation, Social Security, and other remuneration, a non-duty disability annuity computed in the same manner as an age and service annuity.

Death of a Member – Upon the death of a member, the surviving dependents receive, subject to offsetting for workers' compensation and Social Security, the following benefits:

(a) The spouse receives an annuity equal to the Option B-100 annuity (joint and 100% survivor actuarial equivalent benefit) which would have been payable had the deceased member retired at the time of death and elected Option B-100. The minimum annuity payable to the spouse is 20% of the member's final average earnings.

Note 7 – Pension and Other Postemployment Plans (Continued)

(b) The dependent children under age 18 (23 if they are full-time students) each receive an annuity of 15% of the member's final average earnings until they reach age 18 (23). If there are four or more dependent children, each child receives an equal share of 50% of the member's final average earnings until they reach the above ages.

(c) If there is neither a spouse nor dependent children, each dependent parent receives an annuity equal to 15% of final average earnings.

Chapter 23 Benefits

A member may retire after either completing 25 years of service regardless of age, or completing 10 years of service and attaining age 55. A member must retire upon attaining age 60, except that under certain conditions a member may be extended in service to age 65.

Fire members – Benefits are calculated at final average earnings times the sum of 2.8% times the first 26 years of service plus 2.2% times the next one year of service plus 1% times the next three years of service, with a maximum of 78%.

Police Non-supervisory members – Benefits are calculated at final average earnings times the sum of 2.8% times the first 25 years of service plus 1.0% times the next five years of service, with a maximum of 75%.

Police Supervisory and Inspector members – Benefits are calculated at final average earnings times the sum of 2.8% times the first 24 years of service plus 3.8% times the next one year of service plus 1.4% times the next five years of service, with a maximum of 78%.

Annuity Withdrawal - Upon retirement, a member may withdraw a lump sum not to exceed the amount of their accumulated member contributions (not including interest) at time of retirement. The life allowance otherwise payable is not reduced to reflect the withdrawal of contributions. A member may also make an annuity withdrawal after 25 years of credited service.

Optional Forms of Benefit – Retiring members may elect to receive a reduced retirement allowance with the provision that a portion (100%, 75%, or 50%) of the reduced amount will continue to a beneficiary after the death of the retiree. The reduction amount is based upon 7.25% interest, the 1994 Group Annuity Mortality Table, a 2% compound COLA with a two-year delay and the ages of the retiree and beneficiary on the retirement date or the member's 25-year service anniversary if earlier. If a member elects an optional form and the beneficiary predeceases the member, the amount payable to the member "pops-up" to the amount that would have been payable if the optional form had not been elected. This "pop-up" benefit is provided at no cost to the retiring member.

Deferred Retirement – A member with 10 or more years of service who leaves City employment before retirement is entitled to receive an allowance computed in the same manner as an age and service allowance, payments beginning upon the member's application at age 55 or when the member would have attained 25 years of service, whichever is earlier.

Note 7 – Pension and Other Postemployment Plans (Continued)

Disability Retirement – A member who becomes totally and permanently disabled from duty-connected causes receives, subject to offsetting for workers' compensation, Social Security, and other remuneration, a duty disability allowance equal to 70% of final average earnings.

A member with 10 or more years of service who becomes totally and permanently disabled from other than duty-connected causes receives, subject to offsetting for workers' compensation, Social Security, and other remuneration, a non-duty disability allowance computed in the same manner as and age and service allowance.

Death of a Member – Upon the death of a member, the surviving dependents receive, subject to offsetting for workers' compensation and Social Security, the following benefits:

(a) The spouse receives an annuity equal to the Option B-100 annuity (joint and 100% survivor actuarial equivalent benefit) which would have been payable had the deceased member retired at the time of death and elected Option B-100. The minimum annuity payable to the spouse is 20% of the member's final average earnings.

(b) The dependent children under age 18 (23 if they are full-time students) each receive an annuity of 15% of the member's final average earnings until they reach 18 (23). If there are four or more dependent children, each child receives an equal share of 50% of the member's final average earnings until they reach the above ages.

(c) If there is neither a spouse nor dependent children, each dependent parent receives an annuity equal to 15% of final average earnings.

Benefit Changes After Retirement

Chapter 21

The plan contains an "unlimited escalator" provision which calls for annuity payments to be changed automatically whenever the active member pay schedule changes for Chapter 23.

Chapter 22

There are no provisions for benefit changes after retirement.

Chapter 23

The cap on all raises is the lower of the rate of inflation or 2%. The provision provides "compound" increases after retirement.

Fire – Retirements after July 1, 2002, provide increases each January 1 or July 1, beginning with the January 1 or July 1 that is at least 24 full months after retirement. Persons retired prior to July 1, 2002 are covered by different provisions.

Note 7 – Pension and Other Postemployment Plans (Continued)

Police – Non-supervisory members retiring after July 1, 2004 receive raises starting January 1 or July 1 two years after retirement. Persons retired prior to July 1, 2004 are covered by different provisions. Police Supervisory and Inspector members retiring after July 1, 2001 receive raises starting 24 full months after retirement. Persons retired prior to July 1, 2001 are covered by different provisions.

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 pursuant to legal requirements. 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 a refundable 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.

Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the Pension Board retains an independent actuary to determine the annual contribution. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The City of Dearborn's contribution rate was 30.60% of covered payroll for Chapter 22; the Chapter 23 contribution rate was an average 53.22% for Police and Fire members combined. Employer contributions are made primarily by the City's General fund where the majority of pension plan members are employed. Other funds that make contributions include certain special revenue funds, enterprise funds and internal service funds that also have employees who are members of the pension plans.

Annual Pension Cost

For the year ended June 30, 2014, the City's annual pension cost of \$12,718,871 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, 2013, 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

Note 7 – Pension and Other Postemployment Plans (Continued)

percentage of payroll on a closed basis. Remaining amortization periods are: Chapter 21 plan – zero years; Chapter 22 plan – 21 years; Chapter 23 plan – 17 years. Unfunded actuarial accrued liability for the three pension plans as of June 30, 2013, was as follows:

Chapter 21 plan – (overfunded)	\$(12,423,138)
Chapter 22 plan	\$29,095,522
Chapter 23 plan	\$56,291,797

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,		
	2012	2013	2014
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,		
	2012	2013	2014
Annual pension cost	\$3,888,554	\$4,810,851	\$3,980,163
Percentage of APC contributed	100	100	100
Net pension obligation	-	-	-

Chapter 23 Plan

	Fiscal Year Ended June 30,		
	2012	2013	2014
Annual pension cost	\$7,456,838	\$7,455,603	\$8,738,708
Percentage of APC contributed	100	100	100
Net pension obligation	-	-	-

Note 7 – Pension and Other Postemployment Plans (Continued)

Funded Status and Funding Progress

	Actuarial Valuation as of June 30, 2013		
	Chapter 21	Chapter 22	Chapter 23
Actuarial value of assets	\$ 29,098,166	\$ 141,115,433	\$ 263,958,144
Actuarial accrued liability	16,675,028	170,210,955	320,249,941
Unfunded/(overfunded) AAL	(12,423,138)	29,095,522	56,291,797
Funded ratio	174.5%	82.9%	82.4%
Covered payroll	N/A	13,080,000	17,220,000
UAAL as a percentage of covered payroll	N/A	222.4%	326.9%

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 following reserves are required to be set aside within the pension plan:

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

The employee reserve is credited as employee contributions are received throughout the year; the plan maintains a record of the amount contributed by each employee. For any employee who terminates before vesting in the plan, their balance is returned to them; for those who stay until retirement, the balance is transferred into the retiree reserve.

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

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

	Required Reserve			Amount Funded
	Chapter 21	Chapter 22	Chapter 23	
Retiree reserve	\$ 29,081,428	\$ 149,172,371	\$ 242,697,503	100%
Employee reserve	-	374,880	9,407,302	100%
Employer reserve	-	-	29,503,160	100%

Note 7 – Pension and Other Postemployment Plans (Continued)

Financial Statement Information

As of June 30, 2014 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	\$ 47,232	\$ 312,116	\$ 60,357
Investments - short-term	2,314,246	4,584,460	513,490
Receivables:			
Accrued interest receivable	100,261	208,907	23,626
Other	161,435	457,612	12,551
Total current assets	<u>2,623,174</u>	<u>5,563,095</u>	<u>610,024</u>
Noncurrent assets - investments:			
Long-term bonds	2,703	17,862	3,454
Fixed income mutual funds	39,972,303	66,312,589	12,581,340
Common stock	40,418,119	92,075,548	5,666,970
Real estate properties	7,396,116	13,622,460	1,565,638
Commingled and mutual funds	59,259,175	104,497,226	8,678,122
Total noncurrent assets	<u>147,048,416</u>	<u>276,525,685</u>	<u>28,495,524</u>
Total assets	<u>149,671,590</u>	<u>282,088,780</u>	<u>29,105,548</u>
Liabilities			
Accounts payable	124,339	480,815	24,120
Total liabilities	<u>124,339</u>	<u>480,815</u>	<u>24,120</u>
Net Position			
Held in trust for pension benefits and other employee benefits	<u>\$ 149,547,251</u>	<u>\$ 281,607,965</u>	<u>\$ 29,081,428</u>

Note 7 – Pension and Other Postemployment Plans (Continued)

For the year ended June 30, 2014 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	\$ 1,821,314	\$ 3,680,243	\$ 337,071
Net increase/(decrease) in value of investments	18,126,948	33,884,393	2,889,506
Investment/administrative expenses	(613,781)	(1,146,531)	(131,275)
Net investment income	<u>19,334,481</u>	<u>36,418,105</u>	<u>3,095,302</u>
Contributions:			
Employer	3,980,163	8,738,708	-
Employee	536,150	781,333	-
Reimbursements	-	-	-
Total contributions	<u>4,516,313</u>	<u>9,520,041</u>	<u>-</u>
Total additions	23,850,794	45,938,146	3,095,302
Deductions			
Benefit payments	11,334,734	17,267,568	2,465,877
Refunds of contributions	31,228	969,197	-
Total deductions	<u>11,365,962</u>	<u>18,236,765</u>	<u>2,465,877</u>
Change in Net Position	12,484,832	27,701,381	629,425
Net Position - Beginning of Year	137,062,419	253,906,584	28,452,003
Net Position - End of Year	<u>\$ 149,547,251</u>	<u>\$ 281,607,965</u>	<u>\$ 29,081,428</u>

Note 7 – Pension and Other Postemployment Plans (Continued)

Pension Plan Investments – Policy and Rate of Return

Investment Policy

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return were adopted by the plans' trustees after considering input from the plans' investment consultant(s). For each major asset class that is included in the pension plans' target asset allocation as of June 30, 2014, these best estimates are summarized in the following tables:

Chapter 21 Asset Allocation		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return *
Large Cap Equity	5.00%	4.75%
All Cap Equity	15.00%	4.75%
International Equity	9.00%	5.25%
Emerging International Equity	3.00%	6.50%
Core Bonds	30.00%	1.46%
Global Bonds	5.00%	0.00%
Emerging Market Debt	3.00%	4.25%
TIPS	5.00%	1.50%
Diversified Credit	5.00%	2.40%
Absolute Return Fixed Income	10.00%	1.80%
Real Estate	5.00%	3.50%
Global Asset Allocations	5.00%	4.00%
Total	100.00%	

* Real rate of return is based in investment manager inflation assumption of 3.0%

Note 7 – Pension and Other Postemployment Plans (Continued)

Chapter 22 Asset Allocation		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return *
Large Cap Equity	5.00%	4.75%
Small/Mid Cap Equity	4.00%	5.00%
International Equity	9.00%	5.25%
Emerging International Equity	4.00%	6.50%
All Cap Equity	14.00%	4.75%
Core Bonds	15.00%	1.46%
Global Bonds	5.00%	0.00%
Emerging Market Debt	4.00%	4.25%
TIPS	5.00%	1.50%
Diversified Credit	5.00%	2.40%
Absolute Return Fixed Income	5.00%	1.80%
Real Estate	5.00%	3.50%
Global Asset Allocations	20.00%	4.00%
Total	100.00%	

* Real rate of return is based in investment manager inflation assumption of 3.0%

Chapter 23 Asset Allocation		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return *
Large Cap Equity	8.00%	4.75%
Small/Mid Cap Equity	5.00%	5.00%
International Equity	10.00%	5.25%
Emerging International Equity	4.00%	6.50%
All Cap Equity	12.00%	4.75%
Core Bonds	10.00%	1.46%
Global Bonds	5.00%	0.00%
Emerging Market Debt	4.00%	4.25%
TIPS	5.00%	1.50%
Diversified Credit	2.00%	2.40%
Absolute Return Fixed Income	7.00%	1.80%
Real Estate	5.00%	3.50%
Hedge Funds	3.00%	4.00%
Global Asset Allocations	20.00%	4.00%
Total	100.00%	

* Real rate of return is based in investment manager inflation assumption of 3.0%

Note 7 – Pension and Other Postemployment Plans (Continued)

Rate of Return

For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 11.32% for Chapter 21, 14.43% for Chapter 22 and 14.57% for Chapter 23. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the City of Dearborn

The City of Dearborn reports pension expense based on funding requirements, as directed by GASB 27. In fiscal year 2015, the City will adopt GASB 68 which will require the measurement of pension expense as it is earned rather than as it is funded. The net pension liability has been measured as of June 30, 2014 and is composed of the following:

Chapter 21 – Policemen’s and Firemen’s Retirement System

The components of the net pension liability of the City at June 30, 2014, were as follows:

Total pension liability	\$15,290,097
Plan fiduciary net position	29,081,428
Net pension liability	(13,791,331)
Plan fiduciary net position, as a percentage of the total pension liability	190.20%

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

Inflation	0.0%
Salary increases	N/A
Investment rate of return	7.0% percent, net of pension plan investment expense, including inflation

For calculation of the beginning of the year TPL, mortality rates were based on 110% of the Group Annual Mortality (GAM) 1994 Male Table for men and 100% of the GAM 1994 Female Table for women. These rates were first used for the June 30, 2005 valuation. For disabled participants, the tables used are the GAM 1994 Male and Female Tables set forward 10 years.

Discount rate – A single discount rate of 7.00% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.00%.

Projected Cash Flows – The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension

Note 7 – Pension and Other Postemployment Plans (Continued)

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

Please refer to page 80 to view the long-term expected rate of return for Chapter 21.

Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability of the City of Dearborn Chapter 21 Pension System, calculated using the discount rate of 7.00%, as well as what the Chapter 21 net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% decrease (6.00%)	Current discount rate (7.00%)	1% increase (8.00%)
Net pension liability(asset)	\$(13,001,480)	\$(13,791,331)	\$(14,509,352)

Chapter 22 – General Employees Retirement System

The components of the net pension liability of the City at June 30, 2014 were as follows:

Total pension liability	\$174,207,636
Plan fiduciary net position	149,547,251
Net pension liability	24,660,385
Plan fiduciary net position, as a percentage of the total pension liability	85.84%

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

Inflation	2.0-3.0%
Salary increases	3.00-6.30% average, including inflation
Investment rate of return	7.25% percent, net of pension plan investment expense, including inflation

For calculation of the beginning of the year TPL, mortality rates were based on 100% of the male 1994 Group Annuity Mortality (GAM) table and 100% of the female 1994 GAM table.

For calculation of the end of year TPL, mortality rates were based on 100% of the male RP-2000 combined healthy life mortality table and 100% of the female RP-2000 combined healthy life mortality table adjusted for mortality improvements to 2020 using projection scale BB.

Note 7 – Pension and Other Postemployment Plans (Continued)

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period 1999-2004. The mortality tables were updated for the 2014 valuation pursuant to an experience study of the period 2006 – 2013.

Discount rate – A single discount rate of 7.25% was used to measure the total pension liability. This single discount rate was based on an expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 4.29%.

Projected Cash Flows – The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan’s fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2098. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2098, and the municipal bond rate was applied to all benefit payments after that date.

Please refer to page 81 to view the long-term expected rate of return for Chapter 22.

Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability of the City of Dearborn Chapter 22 Pension System, calculated using the discount rate of 7.25%, as well as what the Chapter 22’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% decrease (6.25%)	Current discount rate (7.25%)	1% increase (8.25%)
Net pension liability	\$42,592,062	\$24,660,385	\$9,333,296

Chapter 23 – Police and Fire Revised Retirement System

The components of the net pension liability of the City at June 30, 2014 were as follows:

Total pension liability	\$332,395,549
Plan fiduciary net position	281,607,965
Net pension liability	50,787,584
Plan fiduciary net position, as a percentage of the total pension liability	84.72%

Note 7 – Pension and Other Postemployment Plans (Continued)

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

Inflation	2.0-3.0%
Salary increases	3.50-6.50% average, including inflation
Investment rate of return	7.25% percent, net of pension plan investment expense, including inflation

For calculation of the beginning of the year TPL, mortality rates were based on 110% of the male 1994 Group Annuity Mortality (GAM) table and 100% of the female 1994 GAM table.

For calculation of the end of year TPL, mortality rates were based on 110% of the male RP-2000 combined healthy life mortality table and 100% of the female RP-2000 combined healthy life mortality table adjusted for mortality improvements to 2020 using projection scale BB.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period 1999-2004. The mortality tables were updated for the 2014 valuation pursuant to an experience study of the period 2006 – 2013.

Discount rate – A single discount rate of 7.25% was used to measure the total pension liability. This single discount rate was based on an expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 4.29%.

Projected Cash Flows – The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2108. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2108, and the municipal bond rate was applied to all benefit payments after that date.

The discount rate used to measure the total pension liability was 7.25% percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Please refer to page 81 to view the long-term expected rate of return for Chapter 23.

Note 7 – Pension and Other Postemployment Plans (Continued)

Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability of the City of Dearborn Chapter 23 Pension System, calculated using the discount rate of 7.25%, as well as what the Chapter 23’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% decrease (6.25%)	Current discount rate (7.25%)	1% increase (8.25%)
Net pension liability	\$93,570,825	\$50,787,584	\$15,504,971

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,		
	2012	2013	2014
Annual pension cost	\$ 525,387	\$ 589,294	\$ 711,350
Percentage of APC contributed	100.0%	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>12/31/2013</u>
Actuarial value of assets	\$5,842,382
Actuarial accrued liability	4,816,469
Overfunded actuarial accrued liability	(1,025,913)
Funded ratio	121.3%
Annual covered payroll	7,038,775
Ratio of UAAL to covered payroll	14.6%

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>12/31/2013</u>
Actuarial cost method	Entry age normal
Asset valuation method	10-year smoothed market
Amortization method	Level percentage of payroll
Amortization period	25 years (Open)
Actuarial assumptions:	
Investment rate of return*	8%
Projected salary increases*	4.5% - 17.5%
*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, 2014 there were 764 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, 2014, the City has estimated the cost of providing retiree health care benefits through an actuarial valuation as of June 30, 2012. 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 24 years. Based on that valuation, the City contributed \$11,635,013 in the year ended June 30, 2014 which represents 56.5% of the annual required contribution. An additional \$482,864 was contributed from the Federal Government. This represents an additional 2.3% of the annual required contribution.

Note 7 – Pension and Other Postemployment Plans (Continued)

Annual required contribution (recommended)	\$ 20,377,082
Interest on the prior year's net OPEB obligation	909,849
Less adjustment to the annual required contribution	<u>(712,142)</u>
Annual OPEB cost	20,574,789
Amounts contributed:	
Payments of current expenses	(11,635,013)
Advance funding - Medicare / ERRP reimbursement	<u>(482,864)</u>
Change in net OPEB obligation	8,456,912
OPEB obligation - beginning of the year	<u>12,549,643</u>
OPEB obligation - end of the year	<u><u>\$ 21,006,555</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>2012</u>	<u>2013</u>	<u>2014</u>
Annual OPEB Costs	\$ 14,160,802	\$ 13,745,155	\$ 20,574,789
Percentage contributed:			
City of Dearborn	69.7%	103.0%	56.5%
Federal Government	<u>7.8%</u>	<u>2.5%</u>	<u>2.3%</u>
Total contributions	77.5%	105.5%	58.8%
Net OPEB obligation	\$ 13,300,652	\$ 12,549,643	\$ 21,006,555

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

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

Valuation as of June 30, 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, 2014:

Statement of Net Position

Assets	
Cash and investments	\$ 53,364,723
Other assets	555,910
Liabilities	<u>(16,906)</u>
Net position	<u>\$ 53,903,727</u>

Statement of Changes in Net Position

Net investment income	\$ 5,619,354
Contributions	11,517,365
Benefit payments	(10,637,388)
Administrative expenses	<u>(103,935)</u>
Change in net position	<u>\$ 6,395,396</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, 2012 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 24 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, 2014 was approximately \$56,000.

The following are condensed financial statements for the Retiree Death Benefit fund as of June 30, 2014:

Statement of Net Position

Assets	
Cash and investments	\$ 367,306
Other assets	21,012
Liabilities	(7,000)
Net position	<u>\$ 381,318</u>

Statement of Changes in Net Position

Net investment income	\$ 218
Contributions	12,767
Benefit payments	(56,000)
Change in net position	<u>\$ (43,015)</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 \$131,875 during the current year and employees contributed \$52,825.

Note 9 – Deferred Compensation Plan

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

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

Note 10 – Defined Contribution Pension Plan

The City established a defined contribution plan under Sections 401(a) and 457 of the Internal Revenue Code for general employees who were hired on or after January 1, 2002, depending on bargaining unit. New police officers were added to the plan as of July 1, 2005. The plan became optional for new police officers and firefighters hired in 2009.

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

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

In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. 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:

	General Employees		Police and Fire Employees	
	Employee Contribution	Employer Contribution	Employee Contribution	Employer Contribution
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 \$197,239 during the current year and employees contributed \$480,080.

Note 11 – Risk Management

Commercial Insurance

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

Note 11 – Risk Management (Continued)

Self-insurance

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

Unemployment Compensation

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

Workers' Compensation

The City has excess liability coverage 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, 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	-	646,204	229,834	1,938,037
Claims incurred during the year	92,252	414,375	18,846,373	2,198,265
Changes in estimates for claims of prior periods	-	(470,895)	75,115	(1,481,290)
Payments on claims	<u>(92,252)</u>	<u>41,768</u>	<u>(18,846,373)</u>	<u>(372,317)</u>
Claims liability - June 30, 2014	<u>\$ -</u>	<u>\$ 631,452</u>	<u>\$ 304,949</u>	<u>\$ 2,282,695</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, 2014, 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, 2014 were \$22,964,985.

Proprietary Funds

The Michigan Department of Environmental Quality issued a revised National Pollution Discharge Elimination System (NPDES) Permit to the City on April 1, 2014 (Permit No. M10025542). The permit describes requirements for the elimination of Combined Sewer Overflow (CSO) discharges throughout the City of Dearborn. The permit includes sewer separation projects instead of retention type facilities. Sewer separation involves deep open excavation for the new sewers which requires complete removal and replacement of roadways. Old and aged water mains are also replaced as part of sewer separation projects.

Additional debt up to \$20 million may 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, 2014 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 the Sewer fund to partially fund the separation projects. The water main portion of the project is funded by the Water fund. In addition to the above special construction projects, the City expects to invest approximately \$750,000 annually in sewer rehabilitation projects.

Significant litigation related to Combined Sewer Overflow retention projects (caissons) has been resolved. The City is working with the Michigan Department of Environmental Quality to address redesign of Contract 2, Contract 3 and Contract 5.

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 complete. Construction for Phase 2 at Telegraph/Wilson/Martha/Cherry Hill is in progress and anticipated to be completed by November 15, 2014. The Phase 1 of the Sewer Separation Project at Telegraph/Dartmouth/Gulley/Scott is out for bid with anticipated construction to begin on March 1, 2015 with completion in November 2016. The City added completed CSO and sewer separation projects of \$197 million to fixed assets during fiscal year 2012, \$10.3 million in fiscal year 2013 and \$12.8 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

Note 13 – Commitments for Construction (Continued)

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.

Internal Service Funds

In its efforts to focus on efficiency, performance gains and cost savings, the City of Dearborn has purchased the former ADP building and will relocate the current City Hall complex in September 2014. The new facility, the Dearborn Administrative Center (DAC), will consolidate various operations and provide tremendous streamlining opportunities for our customers. This project has been funded by the General fund along with a commitment from AK Steel, formerly Severstal Steel. The project costs incurred as of June 30, 2014 were \$4,242,765. The AK Steel contributions for the DAC were \$3,050,000 received in the current year, \$2,000,000 scheduled for June 1, 2015, and \$1,000,000 scheduled for December 1, 2015 for the Veterans' Park Memorial.

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, 2013		\$ (12,059,465)
Total code enforcement revenue		\$ 2,815,560
Related expenses:		
Direct costs	\$ 3,534,955	
Estimated indirect costs	<u>648,357</u>	
Total code enforcement expenses		<u>4,183,312</u>
Current year surplus (deficit)		<u>(1,367,752)</u>
Shortfall at June 30, 2014		<u>\$ (13,427,217)</u>

Note 15 – Brownfield Redevelopment Fund

In June, 2014 the BRA adopted a resolution recommending that the Dearborn City Council adopt a resolution terminating BRA Plans #1, #2, #3, #4, #5 and #6 which had achieved their purposes. In addition, Council approved the abolishment of BRA Plan #8 because the eligible activities included in Plan #8 were not implemented as planned.

In October, 2007, the City Council approved BRA Plan #7, the 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 fiscal year 2009 and another \$140,000 in fiscal year 2010. 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 allows 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. Severstal is expected to be sold to AK Steel Corporation- Dearborn Works in September, 2014. The BRA requirements will continue to the new owners per the First Amended BRA Plan #9 agreement.

BRA Plan #10 was adopted by the City Council in March, 2010. It was established for the City owned property located at 21430 Michigan Avenue (Quality Inn site). The purpose was to conduct certain environmental remediation and demolition activities. The plan is still within the five-year window and the plan is expected to be terminated in the future.

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. Phase I of the project is complete; however, there were no revenues or expenditures in this fiscal year from Plan #11.

In August, 2014 the City Council approved BRA Plan #12 Hallmark Ventures, LLC to fund eligible improvements (primarily demolition and infrastructure) of \$1,203,609 to prepare the site for redevelopment as a hotel. The proposed development will transform the functionally and physically obsolete property into a state of the art hotel and retail space. The total capture committed to the project by the West Dearborn Downtown Development Authority (WDDDA) and

Note 15 – Brownfield Redevelopment Fund (Continued)

Brownfield Redevelopment Authority (BRA) is not to exceed \$650,000. The remainder will come from the State's commitment of school taxes. It is estimated that the capture time to pay for eligible activities associated with the plan is ten years.

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 two 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 \$37,653 for shared office space and \$61,662 for reimbursement of shared costs, including administrative salaries and operating expenses, for the fiscal year ended June 30, 2014.

Note 17 – Subsequent Events

On July 15, 2014 the City of Dearborn issued \$20,085,000 of 2014 Unlimited Tax General Obligation Sewer Refunding Bonds to refinance the 2004 Series B Unlimited Tax General Obligation Sewer Bonds producing present value annual savings totaling \$1,919,963.

On July 15, 2014 the City of Dearborn issued \$3,125,000 of 2014 Limited Tax General Obligation (taxable) Refunding Bonds to refinance and restructure the 2004 Capital Improvement Bond Series A & B producing present value annual savings totaling \$48,961. The City of Dearborn Postemployment Healthcare fund purchased this bond issue in full which is now a component of the fund's investment portfolio.

On September 25, 2014 a receipt of \$13,460,000 was recorded for the favorable final major CSO caisson lawsuit settlement.

Note 18 – Change in Accounting

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

Note 18 – Change in Accounting (continued)

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

<u>Item</u>	<u>Amount</u>	<u>Prior Reporting Classification</u>	<u>New Classification After Adoption of GASB 65</u>
Delinquent Tax Receipts	\$233,391	Liability	Deferred inflow of resources
Notes/Mortgage Receivable	229,097	Liability	Deferred inflow of resources
Grant Receivable	1,557,466	Liability	Deferred inflow of resources

During the current year, the City also adopted GASB Statement Number 67, *Financial Reporting for Pension Plans*, which impacted the Chapters 21, 22 and 23 defined benefit plans. This statement required changes to the actuarial valuations resulting in a different measurement of the liability of the employer to plan members for benefits provided through the pension plan. As a result, the disclosures within the pension footnote have changed considerably along with the related schedules in the Required Supplementary Information.

Note 19 – Upcoming Reporting Changes

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
6/30/2008	\$ 36.6	\$ 26.5	\$ (10.1)	138.2	\$ -	N/A
6/30/2009	34.7	24.5	(10.2)	141.6	-	N/A
6/30/2010	33.0	22.3	(10.7)	147.6	-	N/A
6/30/2011	31.6	21.5	(10.1)	147.0	-	N/A
6/30/2012	29.9	19.4	(10.5)	153.8	-	N/A
6/30/2013	29.1	16.7	(12.4)	174.5	-	N/A

The information presented above was determined as part of the actuarial valuations for the years then ended.

Schedule of Contributions

FY Ended June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
2005 - 2014	\$ -	\$ -	\$ -	\$ -	-

Additional information as of June 30, 2013, the latest actuarial valuation, follows:

Notes to Schedule of Contributions

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%

Mortality – 110% of the Group Annual Mortality (GAM) 1994 Male Table for men and 100% of the GAM 1994 Female Table for women. These rates were first used for the June 30, 2005 valuation. For disabled participants, the tables used are the GAM 1994 Male and Female Tables set forward 10 years.

City of Dearborn, Michigan

Chapter 21 Policemen's and Firemen's Retirement System

Schedule of Changes in Employer's Net Pension Liability and Related Ratios

Fiscal year ended June 30,	2014
Total Pension Liability	
Service Cost	\$ -
Interest on the Total Pension Liability	1,080,946
Benefit Changes	-
Difference between expected and actual experience of the Total Pension Liability	-
Assumption Changes	-
Benefit Payments and Refunds	(2,465,877)
Net Change in Total Pension Liability	(1,384,931)
Total Pension Liability - Beginning	16,675,028
Total Pension Liability - Ending (a)	\$ 15,290,097
Plan Fiduciary Net Position	
Employer Contributions	\$ -
Employee Contributions	-
Pension Plan Net Investment Income	3,108,996
Benefit Payments and Refunds	(2,465,877)
Pension Plan Administrative Expense	(13,694)
Other	-
Net Change in Plan Fiduciary Net Position	629,425
Plan Fiduciary Net Position - Beginning	28,452,003
Plan Fiduciary Net Position - Ending (b)	\$ 29,081,428
Net Pension Liability - Ending (a) - (b)	(13,791,331)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	190.20%
Covered Employee Payroll	\$ -
Net Pension Liability as a Percentage of Covered Employee Payroll	0.00%

Schedule of Investment Returns

FY Ended June 30,	Annual Return*
2014	11.32%

* Annual money-weighted rate of return, net of investment expenses.

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
6/30/2008	\$ 141.2	\$ 159.0	\$ 17.8	88.8	\$ 18.7	94.9
6/30/2009	140.2	163.4	23.2	85.8	18.4	126.3
6/30/2010	139.4	164.1	24.7	84.9	17.5	141.3
6/30/2011	140.4	169.6	29.2	82.8	14.4	202.4
6/30/2012	139.0	170.4	31.4	81.6	13.6	231.8
6/30/2013	141.1	170.2	29.1	82.9	13.1	222.4

Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2009	\$3,922,488	100
2010	3,715,499	100
2011	4,206,874	100
2012	3,888,554	100
2013	4,810,851	100
2014	3,980,163	100

The information presented above was determined as part of the actuarial valuations for the years then ended.

Schedule of Contributions

FY Ended June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
2005	\$ 3,052,666	\$ 3,364,143	\$ (311,477)	\$ 21,704,148	15.5%
2006	3,493,188	3,581,494	(88,306)	21,529,871	16.6%
2007	3,909,032	4,415,971	(506,939)	22,302,884	19.8%
2008	4,150,451	4,188,718	(38,267)	19,437,206	21.6%
2009	3,867,437	3,922,488	(55,051)	18,502,302	21.2%
2010	3,744,981	3,715,499	29,482	17,443,657	21.3%
2011	3,880,924	4,206,874	(325,950)	17,340,783	24.3%
2012	3,860,007	3,888,554	(28,547)	15,071,915	25.8%
2013	4,181,017	4,810,851	(629,834)	15,972,281	30.1%
2014	3,956,836	3,980,163	(23,327)	13,007,069	30.6%

City of Dearborn, Michigan

Chapter 22 General Employees Retirement System

Additional information as of June 30, 2013, the latest actuarial valuation, follows:

Notes to Schedule of Contributions

Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	21 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% including inflation
*Includes inflation at	3.75%
Cost of living adjustment	N/A

Assumed Retirement Age - Age 60 with 10 years of service
Age 55 with 25 years of service

Mortality – For calculation of the beginning of year TPL: 100% of the male 1994 Group Annuity Mortality table and 100% of the female Group Annuity Mortality table.

For calculation of the end of year TPL: 100% of the male RP-2000 combined healthy life mortality table and 100% of the female RP-2000 combined healthy life mortality table adjusted for mortality improvements to 2020 using projection scale BB.

The mortality tables were updated for the 2014 valuation pursuant to an experience study of the period 2006 – 2013.

City of Dearborn, Michigan

Chapter 22 General Employees Retirement System

Schedule of Changes in Employer's Net Pension Liability and Related Ratios

Fiscal year ended June 30,	2014
Total Pension Liability	
Service Cost	\$ 1,517,855
Interest on the Total Pension Liability	11,983,300
Benefit Changes	-
Difference between expected and actual experience of the Total Pension Liability	-
Assumption Changes	1,861,488
Benefit Payments and Refunds	(11,365,962)
Net Change in Total Pension Liability	3,996,681
Total Pension Liability - Beginning	170,210,955
Total Pension Liability - Ending (a)	\$ 174,207,636
Plan Fiduciary Net Position	
Employer Contributions	\$ 3,980,163
Employee Contributions	536,150
Pension Plan Net Investment Income	19,334,481
Benefit Payments and Refunds	(11,365,962)
Pension Plan Administrative Expense	-
Other	-
Net Change in Plan Fiduciary Net Position	12,484,832
Plan Fiduciary Net Position - Beginning	137,062,419
Plan Fiduciary Net Position - Ending (b)	\$ 149,547,251
Net Pension Liability - Ending (a) - (b)	24,660,385
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	85.84%
Covered Employee Payroll	\$ 13,007,069
Net Pension Liability as a Percentage of Covered Employee Payroll	189.59%

Schedule of Investment Returns

FY Ended June 30,	Annual Return*
2014	14.43%

*Annual money-weighted rate of return, net of investment expenses.

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
6/30/2008	\$ 246.8	\$ 262.5	\$ 15.7	94.0	\$ 20.6	76.4
6/30/2009	249.6	275.6	26.0	90.6	21.2	122.5
6/30/2010	252.1	286.3	34.2	88.1	20.0	170.4
6/30/2011	256.9	296.8	39.9	86.6	18.8	211.4
6/30/2012	258.2	309.4	51.1	83.5	19.1	267.6
6/30/2013	264.0	320.3	56.3	82.4	17.2	326.9

Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
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
2014	8,738,708	100

The information presented above was determined as part of the actuarial valuations for the years then ended.

Schedule of Contributions

FY Ended June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
2005	\$ 4,361,130	\$ 4,581,130	\$ (220,000)	\$ 20,927,958	21.9%
2006	6,106,916	5,886,916	220,000	21,430,346	27.5%
2007	6,111,255	6,124,087	(12,832)	20,547,180	29.8%
2008	6,858,250	6,772,131	86,119	20,284,951	33.4%
2009	6,474,732	6,473,115	1,617	20,874,282	31.0%
2010	5,982,235	6,004,270	(22,035)	19,494,383	30.8%
2011	6,918,132	7,144,368	(226,236)	20,429,991	35.0%
2012	7,584,183	7,456,838	127,345	18,878,071	39.5%
2013	7,778,049	7,455,603	322,446	17,178,809	43.4%
2014	8,838,087	8,738,708	99,379	16,420,322	53.2%

City of Dearborn, Michigan

Chapter 23 Police and Fire Retirement System

Additional information as of June 30, 2013, the latest actuarial valuation, follows:

Notes to Schedule of Contributions

Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	17 years
Asset valuation method	5-year smoothed market 80%/120% corridor
Actuarial assumptions:	
Investment rate of return*	7.25%
Projected salary increases*	3.75% including inflation
*Includes inflation at	3.75%
Cost of living adjustment	Varies by labor contract

Assumed Retirement Age – 25 years of service, any age
10 years of service, age 55

For calculation of the beginning of the year TPL: 110% of the male 1994 Group Annuity Mortality table and 100% of the female 1994 Group Annuity Mortality table.

For calculation of the end of year TPL: 110% of the male RP-2000 combined healthy life mortality table and 100% of the female RP-2000 combined healthy life mortality table adjusted for mortality improvements to 2020 using projection scale BB.

The mortality tables were updated for the 2014 valuation pursuant to an experience study of the period 2006 – 2013.

City of Dearborn, Michigan

Chapter 23 Police and Fire Retirement System

Schedule of Changes in Employer's Net Pension Liability and Related Ratios

Fiscal year ended June 30,	2014
Total Pension Liability	
Service Cost	\$ 4,192,556
Interest on the Total Pension Liability	22,709,018
Benefit Changes	-
Difference between expected and actual experience of the Total Pension Liability	-
Assumption Changes	3,480,799
Benefit Payments and Refunds	(18,236,765)
Net Change in Total Pension Liability	12,145,608
Total Pension Liability - Beginning	320,249,941
Total Pension Liability - Ending (a)	\$ 332,395,549
Plan Fiduciary Net Position	
Employer Contributions	\$ 8,738,708
Employee Contributions	781,333
Pension Plan Net Investment Income	36,418,105
Benefit Payments and Refunds	(18,236,765)
Pension Plan Administrative Expense	-
Other	-
Net Change in Plan Fiduciary Net Position	27,701,381
Plan Fiduciary Net Position - Beginning	253,906,584
Plan Fiduciary Net Position - Ending (b)	\$ 281,607,965
Net Pension Liability - Ending (a) - (b)	50,787,584
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	84.72%
Covered Employee Payroll	\$ 16,420,322
Net Pension Liability as a Percentage of Covered Employee Payroll	309.30%

Schedule of Investment Returns

FY Ended June 30,	Annual Return*
2014	14.57%

* Annual money-weighted rate of return, net of investment expenses

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)	155.6	\$ 2.9	(17.2)
12/31/2010	2.3	1.5	(0.8)	153.3	3.6	(22.2)
12/31/2011	3.2	2.4	(0.8)	133.3	4.9	(16.3)
12/31/2012	4.4	3.4	(1.0)	129.2	5.9	(16.5)
12/31/2013	5.8	4.8	(1.0)	121.3	7.0	(14.6)

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
2014	711,350	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, 2013, the latest actuarial valuation, follows:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll
Amortization period	25 years (open)
Asset valuation method	10-year smoothed market

Actuarial assumptions:

Investment rate of return*	8%
Projected salary increases*	4.5%

*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	10.6	\$ 47.9	417.2
6/30/2006	27.0	191.3	164.3	14.1	48.3	339.7
6/30/2008	31.7	186.8	155.1	17.0	49.1	316.0
6/30/2010	35.7	192.0	156.3	18.6	48.2	324.4
6/30/2012	41.5	223.3	181.8	18.6	40.1	453.8

Schedule of Employer Contributions

Year Ended June 30,	Actual Valuation Date	Annual Required Contribution	Percentage Contributed
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
2014	6/30/2012	20,377,082	57.1

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, 2014

	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	\$ 66,865,500	\$ 66,865,500	\$ 67,584,363	\$ 718,863	\$ -	\$ 67,584,363
Property tax administration fee	2,207,000	2,207,000	2,174,457	(32,543)	-	2,174,457
Penalties and interest on taxes	1,315,000	1,315,000	1,127,402	(187,598)	-	1,127,402
Payments in lieu of taxes	957,835	957,835	977,411	19,576	-	977,411
Total taxes and penalties on taxes	71,345,335	71,345,335	71,863,633	518,298	-	71,863,633
Licenses and Permits						
Business licenses and permits	200,000	200,000	201,645	1,645	-	201,645
Nonbusiness licenses and permits	1,814,940	1,814,940	1,405,720	(409,220)	-	1,405,720
Total licenses and permits	2,014,940	2,014,940	1,607,365	(407,575)	-	1,607,365
Intergovernmental Revenues						
State sources:						
Sales and use tax	8,763,869	8,763,869	8,794,688	30,819	-	8,794,688
Liquor licenses	68,000	68,000	65,661	(2,339)	-	65,661
Operators' licenses	3,050	3,050	2,819	(231)	-	2,819
Judges' salaries	137,172	137,172	137,172	-	-	137,172
Alcohol caseload rebate	20,000	20,000	22,326	2,326	-	22,326
Other state sources	394,935	394,935	394,871	(64)	-	394,871
Total state sources	9,387,026	9,387,026	9,417,537	30,511	-	9,417,537
Other governmental:						
Federal sources	79,011	1,577,592	548,625	(1,028,967)	-	548,625
Local sources	672,750	672,750	654,270	(18,480)	-	654,270
Total other governmental	751,761	2,250,342	1,202,895	(1,047,447)	-	1,202,895
Total intergovernmental revenues	10,138,787	11,637,368	10,620,432	(1,016,936)	-	10,620,432
Charges for Services						
General government:						
Birth and death records	220,000	220,000	229,420	9,420	-	229,420
City service fee	1,023,040	1,023,040	1,023,040	-	-	1,023,040
Other	112,300	112,300	143,139	30,839	-	143,139
Total general government	1,355,340	1,355,340	1,395,599	40,259	-	1,395,599
Public safety:						
Annual safety inspection	1,332,000	1,332,000	1,168,366	(163,634)	-	1,168,366
Annual maintenance inspection	587,500	587,500	265,543	(321,957)	-	265,543
Ambulance services	1,720,000	1,933,800	2,505,742	571,942	-	2,505,742
Additional police patrols	198,500	198,500	163,766	(34,734)	-	163,766
Other	202,400	1,268,000	1,392,894	124,894	-	1,392,894
Total public safety	4,040,400	5,319,800	5,496,311	176,511	-	5,496,311
Public works						
	8,000	35,500	50,138	14,638	-	50,138
Total public works	8,000	35,500	50,138	14,638	-	50,138
Recreation and culture:						
Programs and activities sales	666,090	652,935	644,323	(8,612)	-	644,323
Sales	326,700	326,700	265,304	(61,396)	-	265,304
Use and admission fees	1,706,047	1,706,047	1,653,818	(52,229)	-	1,653,818
Total recreation and culture	2,698,837	2,685,682	2,563,445	(122,237)	-	2,563,445
Total charges for services	8,102,577	9,396,322	9,505,493	109,171	-	9,505,493
Fines and Forfeitures						
Parking fines	333,000	333,000	433,087	100,087	-	433,087
19th District Court fines	3,367,580	3,367,580	3,824,347	456,767	-	3,824,347
Other fines and forfeits	4,500	4,500	12,800	8,300	-	12,800
Total fines and forfeitures	3,705,080	3,705,080	4,270,234	565,154	-	4,270,234
Miscellaneous Revenue						
Franchise fees	223,301	223,301	235,307	12,006	-	235,307
Rents and lease agreements	2,333,382	2,333,632	2,422,651	89,019	-	2,422,651
Reimbursements	49,000	49,000	90,605	41,605	-	90,605
Other revenue	337,637	393,242	302,911	(90,331)	-	302,911
Total miscellaneous revenue	2,943,320	2,999,175	3,051,474	52,299	-	3,051,474
Investment Income						
	42,296	42,296	24,531	(17,765)	-	24,531
Total revenues	98,292,335	101,140,516	100,943,162	(197,354)	-	100,943,162
Other Financing Sources						
Debt Service Fund	\$ 7,000	\$ 7,000	\$ 7,000	\$ -	\$ -	\$ 7,000
General Capital Improvement Fund	2,500,000	2,500,000	2,500,000	-	-	2,500,000
Total other financing sources	2,507,000	2,507,000	2,507,000	-	-	2,507,000
Total revenues and other sources	100,799,335	103,647,516	103,450,162	(197,354)	-	103,450,162

City of Dearborn, Michigan

Budgetary Comparison Schedule – General Fund Year Ended June 30, 2014

Expenditures	Budgeted Amounts (Unaudited)		Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
	Original	Final				
General Government						
Non-departmental	\$ 500,000	\$ 6,397,310	\$ 3,347,310	\$ 3,050,000	\$ -	\$ 3,347,310
Council	392,555.00	402,555	321,703	80,852	(34)	321,669
District Court	3,677,175	3,718,536	3,629,348	89,188	(9,882)	3,619,466
Mayor	1,031,870	1,031,870	995,057	36,813	-	995,057
City Clerk	989,293	989,293	868,208	121,085	-	868,208
Law	2,059,398	2,059,398	1,913,961	145,437	(77,484)	1,836,477
Human resources	834,862	834,862	738,167	96,695	(6,363)	731,804
Public works/building services and maintenance	381,223	381,223	381,223	-	-	381,223
Public works/central garage	(90,693)	(89,171)	(236,386)	147,215	(3,362)	(239,748)
Assessment	1,036,952	1,051,502	875,491	176,011	(26,219)	849,272
Finance:						
Accounting	1,409,072	1,454,072	1,201,592	252,480	(1,775)	1,199,817
Purchasing	475,683	475,683	381,182	94,501	-	381,182
Treasurer	850,394	850,394	740,557	109,837	(4,263)	736,294
Total general government	13,547,784	19,557,527	15,157,413	4,400,114	(129,382)	15,028,031
Public Safety						
Police:						
Operations	33,346,822	33,514,068	32,152,986	1,361,082	(36,826)	32,116,160
Ordinance enforcement	631,641	639,891	552,801	87,090	(351)	552,450
Fire:						
Operations	18,962,848	19,985,412	19,373,002	612,410	(44,477)	19,328,525
Civil preparedness	148,876	148,876	146,970	1,906	-	146,970
Residential Services	2,215,229	2,088,201	1,756,300	331,901	(1,215)	1,755,085
Commercial Services	1,238,616	1,238,616	1,004,837	233,779	-	1,004,837
Total public safety	56,544,032	57,615,064	54,986,896	2,628,168	(82,869)	54,904,027
Public Works						
Administrative	537,900	537,900	519,267	18,633	-	519,267
Highways	4,779,557	4,789,202	4,638,188	151,014	(9,163)	4,629,025
Sanitation	5,907,093	5,936,085	5,897,182	38,903	(40,989)	5,856,193
Neighborhood Services	801,357	813,531	760,436	53,095	(62,729)	697,707
Line	415,993	403,292	361,100	42,192	(17,541)	343,559
Total public works	12,441,900	12,480,010	12,176,173	303,837	(130,422)	12,045,751
Recreation and Culture						
Public works	3,513,612	3,519,112	3,224,602	294,510	(84,033)	3,140,569
Recreation:						
Administrative	1,026,560	1,028,227	974,988	53,239	-	974,988
Programs	925,203	926,198	825,343	100,855	(4,043)	821,300
Outdoor pools	1,671,311	1,672,006	1,526,003	146,003	-	1,526,003
Community center:						
Admin/Athletics	2,427,608	2,464,952	2,284,314	180,638	(2,170)	2,282,144
Cultural arts	1,105,114	1,099,164	877,180	221,984	(3,954)	873,226
Senior services	643,303	642,503	550,716	91,787	-	550,716
Sports arena	1,276,732	1,276,732	1,185,384	91,348	(4,135)	1,181,249
Historical commission	171,338	212,288	185,257	27,031	(26)	185,231
Total recreation and culture	12,760,781	12,841,182	11,633,787	1,207,395	(98,361)	11,535,426
Community Improvement						
Economic & Community Development	540,022	540,022	431,653	108,369	-	431,653
Capital Outlay						
	77,250	76,227	63,277	12,950	(10,505)	52,772
Total expenditures	95,911,769	103,110,032	94,449,199	8,660,833	(451,539)	93,997,660
Other Uses - Transfers out	4,813,584	5,058,584	5,027,325	31,259	-	5,027,325
Total expenditures and other uses	100,725,353	108,168,616	99,476,524	8,692,092	(451,539)	99,024,985
Net Change in Fund Balances	73,982	(4,521,100)	3,973,638	8,494,738	451,539	4,425,177
Fund Balances - Beginning of Year	19,197,558	19,197,558	19,197,558	-	-	19,197,558
Reserved for Encumbrances	-	-	451,539	451,539	(451,539)	-
Fund Balances - End of Year	\$ 19,271,540	\$ 14,676,458	\$ 23,622,735	\$ 8,946,277	\$ -	\$ 23,622,735

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 a budget amendment of \$251,778 that was approved subsequent to June 30, 2014 that was related to an appropriation in the Community Development fund for unrealized losses on land inventory held for resale due to a decline in property market values.

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.

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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, guests, and the public and offers a wide range of recreational activities. Camp Dearborn also includes Mystic Creek, a 27-hole golf course owned and operated by the City of Dearborn.

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 was used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt. This fund was phased out as of June 30, 2014.

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. This fund is equivalent to a trust arrangement and 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	\$ 5,060,518	\$4,632,941	\$1,150,836	\$ 1,832,186	\$ 754,637
Accounts receivable (Net)	12,239	-	657	-	526
Property taxes receivable	-	-	-	-	9,005
Accrued interest receivable	2,253	2,063	507	803	336
Due from other funds	44,758	167,195	-	-	-
Due from other governments	837,420	532,955	-	-	6,181
Inventories	-	-	68,568	-	-
Investments, long-term	289,616	265,146	65,132	103,255	43,152
Total assets	<u>\$ 6,246,804</u>	<u>\$5,600,300</u>	<u>\$1,285,700</u>	<u>\$ 1,936,244</u>	<u>\$ 813,837</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 442,950	\$ 793,889	\$ 119,254	\$ 9,454	\$ 57,969
Accrued liabilities	-	-	113,790	-	123,036
Deposits/refunds payable	-	-	280,245	-	-
Due for tax appeals	-	-	-	-	60,928
Due to other funds	92,598	-	-	-	1,461
Due to other governments	-	-	10,610	-	-
Total liabilities	<u>535,548</u>	<u>793,889</u>	<u>523,899</u>	<u>9,454</u>	<u>243,394</u>
Deferred Inflows of Resources:					
Unavailable revenue	-	-	-	-	6,142
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,142</u>
Fund Balances:					
Nonspendable:					
Inventories	-	-	68,568	-	-
Restricted for:					
Law enforcement activities	-	-	-	1,926,790	-
Road construction, preservation, maintenance	5,711,256	4,806,411	-	-	-
Historical museum activities	-	-	-	-	-
Committed for:					
Engineering Services	-	-	-	-	-
Camp Dearborn	-	-	693,233	-	-
Telecommunications	-	-	-	-	-
Designated Purposes - community programs	-	-	-	-	-
Assigned for:					
Library	-	-	-	-	564,301
Total fund balances	<u>5,711,256</u>	<u>4,806,411</u>	<u>761,801</u>	<u>1,926,790</u>	<u>564,301</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,246,804</u>	<u>\$5,600,300</u>	<u>\$1,285,700</u>	<u>\$ 1,936,244</u>	<u>\$ 813,837</u>

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014**

Special Revenue Funds					
Community Development Fund	Tele- communications Fund	Designated Purposes Fund	Total Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ 1,847,634	\$1,363,622	\$16,642,374	\$ -	\$ 16,642,374
269,098	318,706	2,751	603,977	-	603,977
-	-	-	9,005	-	9,005
-	823	32	6,817	-	6,817
-	-	-	211,953	-	211,953
143,531	-	-	1,520,087	-	1,520,087
507,972	-	-	576,540	-	576,540
-	105,741	37,731	909,773	-	909,773
<u>\$ 920,601</u>	<u>\$ 2,272,904</u>	<u>\$1,404,136</u>	<u>\$20,480,526</u>	<u>\$ -</u>	<u>\$ 20,480,526</u>
\$ 101,984	\$ 1,547	\$ 14,412	\$ 1,541,459	\$ -	\$ 1,541,459
-	18,527	-	255,353	-	255,353
4,840	-	238,944	524,029	-	524,029
-	-	-	60,928	-	60,928
76,708	-	-	170,767	-	170,767
-	55	140	10,805	-	10,805
<u>183,532</u>	<u>20,129</u>	<u>253,496</u>	<u>2,563,341</u>	<u>-</u>	<u>2,563,341</u>
<u>229,097</u>	<u>-</u>	<u>-</u>	<u>235,239</u>	<u>-</u>	<u>235,239</u>
<u>229,097</u>	<u>-</u>	<u>-</u>	<u>235,239</u>	<u>-</u>	<u>235,239</u>
507,972	-	-	576,540	-	576,540
-	-	-	1,926,790	-	1,926,790
-	-	-	10,517,667	-	10,517,667
-	-	704,059	704,059	-	704,059
-	-	93,138	93,138	-	93,138
-	-	-	693,233	-	693,233
-	2,252,775	-	2,252,775	-	2,252,775
-	-	353,443	353,443	-	353,443
-	-	-	564,301	-	564,301
<u>507,972</u>	<u>2,252,775</u>	<u>1,150,640</u>	<u>17,681,946</u>	<u>-</u>	<u>17,681,946</u>
<u>\$ 920,601</u>	<u>\$ 2,272,904</u>	<u>\$1,404,136</u>	<u>\$20,480,526</u>	<u>\$ -</u>	<u>\$ 20,480,526</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	\$ -	\$ -	\$ -	\$ -	\$ 3,274,448
Intergovernmental revenues:					
State sources	5,269,462	1,946,155	-	-	53,216
Federal sources	159,487	-	-	-	-
Local sources	-	-	-	-	60,029
Charges for services	-	-	1,712,614	-	47,996
Fines and forfeits	-	-	550	398,215	88,662
Rents and royalties	-	-	1,630,325	-	8,655
Miscellaneous revenue	27,574	1,120,810	76,144	65,575	9,211
Private source contributions	-	-	-	-	12,070
Investment income	2,798	2,488	506	1,192	746
Total revenues	5,459,321	3,069,453	3,420,139	464,982	3,555,033
Expenditures					
General government	-	-	-	-	-
Public safety	-	-	-	379,134	-
Public works	3,090,095	6,263,061	-	-	-
Health and welfare	-	-	-	-	-
Recreation and culture	-	-	2,690,860	-	4,824,399
Community improvement	-	-	-	-	-
Utilities	-	-	366,170	27,469	-
Capital outlay	-	-	245,681	390,299	417,016
Unrealized loss on land held for resale	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	3,090,095	6,263,061	3,302,711	796,902	5,241,415
Revenues Over (Under) Expenditures	2,369,226	(3,193,608)	117,428	(331,920)	(1,686,382)
Other Financing Sources (Uses)					
Transfers in	205,000	2,635,000	-	-	1,800,000
Transfers out	(2,160,000)	-	-	-	-
Total other financing sources (uses)	(1,955,000)	2,635,000	-	-	1,800,000
Net Change in Fund Balances	414,226	(558,608)	117,428	(331,920)	113,618
Fund Balances - Beginning of Year	5,297,030	5,365,019	644,373	2,258,710	450,683
Fund Balances - End of Year	\$ 5,711,256	\$ 4,806,411	\$ 761,801	\$ 1,926,790	\$ 564,301

**Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended June 30, 2014**

Special Revenue Funds					
Community Development Fund	Tele- communications Fund	Designated Purposes Fund	Total Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 3,274,448	\$ 8,239	\$ 3,282,687
-	-	118,640	7,387,473	-	7,387,473
2,125,922	-	-	2,285,409	-	2,285,409
-	-	-	60,029	-	60,029
-	-	70,836	1,831,446	-	1,831,446
-	-	-	487,427	-	487,427
-	987,290	-	2,626,270	-	2,626,270
51,920	6,251	154,682	1,512,167	-	1,512,167
-	-	25,328	37,398	-	37,398
-	1,043	308	9,081	111	9,192
<u>2,177,842</u>	<u>994,584</u>	<u>369,794</u>	<u>19,511,148</u>	<u>8,350</u>	<u>19,519,498</u>
-	413,091	13,569	426,660	215,253	641,913
-	-	191,074	570,208	-	570,208
-	-	14,200	9,367,356	-	9,367,356
-	-	-	-	-	-
-	382,054	340,220	8,237,533	-	8,237,533
2,251,715	-	-	2,251,715	-	2,251,715
-	-	-	393,639	-	393,639
-	24,983	13,987	1,091,966	-	1,091,966
251,778	-	-	251,778	-	251,778
-	-	-	-	1,432,650	1,432,650
-	-	-	-	102,911	102,911
<u>2,503,493</u>	<u>820,128</u>	<u>573,050</u>	<u>22,590,855</u>	<u>1,750,814</u>	<u>24,341,669</u>
(325,651)	174,456	(203,256)	(3,079,707)	(1,742,464)	(4,822,171)
-	-	-	4,640,000	1,548,075	6,188,075
-	-	(30,750)	(2,190,750)	(13,001)	(2,203,751)
-	-	(30,750)	2,449,250	1,535,074	3,984,324
(325,651)	174,456	(234,006)	(630,457)	(207,390)	(837,847)
<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>\$ 507,972</u>	<u>\$ 2,252,775</u>	<u>\$ 1,150,640</u>	<u>\$ 17,681,946</u>	<u>\$ -</u>	<u>\$ 17,681,946</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, 2014

	Final Budget (Unaudited)	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Intergovernmental revenues:					
State sources	\$ 5,095,425	\$ 5,269,462	\$ 174,037	\$ -	\$ 5,269,462
Federal sources	4,910,703	159,487	(4,751,216)	-	159,487
Miscellaneous revenue	215,952	27,574	(188,378)	-	27,574
Investment income	6,778	2,798	(3,980)	-	2,798
Total revenues	10,228,858	5,459,321	(4,769,537)	-	5,459,321
Expenditures - Public works	12,250,290	6,773,415	5,476,875	(3,683,320)	3,090,095
Revenues Over (Under) Expenditures	(2,021,432)	(1,314,094)	707,338	3,683,320	2,369,226
Other Financing Sources (Uses)					
Transfers in	205,000	205,000	-	-	205,000
Transfers out	(2,170,851)	(2,160,000)	10,851	-	(2,160,000)
Total other financing sources (uses)	(1,965,851)	(1,955,000)	10,851	-	(1,955,000)
Net Change in Fund Balances	(3,987,283)	(3,269,094)	718,189	3,683,320	414,226
Fund Balances - Beginning of Year	5,297,030	5,297,030	-	-	5,297,030
Reserved for Encumbrances	-	3,683,320	3,683,320	(3,683,320)	-
Fund Balances - End of Year	<u>\$ 1,309,747</u>	<u>\$ 5,711,256</u>	<u>\$ 4,401,509</u>	<u>\$ -</u>	<u>\$ 5,711,256</u>

City of Dearborn, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Local Street Fund Year Ended June 30, 2014

	Final Budget (Unaudited)	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Intergovernmental revenues:					
State sources	\$ 1,675,000	\$ 1,946,155	\$ 271,155	\$ -	\$ 1,946,155
Miscellaneous revenue	1,131,921	1,120,810	(11,111)	-	1,120,810
Investment income	7,499	2,488	(5,011)	-	2,488
Total revenues	2,814,420	3,069,453	255,033	-	3,069,453
Expenditures - Public works	9,777,491	7,873,659	1,903,831	(1,610,598)	6,263,061
Revenues Over (Under) Expenditures	(6,963,071)	(4,804,206)	2,158,864	1,610,598	(3,193,608)
Other Financing Sources (Uses)					
Transfers in	2,853,346	2,635,000	(218,346)	-	2,635,000
Transfers out	(4,501)	-	4,501	-	-
Total other financing sources (uses)	2,848,845	2,635,000	(213,845)	-	2,635,000
Net Change in Fund Balances	(4,114,226)	(2,169,206)	1,945,019	1,610,598	(558,608)
Fund Balances - Beginning of Year	5,365,019	5,365,019	-	-	5,365,019
Reserved for Encumbrances	-	1,610,598	1,610,598	(1,610,598)	-
Fund Balances - End of Year	\$ 1,250,793	\$ 4,806,411	\$ 3,555,617	\$ -	\$ 4,806,411

City of Dearborn, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Camp Dearborn Operating Fund Year Ended June 30, 2014

	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	1,163,349	897,702	(265,647)	-	897,702
Sales	858,090	814,912	(43,178)	-	814,912
Fines and forfeits	3,400	550	(2,850)	-	550
Rents and royalties:					
Oil exploration	83,250	91,756	8,506	-	91,756
Facilities	1,545,560	1,538,569	(6,991)	-	1,538,569
Miscellaneous revenue	99,050	76,144	(22,906)	-	76,144
Investment income	1,487	506	(981)	-	506
Total revenues	4,023,086	3,420,139	(602,947)	-	3,420,139
Expenditures					
Recreation and culture	3,121,035	2,705,819	415,216	(14,959)	2,690,860
Utilities	419,081	366,170	52,911	-	366,170
Capital outlay	1,173,452	330,402	843,050	(84,721)	245,681
Total expenditures	4,713,568	3,402,391	1,311,177	(99,680)	3,302,711
Revenues Over (Under) Expenditures	(690,482)	17,748	708,230	99,680	117,428
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net Change in Fund Balances	(690,482)	17,748	708,230	99,680	117,428
Fund Balances - Beginning of Year	644,373	644,373	-	-	644,373
Reserved for Encumbrances	-	99,680	99,680	(99,680)	-
Fund Balances - End of Year	\$ (46,109)	\$ 761,801	\$ 807,910	\$ -	\$ 761,801

City of Dearborn, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Drug Law Enforcement Fund Year Ended June 30, 2014

	Final Budget (Unaudited)	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Fines and forfeits	\$ 400,300	\$ 398,215	\$ (2,085)	\$ -	\$ 398,215
Miscellaneous revenue	68,825	65,575	(3,250)	-	65,575
Investment income	5,319	1,192	(4,127)	-	1,192
Total revenues	<u>474,444</u>	<u>464,982</u>	<u>(9,462)</u>	<u>-</u>	<u>464,982</u>
Expenditures					
Public safety	703,414	402,759	300,655	(23,625)	379,134
Utilities	35,100	27,469	7,631	-	27,469
Capital outlay	568,828	469,248	99,580	(78,949)	390,299
Total expenditures	<u>1,307,342</u>	<u>899,476</u>	<u>407,866</u>	<u>(102,574)</u>	<u>796,902</u>
Revenues Over (Under) Expenditures	<u>(832,898)</u>	<u>(434,494)</u>	<u>398,404</u>	<u>102,574</u>	<u>(331,920)</u>
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>(832,898)</u>	<u>(434,494)</u>	<u>398,404</u>	<u>102,574</u>	<u>(331,920)</u>
Fund Balances - Beginning of Year	2,258,710	2,258,710	-	-	2,258,710
Reserved for Encumbrances	-	102,574	102,574	(102,574)	-
Fund Balances - End of Year	<u>\$ 1,425,812</u>	<u>\$ 1,926,790</u>	<u>\$ 500,978</u>	<u>\$ -</u>	<u>\$ 1,926,790</u>

City of Dearborn, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Library Fund Year Ended June 30, 2014

	Final Budget (Unaudited)	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Taxes, assessments and penalties on taxes	\$ 3,288,850	\$ 3,274,448	\$ (14,402)	\$ -	\$ 3,274,448
Intergovernment revenues:					
State sources	48,920	53,216	4,296	-	53,216
Local	61,000	60,029	(971)	-	60,029
Charges for Services	47,500	47,996	496	-	47,996
Fines and forfeits	86,000	88,662	2,662	-	88,662
Rents and royalties	8,000	8,655	655	-	8,655
Private source contributions	12,100	12,070	(30)	-	12,070
Miscellaneous revenue	7,700	9,211	1,511	-	9,211
Investment income	1,917	746	(1,171)	-	746
Total revenues	3,561,987	3,555,033	(6,954)	-	3,555,033
Expenditures					
Recreation and culture	4,920,382	4,837,338	83,044	(12,939)	4,824,399
Capital outlay	489,255	460,613	28,642	(43,597)	417,016
Total expenditures	5,409,637	5,297,951	111,686	(56,536)	5,241,415
Revenues Over (Under) Expenditures	(1,847,650)	(1,742,918)	104,732	56,536	(1,686,382)
Other Financing Sources (Uses)					
Transfers in	1,800,000	1,800,000	-	-	1,800,000
Transfers out	-	-	-	-	-
Total other financing sources (uses)	1,800,000	1,800,000	-	-	1,800,000
Net Change in Fund Balances	(47,650)	57,082	(104,732)	56,536	113,618
Fund Balances - Beginning of Year	450,683	450,683	(901,366)	-	450,683
Reserved for Encumbrances	-	56,536	56,536	(56,536)	-
Fund Balances - End of Year	\$ 403,033	\$ 564,301	\$ (161,268)	\$ -	\$ 564,301

City of Dearborn, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Community Development Fund Year Ended June 30, 2014

	Final Budget (Unaudited)	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Intergovernmental revenues:					
Federal sources	\$ 5,112,535	\$ 2,125,922	\$ (2,986,613)	\$ -	\$ 2,125,922
Miscellaneous revenue	-	66,853	66,853	-	66,853
Sale of land inventory	410,063	(14,933)	(424,996)	-	(14,933)
Investment income	-	-	-	-	-
Total revenues	<u>5,522,598</u>	<u>2,177,842</u>	<u>(3,344,756)</u>	<u>-</u>	<u>2,177,842</u>
Expenditures					
Community improvement	5,457,331	2,357,469	3,099,862	(105,754)	2,251,715
Unrealized loss on land held for resale	251,778	251,778	-	-	251,778
Total expenditures	<u>5,709,109</u>	<u>2,609,247</u>	<u>3,099,862</u>	<u>(105,754)</u>	<u>2,503,493</u>
Revenues Over (Under) Expenditures	(186,511)	(431,405)	(244,894)	105,754	(325,651)
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(186,511)	(431,405)	(244,894)	105,754	(325,651)
Fund Balances - Beginning of Year	833,623	833,623	-	-	833,623
Reserved for Encumbrances	-	105,754	105,754	(105,754)	-
Fund Balances - End of Year	<u>\$ 647,112</u>	<u>\$ 507,972</u>	<u>\$ (139,140)</u>	<u>\$ -</u>	<u>\$ 507,972</u>

City of Dearborn, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Telecommunications Fund Year Ended June 30, 2014

	Final Budget (Unaudited)	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Rents and royalties	\$ 910,000	\$ 987,290	\$ 77,290	\$ -	\$ 987,290
Miscellaneous revenue	3,400	6,251	2,851	-	6,251
Investment income	3,041	1,043	(1,998)	-	1,043
Total revenues	916,441	994,584	78,143	-	994,584
Expenditures					
Recreation and culture	405,813	382,054	23,759	-	382,054
General government	486,701	412,091	74,610	1,000	413,091
Capital outlay	25,525	24,983	542	-	24,983
Total expenditures	918,039	819,128	98,911	1,000	820,128
Revenues Over (Under) Expenditures	(1,598)	175,456	177,054	(1,000)	174,456
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net Change in Fund Balances	(1,598)	175,456	177,054	(1,000)	174,456
Fund Balances - Beginning of Year	2,078,319	2,078,319	-	-	2,078,319
Reserved for Encumbrances	-	(1,000)	(1,000)	1,000	-
Fund Balances - End of Year	<u>\$ 2,076,721</u>	<u>\$ 2,252,775</u>	<u>\$ 176,054</u>	<u>\$ -</u>	<u>\$ 2,252,775</u>

City of Dearborn, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Designated Purposes Fund Year Ended June 30, 2014

	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	264,500	118,640	(145,860)	-	118,640
Charges for services	70,836	70,836	-	-	70,836
Miscellaneous revenue	137,256	154,682	17,426	-	154,682
Investment income	308	308	-	-	308
Private source contributions	26,178	25,328	(850)	-	25,328
Total revenues	574,078	369,794	(204,284)	-	369,794
Expenditures					
General government	119,232	13,569	105,663	-	13,569
Public safety	287,167	192,062	95,105	(988)	191,074
Public works	107,327	14,200	93,127	-	14,200
Recreation and culture	1,176,141	363,564	812,577	(23,344)	340,220
Capital outlay	13,987	13,987	-	-	13,987
Total expenditures	1,703,854	597,382	1,106,472	(24,332)	573,050
Revenues Over (Under) Expenditures	(1,129,776)	(227,588)	902,188	24,332	(203,256)
Other Financing Sources (Uses)					
Transfers in	17,926	-	(17,926)	-	-
Transfers out	(241,951)	(30,750)	211,201	-	(30,750)
Total other financing sources (uses)	(224,025)	(30,750)	193,275	-	(30,750)
Net Change in Fund Balances	(1,353,801)	(258,338)	1,095,463	24,332	(234,006)
Fund Balances - Beginning of Year	1,384,646	1,384,646	-	-	1,384,646
Reserved for Encumbrances	-	24,332	24,332	(24,332)	-
Fund Balances - End of Year	\$ 30,845	\$ 1,150,640	\$ 1,119,795	\$ -	\$ 1,150,640

City of Dearborn, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Debt Service Fund Year Ended June 30, 2014

	Final Budget (Unaudited)	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Taxes, assessments and penalties on taxes	\$ -	\$ 8,239	\$ 8,239	\$ -	\$ 8,239
Investment income	444	111	(333)	-	111
Total revenues	444	8,350	7,906	-	8,350
Expenditures					
General government	16,453	215,253	(198,800)	-	215,253
Debt service:					
Principal	1,432,650	1,432,650	-	-	1,432,650
Interest and fiscal charges	107,656	102,911	4,745	-	102,911
Total expenditures	1,556,759	1,750,814	(194,055)	-	1,750,814
Revenues Over (Under) Expenditures	(1,556,315)	(1,742,464)	(186,149)	-	(1,742,464)
Other Financing Sources (Uses)					
Transfers in	1,548,584	1,548,075	(509)	-	1,548,075
Transfers out	-	(13,001)	(13,001)	-	(13,001)
Total other financing sources (uses)	1,548,584	1,535,074	(13,510)	-	1,535,074
Net Change in Fund Balances	(7,731)	(207,390)	(199,659)	-	(207,390)
Fund Balances - Beginning of Year	207,390	207,390	-	-	207,390
Fund Balances - End of Year	\$ 199,659	\$ -	\$ (199,659)	\$ -	\$ -

City of Dearborn, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Capital Projects Fund Year Ended June 30, 2014

	Final Budget (Unaudited)	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Intergovernmental revenues:					
Federal sources	\$16,136,204	\$ 9,028,731	\$ (7,107,473)	\$ -	\$ 9,028,731
Local sources	340,015	-	(340,015)	-	-
Charges for services	97,556	56,157	(41,399)	-	56,157
Miscellaneous revenue	686,455	1,464,468	778,013	-	1,464,468
Private source contributions	9,200	-	(9,200)	-	-
Investment income	11,453	3,202	(8,251)	-	3,202
	<u>17,280,883</u>	<u>10,552,558</u>	<u>(6,728,325)</u>	<u>-</u>	<u>10,552,558</u>
Expenditures					
Community improvement	-	-	-	-	-
Capital outlay	19,851,559	15,325,652	4,525,907	(4,109,670)	11,215,982
	<u>19,851,559</u>	<u>15,325,652</u>	<u>4,525,907</u>	<u>(4,109,670)</u>	<u>11,215,982</u>
Revenues Over (Under) Expenditures	(2,570,676)	(4,773,094)	(2,202,418)	4,109,670	(663,424)
Other Financing Sources (Uses)					
Transfers in	34,307	-	(34,307)	-	-
Transfers out	(2,500,000)	(2,500,000)	-	-	(2,500,000)
	<u>(2,465,692)</u>	<u>(2,500,000)</u>	<u>(34,307)</u>	<u>-</u>	<u>(2,500,000)</u>
Net Change in Fund Balances	(5,036,369)	(7,273,094)	(2,236,725)	4,109,670	(3,163,424)
Fund Balances - Beginning of Year	13,052,489	13,052,489	-	-	13,052,489
Reserved for Encumbrances	-	4,109,670	4,109,670	(4,109,670)	-
Fund Balances - End of Year	<u>\$ 8,016,119</u>	<u>\$ 9,889,064</u>	<u>\$ 1,872,944</u>	<u>\$ -</u>	<u>\$ 9,889,064</u>

City of Dearborn, Michigan

Combining Statement of Net Position Nonmajor Enterprise Funds June 30, 2014

	Golf Course	Seniors Apartment Operating Fund	Total Nonmajor Enterprise Funds
Assets			
Current assets:			
Cash and cash equivalents	\$ 146,807	\$ 8,125,957	\$ 8,272,764
Accounts receivable (Net)	-	5,706	5,706
Accrued interest receivable	139	3,618	3,757
Due from other funds	-	150	150
Due from other governments	-	99,315	99,315
Prepaid items	-	25,760	25,760
Inventories	26,082	-	26,082
Total current assets	<u>173,028</u>	<u>8,260,506</u>	<u>8,433,534</u>
Noncurrent assets:			
Restricted cash and investments:			
Debt service	188,077	-	188,077
Investments, long-term	-	465,036	465,036
Capital assets (Net)	1,669,772	2,636,373	4,306,145
Total noncurrent assets	<u>1,857,849</u>	<u>3,101,409</u>	<u>4,959,258</u>
Total assets	<u>2,030,877</u>	<u>11,361,915</u>	<u>13,392,792</u>
Liabilities			
Current liabilities:			
Accounts payable	11,244	39,124	50,368
Accrued interest payable	4,327	-	4,327
Accrued liabilities	16,442	47,883	64,325
Deposits/refunds payable	66,378	140,576	206,954
Due to other governments	2,985	-	2,985
Unearned revenue	4,080	5,344	9,424
Current portion of long-term debt	58,469	-	58,469
Total current liabilities	<u>163,925</u>	<u>232,927</u>	<u>396,852</u>
Noncurrent liabilities:			
Current portion of long-term debt payable with restricted assets	188,077	-	188,077
Other liabilities	19,395	123,860	143,255
Long-term debt, net of current portion	483,029	-	483,029
Total noncurrent liabilities	<u>690,501</u>	<u>123,860</u>	<u>814,361</u>
Total liabilities	<u>854,426</u>	<u>356,787</u>	<u>1,211,213</u>
Net Position			
Net investment in capital assets	1,128,274	2,636,373	3,764,647
Unrestricted	48,177	8,368,755	8,416,932
Total net position	<u>\$ 1,176,451</u>	<u>\$ 11,005,128</u>	<u>\$ 12,181,579</u>

City of Dearborn, Michigan

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position Nonmajor Enterprise Funds Year Ended June 30, 2014

	Golf Course	Seniors Apartment Operating Fund	Total Nonmajor Enterprise Funds
Operating Revenues			
Intergovernmental revenue:			
Sales	\$ 337,923	\$ -	\$ 337,923
Charges for services	357,380	787,697	1,145,077
Rents and royalties	114,606	1,788,819	1,903,425
Miscellaneous	45,069	39,519	84,588
Total operating revenues	<u>854,978</u>	<u>2,616,035</u>	<u>3,471,013</u>
Operating Expenses			
Personnel services	361,873	1,529,244	1,891,117
Contractual services	187,896	105,062	292,958
Insurance and bonds	8,786	73,534	82,320
Utilities	47,055	445,815	492,870
Repair and maintenance	27,206	1,093,158	1,120,364
Supplies	79,485	52,316	131,801
Cost of sales	52,237	-	52,237
Cost of rentals	21,337	70,210	91,547
Depreciation	129,600	235,406	365,006
Other	27,610	12,446	40,056
Total operating expenses	<u>943,085</u>	<u>3,617,191</u>	<u>4,560,276</u>
Operating Income (Loss)	(88,107)	(1,001,156)	(1,089,263)
Nonoperating Revenues (Expenses)			
Investment income	64	4,730	4,794
Other interest	(21,144)	-	(21,144)
Total nonoperating revenues (expenses)	<u>(21,080)</u>	<u>4,730</u>	<u>(16,350)</u>
Income (Loss) before Transfers	(109,187)	(996,426)	(1,105,613)
Transfers			
Transfers in	485,000	-	485,000
Transfers out	-	-	-
Net transfers	<u>485,000</u>	<u>-</u>	<u>485,000</u>
Net Income (Loss)	375,813	(996,426)	(620,613)
Net Position - Beginning of Year	<u>800,638</u>	<u>12,001,554</u>	<u>12,802,192</u>
Net Position - End of Year	<u>\$ 1,176,451</u>	<u>\$ 11,005,128</u>	<u>\$ 12,181,579</u>

City of Dearborn, Michigan

Combining Statement of Cash Flows Nonmajor Enterprise Funds Year Ended June 30, 2014

	Golf Course	Seniors Apartment Operating Fund	Total Nonmajor Enterprise Funds
Cash Flows from Operating Activities			
Receipts from customers	\$ 801,531	\$ 2,603,541	\$ 3,405,072
Payments to suppliers	(435,186)	(1,869,007)	(2,304,193)
Payments to employees	(361,356)	(1,521,265)	(1,882,621)
Internal activity	(65,794)	(12,830)	(78,624)
Other receipts	45,069	39,519	84,588
Other payments	(27,610)	(12,446)	(40,056)
Net cash provided (used) by operating activities	(43,346)	(772,488)	(815,834)
Cash Flows from Noncapital Financing Activities			
Transfers in	485,000	-	485,000
Transfers out	-	-	-
Net cash provided by noncapital financing activities	485,000	-	485,000
Cash Flows from Capital and Related Financing Activities			
Gain (loss) on sale of capital assets	1	-	1
Principal paid on debt	(270,295)	-	(270,295)
Interest paid on debt	(19,523)	-	(19,523)
Net cash provided (used) by capital and related financing activities	(289,817)	-	(289,817)
Cash Flows from Investing Activities			
Net sale (purchase) of investments	-	(110,708)	(110,708)
Investment income	22	12,769	12,791
Net cash provided (used) by investing activities	22	(97,939)	(97,917)
Net Increase (Decrease) in Cash and Cash Equivalents	151,859	(870,427)	(718,568)
Cash and Cash Equivalents - Beginning of Year	183,025	8,996,384	9,179,409
Cash and Cash Equivalents - End of Year	\$ 334,884	\$ 8,125,957	\$ 8,460,841
Cash and Cash Equivalents - Unrestricted	\$ 146,807	\$ 8,125,957	\$ 8,272,764
Cash and Cash Equivalents - Restricted	188,077	-	188,077
Cash and Cash Equivalents - End of Year	\$ 334,884	\$ 8,125,957	\$ 8,460,841

City of Dearborn, Michigan

Combining Statement of Cash Flows Nonmajor Enterprise Funds Year Ended June 30, 2014

	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)	\$ (88,107)	\$ (1,001,156)	\$ (1,089,263)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	129,600	235,406	365,006
Change in assets and liabilities:			
Accounts receivable	-	25,340	25,340
Due from other funds	35,000	-	35,000
Due from other governments	-	(1,479)	(1,479)
Inventories	(3,404)	-	(3,404)
Accounts payable	(5,643)	(36,705)	(42,348)
Accrued liabilities	(2,687)	6,179	3,492
Customer deposits	10,027	2,666	12,693
Accrued vacation and sick leave	517	7,979	8,496
Due to other funds	(100,794)	(12,830)	(113,624)
Due to other governments	550	-	550
Unearned revenue	(18,405)	498	(17,907)
Net cash provided (used) by operating activities	<u>\$ (43,346)</u>	<u>\$ (772,488)</u>	<u>\$ (815,834)</u>

City of Dearborn, Michigan

	Information Systems Fund	Facilities Fund	Fleet Replacement Fund
Assets			
Current assets:			
Cash and cash equivalents	\$ 4,616,851	\$ 10,622,868	\$ 5,015,428
Accounts receivable (Net)	-	-	-
Accrued interest receivable	2,056	4,730	2,233
Prepaid items	-	-	-
Total current assets	<u>4,618,907</u>	<u>10,627,598</u>	<u>5,017,661</u>
Noncurrent assets:			
Investments, long-term	264,225	607,953	287,036
Capital assets (Net)	450,917	57,793,948	4,237,734
Total noncurrent assets	<u>715,142</u>	<u>58,401,901</u>	<u>4,524,770</u>
Total assets	<u>5,334,049</u>	<u>69,029,499</u>	<u>9,542,431</u>
Liabilities			
Current liabilities:			
Accounts payable	292,528	776,778	-
Accrued interest payable	-	5,367	-
Accrued liabilities	32,678	79,804	-
Accrued vacation and sick	860	-	-
Due for tax appeals	-	-	-
Unearned revenue	67,000	-	-
Due to other funds	-	425	-
Current portion of long-term debt	-	818,279	-
Total current liabilities	<u>393,066</u>	<u>1,680,653</u>	<u>-</u>
Noncurrent liabilities:			
Long-term debt, net of current portion	-	808,279	-
Other liabilities	103,132	150,533	-
Claims payable	-	-	-
Total noncurrent liabilities	<u>103,132</u>	<u>958,812</u>	<u>-</u>
Total liabilities	<u>496,198</u>	<u>2,639,465</u>	<u>-</u>
Net Position			
Net investment in capital assets	450,917	56,167,390	4,237,734
Unrestricted	4,386,934	10,222,644	5,304,697
Total net position	<u>\$ 4,837,851</u>	<u>\$ 66,390,034</u>	<u>\$ 9,542,431</u>

**Combining Statement of Net Position
Internal Service Funds
June 30, 2014**

Workers' Compensation and Employee Insurance Fund	Fleet & General Liability Insurance Fund	Total
\$ 5,898,720	\$ 4,997,997	\$ 31,151,864
30,804	-	30,804
2,574	2,226	13,819
504,676	-	504,676
<u>6,436,774</u>	<u>5,000,223</u>	<u>31,701,163</u>
330,739	286,038	1,775,991
-	-	62,482,599
<u>330,739</u>	<u>286,038</u>	<u>64,258,590</u>
<u>6,767,513</u>	<u>5,286,261</u>	<u>95,959,753</u>
61,477	192,421	1,323,204
-	-	5,367
-	-	112,482
-	-	860
-	1,506,851	1,506,851
-	-	67,000
-	91,190	91,615
-	-	818,279
<u>61,477</u>	<u>1,790,462</u>	<u>3,925,658</u>
-	-	808,279
-	-	253,665
<u>936,401</u>	<u>775,844</u>	<u>1,712,245</u>
<u>936,401</u>	<u>775,844</u>	<u>2,774,189</u>
<u>997,878</u>	<u>2,566,306</u>	<u>6,699,847</u>
-	-	60,856,041
<u>5,769,635</u>	<u>2,719,955</u>	<u>28,403,865</u>
<u>\$ 5,769,635</u>	<u>\$ 2,719,955</u>	<u>\$ 89,259,906</u>

City of Dearborn, Michigan

	Information Systems Fund	Facilities Fund	Fleet Replacement Fund
Operating Revenues			
Intergovernmental revenues:			
State sources	\$ 18,720	\$ -	\$ -
Charges for services	1,801,512	4,601,256	-
Rents and royalties	363,184	4,157,181	1,655,745
City contributions for insurance premiums	-	-	-
Miscellaneous	676	184,604	81,947
Private source contributions	-	3,050,000	-
Total operating revenues	<u>2,184,092</u>	<u>11,993,041</u>	<u>1,737,692</u>
Operating Expenses			
Contractual services	2,616,645	1,306,043	-
Utilities	-	1,561,556	-
Repair and maintenance	-	1,739,702	-
Cost of sales	-	-	6,696
Depreciation	172,214	2,250,592	961,299
Insurance and bonds	-	-	-
Insurance benefits	-	-	-
Claims and judgments	-	-	-
Other	-	1,610,000	-
Total operating expenses	<u>2,788,859</u>	<u>8,467,893</u>	<u>967,995</u>
Operating Income (Loss)	(604,767)	3,525,148	769,697
Nonoperating Revenues (Expenses)			
Investment income	2,772	2,782	2,532
Contributions	-	-	242,268
Other interest	-	(7,606)	-
Gain/(loss) on disposal of assets	(39,214)	45,991	(6,481)
Total nonoperating revenues (expenses)	<u>(36,442)</u>	<u>41,167</u>	<u>238,319</u>
Income (Loss) before Operating Transfers	(641,209)	3,566,315	1,008,016
Transfers			
Transfers in	-	-	-
Transfers out	-	-	-
Net transfers	<u>-</u>	<u>-</u>	<u>-</u>
Net Income (Loss)	(641,209)	3,566,315	1,008,016
Net Position - Beginning of Year	5,479,060	62,823,719	8,534,415
Net Position - End of Year	<u>\$ 4,837,851</u>	<u>\$ 66,390,034</u>	<u>\$ 9,542,431</u>

**Combining Statement of Revenues, Expenses, and
Changes in Fund Net Position
Internal Service Funds
Year Ended June 30, 2014**

Workers' Compensation and Employee Insurance Fund	Fleet & General Liability Insurance Fund	Total
\$ -	\$ -	\$ 18,720
-	-	6,402,768
-	-	6,176,110
17,592,702	3,198,903	20,791,605
1,604,755	-	1,871,982
<u>19,197,457</u>	<u>3,198,903</u>	<u>38,311,185</u>
247,204	251,245	4,421,137
-	-	1,561,556
-	-	1,739,702
-	-	6,696
-	-	3,384,105
186,884	989,394	1,176,278
46,053	-	46,053
18,608,960	1,388,425	19,997,385
112,779	65,873	1,788,652
<u>19,201,880</u>	<u>2,694,937</u>	<u>34,121,564</u>
(4,423)	503,966	4,189,621
3,050	2,318	13,454
-	-	242,268
-	-	(7,606)
-	-	296
<u>3,050</u>	<u>2,318</u>	<u>248,412</u>
(1,373)	506,284	4,438,033
-	6,001	6,001
-	-	-
<u>-</u>	<u>6,001</u>	<u>6,001</u>
(1,373)	512,285	4,444,034
5,771,008	2,207,670	84,815,872
<u>\$ 5,769,635</u>	<u>\$ 2,719,955</u>	<u>\$ 89,259,906</u>

City of Dearborn, Michigan

	Information Systems Fund	Facilities Fund	Fleet Replacement Fund
Cash Flows from Operating Activities			
Receipts from customers	\$ 2,183,416	\$ 8,805,436	\$ 1,710,746
Payments to suppliers	(2,388,088)	(3,965,191)	(157,976)
Payments to employees	-	-	-
Internal activity	(6,496)	(17,557)	-
Claims paid	-	-	-
Other receipts	676	3,234,604	151,513
Other payments	-	(1,610,000)	-
Net cash provided (used) by operating activities	<u>(210,492)</u>	<u>6,447,292</u>	<u>1,704,283</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	-	1,517,808	-
Prepaid interest on debt	-	(3,335)	-
Proceeds on sales of capital assets	-	81,118	-
Contribution of capital assets	-	-	-
Acquisition and construction of capital assets	(63,237)	(818,646)	(896,862)
Net cash provided (used) by capital and related financing activities	<u>(63,237)</u>	<u>776,945</u>	<u>(896,862)</u>
Cash Flows from Investing Activities			
Net sale (purchase) of investments	(69,157)	(456,241)	(116,923)
Investment income	7,133	3,043	5,895
Net cash provided (used) by investing activities	<u>(62,024)</u>	<u>(453,198)</u>	<u>(111,028)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(335,753)	6,771,039	696,393
Cash and Cash Equivalents - Beginning of Year	4,952,604	3,851,829	4,319,035
Cash and Cash Equivalents - End of Year	<u>\$ 4,616,851</u>	<u>\$ 10,622,868</u>	<u>\$ 5,015,428</u>

**Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2014**

Workers' Compensation and Employee Insurance Fund	Fleet & General Liability Insurance Fund	Total
\$ 17,590,308	\$ 3,198,903	\$ 33,488,809
(484,754)	(1,377,363)	(8,373,372)
-	-	-
-	(33,567)	(57,620)
(17,663,662)	(1,165,136)	(18,828,798)
1,604,755	-	4,991,548
(112,779)	(65,873)	(1,788,652)
<u>933,868</u>	<u>556,964</u>	<u>9,431,915</u>
-	6,001	6,001
-	-	-
<u>-</u>	<u>6,001</u>	<u>6,001</u>
-	-	1,517,808
-	-	(3,335)
-	-	81,118
-	-	-
<u>-</u>	<u>-</u>	<u>(1,778,745)</u>
<u>-</u>	<u>-</u>	<u>(183,154)</u>
(134,863)	(105,526)	(882,710)
6,920	6,031	29,022
<u>(127,943)</u>	<u>(99,495)</u>	<u>(853,688)</u>
805,925	463,470	8,401,074
5,092,795	4,534,527	22,750,790
<u>\$ 5,898,720</u>	<u>\$ 4,997,997</u>	<u>\$ 31,151,864</u>

City of Dearborn, Michigan

	Information Systems Fund	Facilities Fund	Fleet Replacement Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (604,767)	\$ 3,525,148	\$ 769,697
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	172,214	2,250,592	961,299
Change in assets and liabilities:			
Accounts receivable	-	46,999	55,001
Due from other funds	11	196	-
Prepaid items	-	-	-
Accounts payable	218,956	558,190	(81,714)
Accrued liabilities	9,601	(66,613)	-
Accrued vacation and sick leave	-	150,533	-
Due to other funds	(6,507)	(17,753)	-
Due to other governments	-	-	-
Claims payable	-	-	-
Net cash provided (used) by operating activities	<u>\$ (210,492)</u>	<u>\$ 6,447,292</u>	<u>\$ 1,704,283</u>

**Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2014**

Workers' Compensation and Employee Insurance Fund	Fleet & General Liability Insurance Fund	Total
\$ (4,423)	\$ 503,966	\$ 4,189,621
-	-	3,384,105
(2,394)	-	99,606
-	-	207
884,951	-	884,951
(4,628)	(258,093)	432,711
-	-	(57,012)
-	-	150,533
-	(33,567)	(57,827)
-	121,369	121,369
60,362	223,289	283,651
<u>\$ 933,868</u>	<u>\$ 556,964</u>	<u>\$ 9,431,915</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	\$ 47,232	\$ 312,116	\$ 60,357
Investments - short-term	2,314,246	4,584,460	513,490
Receivables:			
Accrued interest receivable	100,261	208,907	23,626
Other	161,435	457,612	12,551
Total current assets	<u>2,623,174</u>	<u>5,563,095</u>	<u>610,024</u>
Noncurrent assets - investments:			
Long-term bonds	2,703	17,862	3,454
Fixed income mutual funds	39,972,303	66,312,589	12,581,340
Common stock	40,418,119	92,075,548	5,666,970
Real estate properties	7,396,116	13,622,460	1,565,638
Commingled and mutual funds	59,259,175	104,497,226	8,678,122
Total noncurrent assets	<u>147,048,416</u>	<u>276,525,685</u>	<u>28,495,524</u>
Total assets	<u>149,671,590</u>	<u>282,088,780</u>	<u>29,105,548</u>
Liabilities			
Accounts payable	124,339	480,815	24,120
Total liabilities	<u>124,339</u>	<u>480,815</u>	<u>24,120</u>
Net Position			
Held in trust for pension benefits and other employee benefits	<u>\$ 149,547,251</u>	<u>\$ 281,607,965</u>	<u>\$ 29,081,428</u>

**Combining Statement of Net Position
Fiduciary Pension & Other Employee Benefits Funds
June 30, 2014**

Retiree Death Benefit Fund	Postemployment Healthcare Fund	Total
\$ 367,143	\$ 1,855,468	\$ 2,642,316
-	554,553	7,966,749
163	298,207	631,164
-	257,703	889,301
<u>367,306</u>	<u>2,965,931</u>	<u>12,129,530</u>
21,012	28,641,212	28,686,243
-	-	118,866,232
-	22,313,490	160,474,127
-	-	22,584,214
-	-	172,434,523
<u>21,012</u>	<u>50,954,702</u>	<u>503,045,339</u>
<u>388,318</u>	<u>53,920,633</u>	<u>515,174,869</u>
7,000	16,906	653,180
<u>7,000</u>	<u>16,906</u>	<u>653,180</u>
<u>\$ 381,318</u>	<u>\$ 53,903,727</u>	<u>\$ 514,521,689</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	\$ 1,821,314	\$ 3,680,243	\$ 337,071
Net increase/(decrease) in value of investments	18,126,948	33,884,393	2,889,506
Investment/administrative expenses	(613,781)	(1,146,531)	(131,275)
Net investment income	<u>19,334,481</u>	<u>36,418,105</u>	<u>3,095,302</u>
Contributions:			
Employer	3,980,163	8,738,708	-
Employee	536,150	781,333	-
Reimbursements	-	-	-
Total contributions	<u>4,516,313</u>	<u>9,520,041</u>	<u>-</u>
Total additions	23,850,794	45,938,146	3,095,302
Deductions			
Benefit payments	11,334,734	17,267,568	2,465,877
Refunds of contributions	31,228	969,197	-
Total deductions	<u>11,365,962</u>	<u>18,236,765</u>	<u>2,465,877</u>
Change in Net Position	12,484,832	27,701,381	629,425
Net Position - Beginning of Year	137,062,419	253,906,584	28,452,003
Net Position - End of Year	<u>\$ 149,547,251</u>	<u>\$ 281,607,965</u>	<u>\$ 29,081,428</u>

**Combining Statement of Changes in Fiduciary Net Position
Fiduciary Pension & Other Employee Benefits Funds
Year Ended June 30, 2014**

Retiree Death Benefit Fund	Postemployment Healthcare Fund	Total
\$ 218	\$ 2,691,180	\$ 8,530,026
-	2,928,174	57,829,021
-	(103,935)	(1,995,522)
<u>218</u>	<u>5,515,419</u>	<u>64,363,525</u>
-	11,034,501	23,753,372
12,767	-	1,330,250
-	482,864	482,864
<u>12,767</u>	<u>11,517,365</u>	<u>25,566,486</u>
12,985	17,032,784	89,930,011
56,000	10,637,388	41,761,567
-	-	1,000,425
<u>56,000</u>	<u>10,637,388</u>	<u>42,761,992</u>
(43,015)	6,395,396	47,168,019
424,333	47,508,331	467,353,670
<u>\$ 381,318</u>	<u>\$ 53,903,727</u>	<u>\$ 514,521,689</u>

City of Dearborn, Michigan

Combining Statement of Net Position Fiduciary Agency Funds June 30, 2014

	Agency Fund	Imprest Payroll Fund	District Court Fund	Total
Assets				
Cash and cash equivalents	\$ 4,371,397	\$ 298,712	\$ 55,800	\$ 4,725,909
Accounts receivable (Net)	9,581	152	254,183	263,916
Due from other governments	9,940	-	-	9,940
Total assets	<u>\$ 4,390,918</u>	<u>\$ 298,864</u>	<u>\$ 309,983</u>	<u>\$ 4,999,765</u>
Liabilities				
Accounts payable	\$ 406,651	\$ -	\$ 70,573	\$ 477,224
Payroll deductions payable	-	109,191	-	109,191
Deposits/refunds payable	3,969,753	-	-	3,969,753
Due to other governments	1,560	189,673	239,410	430,643
Other liabilities	12,954	-	-	12,954
Total liabilities	<u>\$ 4,390,918</u>	<u>\$ 298,864</u>	<u>\$ 309,983</u>	<u>\$ 4,999,765</u>

City of Dearborn, Michigan

Statement of Changes in Assets and Liabilities Fiduciary Agency Funds Year Ended June 30, 2014

Agency Fund:

	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014
Assets				
Cash and cash equivalents	\$ 4,662,744	\$ 262,938,674	\$ 263,230,021	\$ 4,371,397
Accounts receivable (Net)	8,930	9,581	8,930	9,581
Due from other governments	-	77,448	67,508	9,940
Total assets	<u>\$ 4,671,674</u>	<u>\$ 263,025,703</u>	<u>\$ 263,306,459</u>	<u>\$ 4,390,918</u>
Liabilities				
Accounts payable	\$ 463,785	\$ 126,427,995	\$ 126,485,129	\$ 406,651
Deposits/refunds payable	4,067,754	11,975,310	12,073,311	3,969,753
Due to other governments	115,054	124,496,393	124,609,887	1,560
Other liabilities	25,081	126,005	138,132	12,954
Total liabilities	<u>\$ 4,671,674</u>	<u>\$ 263,025,703</u>	<u>\$ 263,306,459</u>	<u>\$ 4,390,918</u>

Imprest Payroll Fund:

	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014
Assets				
Cash and cash equivalents	\$ 545,888	\$ 24,967,100	\$ 25,214,276	\$ 298,712
Accounts receivable (Net)	61	1,402	1,311	152
Due from other governments	7,832	17,245	25,077	-
Total assets	<u>\$ 553,781</u>	<u>\$ 24,985,747</u>	<u>\$ 25,240,664</u>	<u>\$ 298,864</u>
Liabilities				
Payroll deductions payable	\$ 70,323	\$ 5,785,520	\$ 5,746,652	\$ 109,191
Due to other governments	483,458	16,793,006	17,086,791	189,673
Other liabilities	-	2,407,221	2,407,221	-
Total liabilities	<u>\$ 553,781</u>	<u>\$ 24,985,747</u>	<u>\$ 25,240,664</u>	<u>\$ 298,864</u>

City of Dearborn, Michigan

Statement of Changes in Assets and Liabilities Fiduciary Agency Funds Year Ended June 30, 2014

District Court Fund:

	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014
Assets				
Cash and cash equivalents	\$ 55,800	\$ 6,170,005	\$ 6,170,005	\$ 55,800
Accounts receivable (Net)	267,756	1,472,634	1,486,207	254,183
Total assets	<u>\$ 323,556</u>	<u>\$ 7,642,639</u>	<u>\$ 7,656,212</u>	<u>\$ 309,983</u>
Liabilities				
Accounts payable	\$ 79,728	\$ 4,717,231	\$ 4,726,386	\$ 70,573
Due to other governments	243,828	2,925,408	2,929,826	239,410
Total liabilities	<u>\$ 323,556</u>	<u>\$ 7,642,639</u>	<u>\$ 7,656,212</u>	<u>\$ 309,983</u>

Total - All Fiduciary Agency Funds:

	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014
Assets				
Cash and cash equivalents	\$ 5,264,432	\$ 294,075,779	\$ 294,614,302	\$ 4,725,909
Accounts receivable (Net)	276,747	1,483,617	1,496,448	263,916
Due from other governments	7,832	94,693	92,585	9,940
Total assets	<u>\$ 5,549,011</u>	<u>\$ 295,654,089</u>	<u>\$ 296,203,335</u>	<u>\$ 4,999,765</u>
Liabilities				
Accounts payable	\$ 543,513	\$ 131,145,226	\$ 131,211,515	\$ 477,224
Payroll deductions payable	70,323	5,785,520	5,746,652	109,191
Deposits/refunds payable	4,067,754	11,975,310	12,073,311	3,969,753
Due to other governments	842,340	144,214,807	144,626,504	430,643
Other liabilities	25,081	2,533,226	2,545,353	12,954
Total liabilities	<u>\$ 5,549,011</u>	<u>\$ 295,654,089</u>	<u>\$ 296,203,335</u>	<u>\$ 4,999,765</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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CONTENTS	
Financial Trends.....	154-165
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.....	166-175
These schedules contain information to help the reader assess the factors affecting the City’s ability to generate its property taxes.	
Debt Capacity	176-184
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	185-186
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	188-193
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,			
	2005	2006	2007	2008
Governmental Activities:				
Net investment in capital assets	\$ 100,547,204	\$ 107,826,375	\$ 114,134,870	\$ 117,712,886
Restricted	10,252,064	31,205,744	31,206,122	28,024,207
Unrestricted	72,982,717	50,220,578	52,858,376	55,653,280
Total net position	<u>\$ 183,781,985</u>	<u>\$ 189,252,697</u>	<u>\$ 198,199,368</u>	<u>\$ 201,390,373</u>
Business Type Activities:				
Net investment in capital assets	\$ 102,117,776	\$ 133,916,701	\$ 147,719,265	\$ 165,847,821
Restricted	38,417,150	17,366,288	23,528,470	24,264,408
Unrestricted	18,414,591	30,746,205	27,502,015	32,338,924
Total net position	<u>\$ 158,949,517</u>	<u>\$ 182,029,194</u>	<u>\$ 198,749,750</u>	<u>\$ 222,451,153</u>
Primary government in total:				
Net investment in capital assets	\$ 202,664,980	\$ 241,743,076	\$ 261,854,135	\$ 283,560,707
Restricted	48,669,214	48,572,032	54,734,592	52,288,615
Unrestricted	91,397,308	80,966,783	80,360,391	87,992,204
Total net position	<u>\$ 342,731,502</u>	<u>\$ 371,281,891</u>	<u>\$ 396,949,118</u>	<u>\$ 423,841,526</u>

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

Fiscal Year Ended June, 30					
2009	2010	2011	2012	2013	2014
\$ 122,778,610	\$ 125,057,087	\$ 126,568,635	\$ 133,330,927	\$ 145,372,597	\$ 157,690,864
34,250,362	34,203,674	9,491,161	12,654,851	14,849,367	13,885,585
42,313,022	36,180,495	46,286,480	38,769,382	41,245,404	41,733,653
<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>	<u>\$ 213,310,102</u>
\$ 186,175,486	\$ 139,515,797	\$ 144,425,891	\$ 153,591,879	\$ 167,961,227	\$ 184,669,553
17,411,175	21,003,170	9,525,175	13,815,795	13,093,011	15,018,846
42,209,231	44,559,441	68,270,100	72,201,183	77,459,857	74,490,345
<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>	<u>\$ 274,178,744</u>
\$ 308,954,096	\$ 264,572,884	\$ 270,994,526	\$ 286,922,806	\$ 313,333,824	\$ 342,360,417
51,661,537	55,206,844	19,016,336	26,470,646	27,942,378	28,904,431
84,522,253	80,739,936	114,556,580	110,970,565	118,705,261	116,223,998
<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>	<u>\$ 487,488,846</u>

City of Dearborn, Michigan

	Fiscal Year Ended June 30,			
	2005	2006	2007	2008
Expenses				
General government	\$ 21,122,681	\$ 17,970,243	\$ 18,558,136	\$ 18,623,714
Public safety	50,323,782	53,815,679	49,236,224	53,534,358
Public works	15,991,362	15,735,740	17,551,174	18,240,387
Health and welfare	960,649	1,033,980	1,004,187	884,660
Recreation and culture	20,302,546	20,887,064	19,233,843	20,284,890
Community improvement	3,496,589	3,057,027	2,269,759	2,263,778
Interest on long-term debt	1,319,681	1,207,120	1,298,032	969,908
Total expenses	113,517,290	113,706,853	109,151,355	114,801,695
Program revenues				
Charges for services				
General government	3,205,671	3,688,843	4,014,763	3,987,138
Public safety	6,990,454	7,604,854	7,290,859	7,279,165
Public works	1,808,400	1,784,182	1,989,214	2,589,058
Health and welfare	181,967	182,536	176,345	170,208
Recreation and culture	6,480,262	6,138,877	6,373,706	6,459,188
Community improvement	30,093	7,692	14,000	139,747
Total charges for services	18,696,847	19,406,984	19,858,887	20,624,504
Operating grants and contributions	9,528,743	11,220,655	10,438,719	9,304,569
Capital grants and contributions	4,136,188	4,890,813	1,324,987	1,040,365
Total program revenues	32,361,778	35,518,452	31,622,593	30,969,438
Net (expense) revenue	(81,155,512)	(78,188,401)	(77,528,762)	(83,832,257)
General revenues				
Property taxes	71,536,045	72,786,959	73,631,345	74,411,232
Intergovernmental revenues	10,225,375	9,967,910	9,594,061	9,520,440
Investment earnings	2,109,219	3,761,071	4,442,283	4,484,831
Miscellaneous	164,447	127,871	341,677	120,281
Total general revenues	84,035,086	86,643,811	88,009,366	88,536,784
Gain (loss) on sale of capital assets	-	(215,000)	-	-
Transfers	(710,439)	(2,769,698)	(1,533,933)	(1,513,522)
Change in net position	\$ 2,169,135	\$ 5,470,712	\$ 8,946,671	\$ 3,191,005

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

		Fiscal Year Ended June 30,									
		2009	2010	2011	2012	2013	2014				
\$	18,905,374	\$	12,376,173	\$	12,225,979	\$	11,993,709	\$	13,049,241	\$	15,580,246
	56,413,381		57,738,469		62,196,288		59,102,614		52,835,042		60,883,155
	17,062,196		18,683,274		18,119,188		17,494,663		19,718,230		19,658,290
	899,100		382,038		373,951		(2,766)		1,270		274
	20,056,955		21,540,832		22,010,768		20,718,911		20,761,965		19,580,632
	2,840,908		2,726,471		5,281,873		6,013,857		2,966,945		3,423,885
	692,610		575,506		436,484		252,423		188,610		66,307
	<u>116,870,524</u>		<u>114,022,763</u>		<u>120,644,531</u>		<u>115,573,411</u>		<u>109,521,303</u>		<u>119,192,789</u>
	4,060,655		3,433,331		3,568,250		3,890,329		4,109,909		4,682,807
	7,183,233		6,058,870		8,746,633		8,044,980		7,681,405		8,712,212
	808,008		240,855		192,735		81,308		228,766		389,269
	187,589		220,888		151,598		7,820		2,151		1,575
	6,198,247		6,228,878		6,178,886		6,227,984		6,154,944		7,476,466
	41,900		15,942		28,632		23,511		6,063		764,477
	<u>18,479,632</u>		<u>16,198,764</u>		<u>18,866,734</u>		<u>18,275,932</u>		<u>18,183,238</u>		<u>22,026,806</u>
	9,668,790		11,580,040		11,248,838		10,805,625		11,012,688		11,686,487
	1,354,205		3,054,980		3,605,055		10,211,453		11,552,900		14,350,620
	<u>29,502,627</u>		<u>30,833,784</u>		<u>33,720,627</u>		<u>39,293,010</u>		<u>40,748,826</u>		<u>48,063,913</u>
	<u>(87,367,897)</u>		<u>(83,188,979)</u>		<u>(86,923,904)</u>		<u>(76,280,401)</u>		<u>(68,772,477)</u>		<u>(71,128,876)</u>
	74,177,428		70,861,323		65,008,877		64,815,389		77,177,876		75,003,853
	9,154,795		8,087,313		8,257,255		8,374,116		8,670,195		8,879,861
	2,800,349		825,396		252,343		75,276		93,240		35,566
	339,860		310,711		291,734		241,611		458,812		82,330
	<u>86,472,432</u>		<u>80,084,743</u>		<u>73,810,209</u>		<u>73,506,392</u>		<u>86,400,123</u>		<u>84,001,610</u>
	-		-		-		-		-		-
	<u>(1,152,914)</u>		<u>(796,502)</u>		<u>18,715</u>		<u>5,182,893</u>		<u>(915,438)</u>		<u>(1,030,000)</u>
\$	<u>(2,048,379)</u>	\$	<u>(3,900,738)</u>	\$	<u>(13,094,980)</u>	\$	<u>2,408,884</u>	\$	<u>16,712,208</u>	\$	<u>11,842,734</u>

City of Dearborn, Michigan

	Fiscal Year Ended June 30,			
	2005	2006	2007	2008
Expenses				
Housing	\$ 3,064,323	\$ 3,227,297	\$ 3,394,571	\$ 3,322,742
Golf course	1,601,870	1,563,400	1,557,375	1,588,253
Parking	473,676	608,254	1,934,091	2,360,226
Sewer	17,921,160	16,737,924	16,963,805	17,779,531
Water	11,122,419	10,717,015	11,518,094	11,525,968
Total expenses	<u>34,183,448</u>	<u>32,853,890</u>	<u>35,367,936</u>	<u>36,576,720</u>
Program revenues				
Charges for services				
Housing	3,169,921	3,370,818	3,311,667	3,424,466
Golf course	1,347,301	1,300,202	1,322,504	1,283,463
Parking	745,981	389,658	1,103,913	1,640,449
Sewer	19,537,082	19,660,321	20,252,157	22,867,177
Water	11,056,895	15,047,237	14,071,679	16,282,194
Total charges for services	<u>35,857,180</u>	<u>39,768,236</u>	<u>40,061,920</u>	<u>45,497,749</u>
Operating grants and contributions	-	-	-	-
Capital grants and contributions	9,707,284	7,084,833	3,720,899	1,641,423
Total program revenues	<u>45,564,464</u>	<u>46,853,069</u>	<u>43,782,819</u>	<u>47,139,172</u>
Net (expense) revenue	<u>11,381,016</u>	<u>13,999,179</u>	<u>8,414,883</u>	<u>10,562,452</u>
General revenues				
Property taxes	-	3,218,635	3,540,409	7,408,825
Intergovernmental revenues	73,862	-	10,950	503,887
Investment earnings	1,316,732	2,016,375	3,038,305	3,550,346
Miscellaneous	143,783	1,075,790	182,076	162,371
Total general revenues	<u>1,534,377</u>	<u>6,310,800</u>	<u>6,771,740</u>	<u>11,625,429</u>
Gain (loss) on sale of capital assets	-	-	-	-
Special items-loss on abandoned assets	-	-	-	-
Transfers	710,439	2,769,698	1,533,933	1,513,522
Change in net position	<u>\$ 13,625,832</u>	<u>\$ 23,079,677</u>	<u>\$ 16,720,556</u>	<u>\$ 23,701,403</u>
Change in Primary Government net position				
Change in Governmental net position	\$ 2,169,135	\$ 5,470,712	\$ 8,946,671	\$ 3,191,005
Change in Business-type net position	<u>13,625,832</u>	<u>23,079,677</u>	<u>16,720,556</u>	<u>23,701,403</u>
Total Change in Primary Government net position	<u>\$ 15,794,967</u>	<u>\$ 28,550,389</u>	<u>\$ 25,667,227</u>	<u>\$ 26,892,408</u>

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

		Fiscal Year Ended June 30,					
		2009	2010	2011	2012	2013	2014
\$	3,458,115	\$ 4,325,517	\$ 3,300,533	\$ 2,990,211	\$ 2,495,464	\$ 3,617,191	
	1,453,587	1,400,042	1,372,503	1,259,035	1,060,839	964,229	
	2,176,678	2,163,670	2,111,898	2,084,662	2,032,506	2,075,909	
	18,675,598	17,339,277	23,319,895	30,328,151	35,166,346	34,387,772	
	14,551,370	13,489,834	15,331,842	15,398,293	16,084,791	16,293,822	
	40,315,348	38,718,340	45,436,671	52,060,352	56,839,946	57,338,923	
	3,280,655	2,986,372	3,099,199	3,151,693	2,547,145	2,576,516	
	1,200,615	1,180,309	1,049,788	1,008,256	773,775	809,909	
	1,369,973	1,212,763	1,257,440	1,579,888	1,586,944	1,516,758	
	26,435,810	23,143,181	25,420,282	27,025,311	29,703,949	29,303,558	
	18,010,410	16,161,503	16,348,307	17,532,486	19,304,119	19,215,410	
	50,297,463	44,684,128	47,175,016	50,297,634	53,915,932	53,422,151	
	-	-	-	-	-	-	
	1,295,426	-	4,840,836	1,176,183	3,270,702	719,455	
	51,592,889	44,684,128	52,015,852	51,473,817	57,186,634	54,141,606	
	11,277,541	5,965,788	6,579,181	(586,535)	346,688	(3,197,317)	
	7,413,464	9,834,080	15,647,451	16,147,491	16,398,838	15,333,304	
	-	-	-	-	-	-	
	1,946,237	841,748	292,533	103,383	124,935	48,487	
	1,554,583	1,168,875	127,128	1,492,129	1,125,983	2,450,175	
	10,914,284	11,844,703	16,067,112	17,743,003	17,649,756	17,831,966	
	-	675,523	(18,977)	5,414,116	(6,644)	-	
	-	(60,000,000)	(5,465,843)	-	-	-	
	1,152,914	796,502	(18,715)	(5,182,893)	915,438	1,030,000	
\$	23,344,739	\$ (40,717,484)	\$ 17,142,758	\$ 17,387,691	\$ 18,905,238	\$ 15,664,649	
\$	(2,048,379)	\$ (3,900,738)	\$ (13,094,980)	\$ 2,408,884	\$ 16,712,208	\$ 11,842,734	
	23,344,739	(40,717,484)	17,142,758	17,387,691	18,905,238	15,664,649	
\$	21,296,360	\$ (44,618,222)	\$ 4,047,778	\$ 19,796,575	\$ 35,617,446	\$ 27,507,383	

City of Dearborn, Michigan

	As of June 30,			
	2005	2006	2007	2008
General fund				
Reserved	\$ 8,433,491	\$ 11,631,922	\$ 8,057,877	\$ 2,903,603
Unreserved	34,158,361	24,705,707	27,656,144	27,091,088
Nonspendable	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total general fund	<u>\$ 42,591,852</u>	<u>\$ 36,337,629</u>	<u>\$ 35,714,021</u>	<u>\$ 29,994,691</u>
All other governmental funds				
Reserved	\$ 31,208,243	\$ 35,197,980	\$ 36,093,486	\$ 36,269,424
Unreserved, reported in:				
Special revenue funds	1,003,246	2,182,390	2,820,754	4,246,060
Debt service fund	-	-	-	-
Capital projects fund	-	-	98,378	2,864,333
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Total all other governmental funds	<u>\$ 32,211,489</u>	<u>\$ 37,380,370</u>	<u>\$ 39,012,618</u>	<u>\$ 43,379,817</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.

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

As of June 30,					
2009	2010	2011 (1)	2012	2013	2014
\$ 4,565,604	\$ 2,773,477	\$ -	\$ -	\$ -	\$ -
23,822,046	19,649,622	-	-	-	-
-	-	203,754	247,488	234,932	252,586
-	-	5,707,125	5,075,442	-	435,600
-	-	15,657,636	14,483,393	18,962,626	22,934,549
<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>	<u>\$ 23,622,735</u>
\$ 34,249,675	\$ 33,578,417	\$ -	\$ -	\$ -	\$ -
3,434,493	1,359,711	-	-	-	-
-	-	-	-	-	-
5,060,572	3,118,999	-	-	-	-
-	-	13,282,980	6,449,092	6,740,441	7,347,232
-	-	9,491,161	12,654,851	14,015,744	13,148,516
-	-	3,180,165	2,889,803	3,170,572	3,392,589
-	-	8,419,529	6,847,754	7,645,525	3,682,673
<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>	<u>\$ 27,571,010</u>

City of Dearborn, Michigan

	Year Ended June 30,			
	2005	2006	2007	2008
Revenues				
Taxes, assessments and penalties on taxes	\$ 71,636,846	\$ 73,074,475	\$ 73,956,411	\$ 74,864,544
Licenses and permits	2,484,862	2,211,330	2,354,012	2,103,672
Intergovernmental revenues:				
State sources	17,556,775	18,724,037	17,019,551	16,890,767
Federal sources	4,286,267	5,792,025	3,019,962	1,839,525
Local sources	-	-	-	-
Other sources	174,776	116,796	120,626	232,307
Charges for services	9,605,652	9,789,794	9,763,643	10,517,161
Fines and forfeits	3,615,747	4,480,045	4,591,880	4,734,867
Rents and royalties	5,066,367	5,206,021	5,216,764	5,598,596
Miscellaneous revenue	2,070,831	2,537,007	1,251,339	1,211,475
Private source contributions	553,421	257,048	159,203	179,747
Investment income	2,108,961	3,761,071	4,442,283	4,484,831
Total revenues	<u>119,160,505</u>	<u>125,949,649</u>	<u>121,895,674</u>	<u>122,657,492</u>
Expenditures				
General government	17,802,197	17,625,581	16,592,671	17,243,638
Public safety	47,448,269	50,596,105	47,815,559	50,531,877
Public works	18,740,517	20,545,286	23,264,645	22,205,870
Health and welfare	951,384	1,015,112	1,017,025	918,983
Recreation and culture	16,625,373	17,158,608	15,991,058	16,742,339
Community improvement	1,856,829	2,214,272	1,944,888	1,988,312
Utilities	4,060,359	4,464,391	4,302,158	4,607,915
Capital outlay	8,373,440	5,687,117	3,816,566	4,009,106
Debt service - principal	2,630,000	2,765,000	3,040,000	3,025,000
Debt service - interest and fiscal charges	1,347,823	1,229,742	1,242,580	989,061
Unrealized loss on land held for resale	-	-	-	-
Total expenditures	<u>119,836,191</u>	<u>123,301,214</u>	<u>119,027,150</u>	<u>122,262,101</u>
Revenues Over (Under) Expenditures	(675,686)	2,648,435	2,868,524	395,391
Other Financing Sources (Uses)				
Issuance of debt	-	-	9,840,000	3,536,000
Bond premium and other	-	-	285,831	-
Payments from (to) escrow agent	-	-	(10,125,831)	(3,520,000)
Transfers in	8,000,313	13,105,908	11,823,416	14,584,454
Transfers out	(9,775,597)	(16,303,606)	(13,683,300)	(16,347,976)
Contribution to component units	-	(536,079)	-	-
Total other financing sources (uses)	<u>(1,775,284)</u>	<u>(3,733,777)</u>	<u>(1,859,884)</u>	<u>(1,747,522)</u>
Net Change in Fund Balances	(2,450,970)	(1,085,342)	1,008,640	(1,352,131)
Fund Balances - Beginning of year	<u>77,254,311</u>	<u>74,803,341</u>	<u>73,717,999</u>	<u>74,726,639</u>
Fund Balances - End of year	<u>\$ 74,803,341</u>	<u>\$ 73,717,999</u>	<u>\$ 74,726,639</u>	<u>\$ 73,374,508</u>
Debt service as a percentage of noncapital expenditures	3.62%	3.60%	3.97%	3.47%

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

		Year Ended June 30,									
		2009	2010	2011	2012	2013	2014				
\$	74,417,614	\$	66,898,007	\$	68,634,837	\$	65,586,461	\$	78,061,215	\$	75,146,320
	1,629,179		1,456,321		2,606,186		2,164,269		2,002,495		1,607,365
	16,144,911		14,994,366		15,174,605		15,645,123		15,883,980		16,805,010
	2,477,958		5,554,459		6,344,198		12,117,043		10,987,722		11,862,765
	-		-		25,000		90,000		828,235		714,299
	234,800		205,886		181,390		772,087		-		-
	8,581,834		8,112,023		8,919,439		8,543,324		9,046,524		11,393,096
	5,088,268		3,907,176		4,150,768		4,338,557		4,167,059		4,757,661
	5,756,594		5,621,711		5,869,862		4,785,360		4,606,920		5,048,921
	796,671		806,946		700,242		700,511		2,482,511		3,605,457
	251,375		245,192		48,882		68,372		41,023		37,398
	2,800,349		825,396		252,343		75,276		95,057		36,925
	<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>		<u>131,015,217</u>
	16,600,757		13,266,973		12,742,209		12,147,029		14,697,735		15,669,944
	51,391,481		53,784,103		54,255,155		55,340,145		56,702,499		55,474,235
	19,685,018		18,925,016		18,958,399		18,658,991		17,620,568		21,413,107
	899,511		394,537		345,274		10,427		194		-
	16,068,221		18,877,609		18,533,939		16,430,423		18,803,949		19,772,959
	2,061,008		2,235,666		2,038,767		2,035,755		2,476,715		2,683,368
	4,320,227		323,085		305,438		281,736		374,885		393,639
	5,872,343		4,855,404		2,938,196		7,770,659		10,356,592		12,360,720
	3,165,000		3,296,683		3,294,095		3,381,696		3,450,598		1,432,650
	755,191		610,853		473,257		361,520		230,051		102,911
	-		-		2,500,000		5,739,000		451,500		251,778
	<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>		<u>129,555,311</u>
	(2,639,204)		(7,942,446)		(3,476,977)		(7,270,998)		3,037,455		1,459,906
	-		-		-		-		-		-
	-		-		-		-		-		-
	-		-		-		-		-		-
	12,380,950		8,682,846		12,901,955		14,048,394		7,373,659		8,695,075
	(11,983,864)		(11,392,564)		(13,962,854)		(14,071,923)		(8,289,097)		(9,731,076)
	-		-		-		-		-		-
	<u>397,086</u>		<u>(2,709,718)</u>		<u>(1,060,899)</u>		<u>(23,529)</u>		<u>(915,438)</u>		<u>(1,036,001)</u>
	(2,242,118)		(10,652,164)		(4,537,876)		(7,294,527)		2,122,017		423,905
	<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>
\$	<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>	\$	<u>51,193,745</u>
	3.48%		3.54%		3.45%		3.41%		3.26%		1.37%

City of Dearborn, Michigan

	Fiscal Year Ended June, 30			
	2005	2006	2007	2008
Assets				
Current assets:				
Cash and cash equivalents	\$ 437,196	\$ 5,763,479	\$ 6,467,790	\$ 7,922,004
Investments	4,748,615	-	-	-
Accounts Receivable (Net)	99,780	253,969	132,941	717,338
Property taxes receivable	-	26,824	25,745	14,856
Unbilled accounts receivable	1,252,442	1,397,962	1,431,730	1,710,865
Accrued interest receivable	182,226	260,629	242,064	317,667
Due from other governments	5,622,110	80,365	117,150	379,451
Due from other funds	3,800,587	27,881	525,383	621,599
Prepaid items	13,933	18,463	21,360	-
Inventories	-	-	-	-
Total current assets	<u>16,156,889</u>	<u>7,829,572</u>	<u>8,964,163</u>	<u>11,683,780</u>
Noncurrent assets:				
Restricted cash and investments:				
Construction	34,395,584	16,716,242	17,383,758	16,094,615
Debt service	1,930,742	4,634,356	5,899,117	7,917,774
Investments, long-term	1,921,241	8,876,728	10,104,111	12,488,858
Capital assets (Net)	<u>103,200,190</u>	<u>150,864,429</u>	<u>194,582,424</u>	<u>238,826,150</u>
Total noncurrent assets	<u>141,447,757</u>	<u>181,091,755</u>	<u>227,969,410</u>	<u>275,327,397</u>
Total assets	<u>157,604,646</u>	<u>188,921,327</u>	<u>236,933,573</u>	<u>287,011,177</u>
Liabilities				
Current liabilities:				
Accounts payable	12,760,316	3,353,758	2,982,256	13,872,347
Accrued interest payable	491,671	600,494	725,490	845,248
Accrued liabilities	9,657	19,774	17,008	20,824
Due to other governments	434,056	421,876	182,071	208,085
Due to other funds	1,200,000	-	21,360	45,124
Liabilities payable from restricted assets	-	6,239,006	7,276,307	8,550,000
Current portion of long-term debt	2,420,000	2,465,000	5,330,000	-
Total current liabilities	<u>17,315,700</u>	<u>13,099,908</u>	<u>16,534,492</u>	<u>23,541,628</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	54,926,576	75,606,634	104,126,803	130,489,516
Other liabilities	15,668	25,636	4,084,562	4,589,810
Total noncurrent liabilities	<u>54,942,244</u>	<u>75,632,270</u>	<u>108,211,365</u>	<u>135,079,326</u>
Total liabilities	<u>72,257,944</u>	<u>88,732,178</u>	<u>124,745,857</u>	<u>158,620,954</u>
Net Position				
Net investment in capital assets	45,853,614	72,792,795	85,125,621	99,786,634
Restricted for:				
Construction	34,395,583	10,477,235	17,383,758	16,094,615
Debt service	1,930,742	6,156,096	5,899,117	7,917,774
Unrestricted	3,166,763	10,763,023	3,779,220	4,591,200
Total net position	<u>\$ 85,346,702</u>	<u>\$ 100,189,149</u>	<u>\$ 112,187,716</u>	<u>\$ 128,390,223</u>

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

Fiscal Year Ended June, 30					
2009	2010	2011	2012	2013	2014
\$ 9,070,122	\$ 12,964,653	\$ 55,444,100	\$ 56,444,046	\$ 58,221,954	\$ 57,200,895
-	-	-	-	-	-
180,871	217,236	311,122	310,900	4,449,552	4,298,326
8,100	36,590	96,464	25,662	52,325	44,847
3,452,578	2,721,972	2,388,135	2,573,752	2,659,408	2,415,116
257,238	257,998	266,843	141,090	81,851	28,542
150,000	412,328	-	48,637	1,040,689	297,410
2,573	-	2,550	-	1,235	-
-	-	-	-	-	-
410,288	410,287	185,287	185,960	185,960	185,960
<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>	<u>64,471,096</u>
11,082,093	17,021,308	3,760,211	6,290,064	5,189,520	7,082,451
6,071,919	9,354,234	2,100,296	1,901,803	1,702,056	1,494,425
19,784,972	14,749,500	7,188,882	2,953,337	2,208,641	3,262,168
288,342,896	268,356,736	294,927,700	294,869,058	294,709,088	298,712,306
<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>310,551,350</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>	<u>375,022,446</u>
4,139,459	4,161,371	5,847,106	5,088,290	6,780,371	6,094,726
969,634	1,071,114	1,052,796	1,037,490	1,010,803	989,484
17,482	215,481	326,681	646,900	403,440	356,867
158,973	731,868	101,641	273,850	145,365	222,435
237	2,274	-	21,540	27,858	-
7,424,423	5,634,823	-	-	-	-
8,710,000	13,125,000	12,859,403	13,123,403	13,390,903	14,327,471
<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>	<u>21,990,983</u>
-	-	1,760,211	-	-	-
-	-	476,546	491,546	509,046	545,000
-	-	110,750	93,553	75,379	55,426
162,048,508	185,962,103	208,397,658	202,297,273	193,395,991	184,895,846
8,635,684	11,671,986	7,565,882	86,793	96,217	120,266
<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>185,616,538</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>	<u>207,607,521</u>
117,584,388	69,269,633	73,670,639	79,448,382	87,922,193	99,488,989
11,082,093	11,386,485	2,000,000	6,290,064	5,189,520	7,082,451
6,071,919	9,354,234	7,525,175	7,525,731	7,903,491	7,936,395
11,970,850	13,916,470	44,977,102	49,319,494	53,651,702	52,907,090
<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>	<u>\$ 167,414,925</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>
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	8,794,688
2015	9,095,760 (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
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
2015	2014	37.60	34.03	20,418.00

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
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
2014	2015	1,518,215,789	734,768,227	363,094,110	68,712,098	2,684,790,224

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 2014 (fiscal year 2015) taxable valuation is as follows:

By Class	Taxable Valuation	Percent of total
Real Property	\$ 2,684,790,224	72.43%
Personal Property	1,021,879,250	27.57%
Total	\$ 3,706,669,474	100.00%

By Use	Taxable Valuation	Percent of total
Commercial	\$ 734,768,227	19.82%
Industrial	363,094,110	9.80%
Residential	1,518,215,789	40.96%
Personal	1,090,591,348	29.42%
Total	\$ 3,706,669,474	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
\$	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%
	593,338,700	428,540,550	1,021,879,250	3,706,669,474	26.60	191,780,589	3,772,790,150	98.25%

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								
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	8.9266	3.0000
2014	2015	18.5000	4.2900	2.2700	1.5400	26.6000	5.6483 *	3.0000

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

Westwood School District

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	8.9266	3.2408
2014	2015	18.5000	4.2900	2.2700	1.5400	26.6000	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
2013	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) 2013 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.

Source: City of Dearborn Departments of Assessment and Finance

Direct and Overlapping Property Tax Rates Last Ten Fiscal Years

<u>Overlapping Taxes</u>				Total Tax		Total Tax
Intermediate School District	State Education Tax (SET)	Total Tax Rate Before School Taxes	School P.R.E. (5)	Rate P.R.E. (4)(5)	Overlapping Taxes School Non - P.R.E.	Total Tax Rate Non - P.R.E.
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	47.2909	11.5200	58.8109	23.3500	70.6409
3.4643	6.0000	TBD *	11.5200	TBD *	23.3500	TBD *
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	47.5317	-	47.5317	18.0000	65.5317
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	2014			2013			2004		
	Taxable Value	Rank	Percent of total	Taxable Value	Rank	Percent of total	Taxable Value	Rank	Percent of total
Ford Motor Company	\$ 875,191,480	1	23.61%	\$ 757,739,238	1	20.74%	\$ 1,095,165,525	1	23.15%
Severstal Steel Company	323,296,250	2	8.72%	328,255,000	2	8.98%	154,146,859	2	3.26%
Dearborn Industrial Generation	60,420,550	3	1.63%	107,945,950	3	2.95%	91,309,850	3	1.93%
Fairlane Town Center	34,760,550	4	0.94%	36,528,600	4	1.00%	47,847,950	5	1.01%
Ford Motor Land Development Corp	33,638,713	5	0.91%	33,404,834	5	0.91%	-	-	-
DTE Energy Company	33,475,951	6	0.90%	29,009,600	6	0.79%	-	-	-
The ACG (AAA of Michigan)	21,580,550	7	0.58%	20,548,500	7	0.56%	37,077,713	8	0.78%
DTE Gas Company	17,642,450	8	0.48%	15,324,050	8	0.42%	-	-	-
Urbcam Michigan LLC	15,451,650	9	0.42%	-	-	-	-	-	-
Dearborn Schaefer Office Co LLC	12,334,000	10	0.33%	12,334,000	9	0.34%	-	-	-
Kenwall Steel	-	-	-	10,757,050	10	0.29%	-	-	-
Detroit Edison	-	-	-	-	-	-	45,777,533	6	0.97%
HRP NOM LP (Hallwood Mgmt Co)	-	-	-	-	-	-	37,338,913	7	0.79%
Visteon	-	-	-	-	-	-	62,138,441	4	1.31%
Lear Corporation	-	-	-	-	-	-	22,103,561	10	0.47%
The Hyatt Regency	-	-	-	-	-	-	24,256,308	9	0.51%
Total - ten largest taxpayers	1,427,792,144		38.52%	1,351,846,822		36.98%	1,617,162,653		34.18%
Total - all other taxpayers	2,278,877,330		61.48%	2,302,169,097		63.02%	3,113,215,731		65.82%
Total - all taxpayers	<u>\$ 3,706,669,474</u>		<u>100.00%</u>	<u>\$ 3,654,015,919</u>		<u>100.00%</u>	<u>\$ 4,730,378,384</u>		<u>100.00%</u>

Notes:

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

Abated Industrial Facilities Taxable Value for the 2004 tax year applicable to Ford Motor Company was \$63,378,800 Real and \$266,169,200 Personal Property; Severstal Steel Company was \$3,608,000 Real and \$10,117,500 Personal Property; and Dearborn Industrial Generation (DIG) was \$6,025,300 Real and \$117,292,950 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.

Abated Industrial Facilities Taxable Value for the 2014 tax year applicable to Ford Motor Company was \$42,285,250 Real and \$211,340,350 Personal Property; Severstal Steel Company was \$9,300,000 Real and \$212,859,700 Personal Property.

Total Abated OPRA (Obsolete Property Rehabilitation Act) value for 2014 taxable year applicable to Urbcam Michigan LLC was \$14,021,650.

Source: City of Dearborn Department of Assessment

City of Dearborn, Michigan

Principal Sewage Utility Customers

Taxpayer	Fiscal Year Ended June 30, 2014		
	Estimated Sewage Volumes (in cubic feet) (1)	Rank	Estimated Sewage Disposal Charges Billed (2)
Severstal NA	61,521,300	1	\$ 2,245,527
Ford Rouge Plant	36,932,100	2	1,348,022
Oakwood Health Care	13,687,300	3	499,586
Dearborn Schools	6,842,900	4	249,766
Ford Motor Co. & Headquarters	5,840,500	5	213,178
Fairlane Town Ctr w/Movies	3,482,400	6	127,108
U of M Dearborn	3,394,500	7	123,899
Henry Ford Village	2,971,900	8	108,474
The Adoba (formerly Hyatt Regency)	2,766,300	9	100,970
The Henry (formerly Ritz Carlton)	<u>2,264,900</u>	10	<u>82,669</u>
Total - ten largest sewage customers	<u><u>139,704,100</u></u>		<u><u>\$ 5,099,199</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
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	69,457,743	69,328,891	99.8%	128,852
2014-2015	2014	71,680,857	in process of collection		

Tax Year	Delinquent Tax	Collections		
		Fiscal Year 2013-2014	Prior Fiscal Years	Total
2004	\$ 2,316,718	\$ -	\$ 2,551,984	\$ 2,551,984
2005	2,120,203	-	1,898,258	1,898,258
2006	2,203,911	-	2,430,080	2,430,080
2007	2,566,053	-	2,670,224	2,670,224
2008	3,100,117	-	3,170,046	3,170,046
2009	2,825,257	2,052	2,894,849	2,896,901
2010	1,229,004	1,217	325,015	326,232
2011	116,788	4,774	90,521	95,295
2012	115,325	28,483	13,350	41,833
2013	128,852	14,838	-	14,838

**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
\$ 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%
3,098,739	1,378	67,877,065	100.0%
2,820,187	5,070	65,089,531	100.0%
1,216,314	12,690	59,288,195	100.0%
86,750	30,038	60,441,547	100.0%
38,435	76,890	69,817,113	99.9%
15,558	113,294	69,344,449	99.8%

Adjustments	Delinquent Balance as of June 30, 2014
\$ 235,266	\$ -
(221,945)	-
226,169	-
104,171	-
71,307	1,378
76,714	5,070
(890,082)	12,690
8,545	30,038
3,398	76,890
(720)	113,294

City of Dearborn, Michigan

	Fiscal Year Ended June 30,			
	2005	2006	2007	2008
Governmental activities:				
General obligation bonds	\$ 30,489,918	\$ 27,217,946	\$ 23,744,725	\$ 20,217,780
Business type activities:				
General obligation bonds	47,132,660	68,401,337	100,993,381	131,853,146
Revenue bonds	24,953,267	23,052,972	21,107,676	19,122,380
Total business type activities	72,085,927	91,454,309	122,101,057	150,975,526
Total debt of the government	\$ 102,575,845	\$ 118,672,255	\$ 145,845,782	\$ 171,193,306
Total residential personal income	\$ 2,067,333,614	\$ 2,067,333,614	\$ 2,167,472,786	\$ 2,292,093,612
Ratio of total debt to personal income	4.96%	5.74%	6.73%	7.47%
Total population*	99,382	99,909	99,089	101,223
Total debt per capita	\$ 1,032	\$ 1,188	\$ 1,472	\$ 1,691

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, July, 2014" except the 2010 population is from the U.S. Census Bureau.

Ratios of Outstanding Debt Last Ten Fiscal Years

Fiscal Year Ended June 30,						
2009	2010	2011	2012	2013	2014	
\$ 17,024,420	\$ 13,703,672	\$ 10,277,268	\$ 6,765,244	\$ 3,180,981	\$ 1,626,558	
164,795,189	194,324,037	218,182,845	213,248,466	205,531,240	198,808,356	
17,092,083	15,011,788	13,589,363	11,665,007	9,584,711	7,549,455	
181,887,272	209,335,825	231,772,208	224,913,473	215,115,951	206,357,811	
<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>	<u>\$ 207,984,369</u>	
\$ 2,254,828,035	\$ 2,295,862,702	\$ 2,252,509,776	\$ 2,308,132,976	\$ 2,330,397,184	\$ 2,009,473,072	
8.82%	9.71%	10.75%	10.04%	9.37%	10.35%	
101,665	98,146	98,604	100,249	101,216	102,566	
\$ 1,957	\$ 2,273	\$ 2,455	\$ 2,311	\$ 2,157	\$ 2,028	

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
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
2014	7,567,239	192,867,674	7,054,980	193,379,933	3,654,015,919

* Population statistics are the SEMCOG estimates as of July 1 as published in Southeast Michigan Council of Governments' "Population and Households in Southeast Michigan, July, 2014" 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
1.63%	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
5.29%	102,566	1,885

City of Dearborn, Michigan

	Fiscal Year Ended June 30,			
	2005	2006	2007	2008
Valuation base				
State equalized valuation - excluding IFT values	\$ 4,974,031,683	\$ 5,085,594,564	\$ 5,009,821,466	\$ 5,029,644,744
Plus: equivalent valuation of Act 198 exemptions	525,824,700	560,064,200	454,363,700	424,934,650
Total valuation	<u>\$ 5,499,856,383</u>	<u>\$ 5,645,658,764</u>	<u>\$ 5,464,185,166</u>	<u>\$ 5,454,579,394</u>
Legal Debt limitation - 10% of total valuation	\$ 549,985,638	\$ 564,565,876	\$ 546,418,517	\$ 545,457,939
Calculation of debt subject to limit:				
Total debt	102,575,845	118,672,255	145,845,782	171,193,306
Less: Revenue Bonds not subject to limit	(24,953,267)	(23,052,972)	(21,107,676)	(19,122,380)
Less: Amount available for repayment of general obligation bonds	(514,528)	(159,246)	(110,036)	(321,850)
Net debt subject to limit	<u>77,108,050</u>	<u>95,460,037</u>	<u>124,628,070</u>	<u>151,749,076</u>
Legal debt margin	<u>\$ 472,877,588</u>	<u>\$ 469,105,839</u>	<u>\$ 421,790,447</u>	<u>\$ 393,708,863</u>
Net debt subject to limit as % of debt limit	14.02%	16.91%	22.81%	27.82%

Computation of Legal Debt Margin Last Ten Fiscal Years

Fiscal Year Ended June 30,					
2009	2010	2011	2012	2013	2014
\$ 4,506,733,763	\$ 4,324,230,997	\$ 3,910,703,378	\$ 3,472,254,144	\$ 3,240,541,555	\$ 3,220,940,300
531,658,100	568,894,850	527,237,801	458,649,808	509,444,690	465,931,100
<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>	<u>\$ 3,686,871,400</u>
\$ 503,839,186	\$ 489,312,585	\$ 443,794,118	\$ 393,090,395	\$ 374,998,625	\$ 368,687,140
198,911,692	223,039,498	242,049,476	231,678,717	218,296,932	207,869,331
(17,092,083)	(15,011,788)	(13,589,363)	(11,665,007)	(9,584,711)	(7,434,416)
(285,649)	(37,387)	(383)	(83,453)	(207,390)	(13,002)
<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>200,421,913</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>	<u>\$ 168,265,227</u>
36.03%	42.51%	51.48%	55.95%	55.60%	54.36%

City of Dearborn, Michigan

Computation of Direct and Overlapping Bonded Debt General Obligation Bonds Year Ended June 30, 2014

Government Unit	Net Bonded Debt Outstanding	Percentage Applicable to Government	Amount Applicable to Government	Per Capita (2)
Direct - City of Dearborn	\$ 1,626,558	100.00%	\$ 1,626,558	\$ 16
Overlapping (1):				
Dearborn School District	209,359,500	95.13%	199,163,692	1,942
Westwood School District	1,100,000	7.23%	79,530	0.78
Wayne County at large	<u>341,632,130</u>	7.98%	<u>27,262,244</u>	<u>266</u>
Total Overlapping Debt	<u>552,091,630</u>	41.03%	<u>226,505,466</u>	<u>2,209</u>
Grand Total	<u>\$ 553,718,188</u>	41.20%	<u>\$ 228,132,024</u>	<u>\$ 2,225</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 102,566 as estimated in the Southeast Michigan Council of Governments' "Population and Household estimates in Southeast Michigan," July 2014.

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	
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%
2014	31,672,504	22,944,467	8,728,037	2,115,000	299,225	2,414,225	362%

(1) Total operating expenses exclusive of depreciation.

City of Dearborn, Michigan

Water Supply System Limited Tax Revenue Bonds Revenue Bond Coverage Last Four 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%
2014	19,244,518	14,804,877	4,439,641	55,000	17,252	72,252	6,145%

(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)
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%
2014	102,566	2,009,473,072	19,592	6.5%

- (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, July, 2014" except the 2010 population is from the U.S. Census Bureau.
- (2) U. S. Census Bureau; 2013 American Community Survey for Dearborn, Michigan
- (3) State of Michigan through Department of Labor & Economic Growth - Labor Market Information.

City of Dearborn, Michigan

Principal Employers Current Year and Nine Years Previous

	2013 (1)			2004 (2)		
	Employees	Rank	Percentage of Total	Employees	Rank	Percentage of Total
Ford Motor Company	43,977 (3)	1	53.02%	47,136 (4)	1	66.93%
ADP	10,000	2	12.06%	-	-	-
Oakwood Hospital Corporation	6,167	3	7.44%	7,441	2	10.57%
Severstal (Including Seversal International)	5,933	4	7.16%	-	-	-
Percepta	4,900	7	5.91%	-	-	-
School District of the City of Dearborn	4,450	5	5.37%	2,897	5	4.11%
AAA Michigan	3,339	6	4.03%	2,022	6	2.87%
EP Management Corp.	1,752	8	2.11%	-	-	-
United Technologies Auto	1,400	9	1.69%	-	-	-
Edward C. Levy Company	1,000	10	1.21%	-	-	-
Visteon	-	-	-	4,300	3	6.11%
Rouge Steel Company	-	-	-	3,200	4	4.54%
UM Child Development Center	-	-	-	954	7	1.35%
City of Dearborn	-	-	-	879	8	1.25%
Dearborn Frame Plant	-	-	-	800	9	1.14%
Consolidated Rail	-	-	-	795	10	1.13%
	<u>82,918</u>		<u>100.00%</u>	<u>70,424</u>		<u>100.00%</u>

Sources:

(1) 2013 Michigan Manufacturers Directory, 2012 Crain's Book of Lists and Manta Company Intelligence Website.

(2) 2004 Michigan Manufacturers Directory, Michigan Community Economic Profiles, and Dearborn Economic Development Corporation.

(3) 2013 Crain's Book of Lists: Wayne County's Largest Employers. Full-time employees only.

(4) Wayne County Totals from 2004 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,		
	2005	2006	2007
Primary government			
Governmental activities:			
General government	193.41	190.15	180.12
Public safety	448.34	459.38	446.38
Public works	93.09	90.30	84.20
Health and welfare	23.51	23.44	23.05
Recreation and culture	288.80	287.38	284.95
Community improvement	15.31	14.43	13.23
Total governmental activities	<u>1,062.46</u>	<u>1,065.08</u>	<u>1,031.93</u>
Business-type activities:			
Housing	22.84	24.69	24.69
Golf course	27.83	26.22	25.56
Parking	6.69	5.08	5.08
Sewer	12.00	12.00	14.68
Water	39.84	37.82	34.97
Total business-type activities	<u>109.20</u>	<u>105.81</u>	<u>104.98</u>
Total primary government	<u>1,171.66</u>	<u>1,170.89</u>	<u>1,136.91</u>
Component unit			
East Dearborn Downtown Development Authority	1.00	1.00	1.00
Total employees	<u>1,172.66</u>	<u>1,171.89</u>	<u>1,137.91</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.

Full-Time-Equivalent Government Employees Last Ten Fiscal Years

Full-time-Equivalent Employees						
as of July 1,						
2008	2009	2010	2011	2012	2013	2014
177.70	183.59	180.81	182.37	171.31	165.19	165.09
442.63	442.57	433.20	432.60	428.42	433.06	417.22
61.66	58.67	60.73	54.91	48.13	43.14	42.85
19.23	19.39	4.72	3.72	1.00	1.00	1.00
278.92	282.61	288.04	278.80	242.50	238.46	267.31
16.03	17.03	18.00	14.75	13.40	11.10	7.50
<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>	<u>900.97</u>
25.86	24.51	24.51	23.51	23.00	21.00	21.00
24.36	24.20	23.30	20.39	20.02	13.36	12.99
5.08	6.43	6.43	6.43	6.43	6.43	6.43
17.09	17.44	17.44	16.53	17.00	18.20	18.20
55.73	53.72	52.72	51.31	52.97	49.09	48.59
<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>107.21</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>	<u>1,008.18</u>
1.00	1.00	1.00	2.00	1.50	1.50	1.50
<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>	<u>1,009.68</u>

City of Dearborn, Michigan

Functions/programs	Fiscal Year Ended June 30,			
	2005	2006	2007	2008
Public safety				
Police patrol units	49	49	49	50
Fire stations	4	4	4	4
Emergency response vehicles	5	6	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	309.90	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	300,294	302,154	308,988	306,916
Utilities				
Water				
Miles of water mains	372.50	372.50	372.67	388.00
Fire hydrants	2,822	2,822	2,824	2,822
Sewer				
Miles of sanitary sewers	79.14	79.14	72.82	72.00
Miles of storm sewers	144.27	144.27	162.26	144.00
Miles of combined sewers	404.35	404.35	378.16	404.00

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

**Capital Asset Statistics
Last Ten Fiscal Years**

Fiscal Year Ended June 30,					
2009	2010	2011	2012	2013	2014
51	51	58	61	51	58
4	4	4	4	4	5
6	6	6	6	6	7
10	10	10	10	11	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	310.00	310.00	310.00	310.00
42	42	42	42	42	42
626	626	626	626	626	626
1	1	1	1	1	2
1	1	1	1	2	2
2	2	2	2	2	2
4	4	4	4	3	3
299,265	293,888	276,590	228,162	223,220	223,511
387.93	387.93	387.93	387.93	387.93	371.07
2,834	2,834	2,834	2,838	2,838	2,858
72.76	72.76	72.76	72.76	72.76	73.63
144.56	144.56	144.56	144.56	144.56	210.16
404.00	404.00	404.00	404.00	404.00	348.52

City of Dearborn, Michigan

Functions/programs	Fiscal Year Ended June 30,		
	2005	2006	2007
Election data			
Registered voters	51,056	54,882	57,427
District court			
Number of court cases	69,090	63,735	68,577
Building and safety			
Permits issued	9,412	9,096	8,173
Permit inspections conducted	28,231	17,165	19,367
Police			
Calls for service	54,432	56,467	58,356
Traffic citations	NA	22,458	21,477
Parking citations	NA	11,727	20,191
Fire			
Fire incidents	2,256	2,320	2,032
Emergency medical services incidents	7,522	7,475	7,471
Public works			
Miles of street resurfaced	5.40	3.09	1.57
Curbside refuse collected (tons)	39,958	44,400	39,043
Curbside compost collected (tons)	8,848	10,800	8,072
Curbside recyclables collected (tons)	4,046	4,200	3,912
Leaf collection (cubic yards)	24,300	19,762	19,888
Recreation			
Passholder visits	199,728	209,443	203,637
Library			
Collection - number of volumes	300,294	302,154	308,988
Circulation - number of transactions	1,143,446	1,034,882	918,886
Number of visitors	538,527	520,973	489,984
Water			
Number of customers billed	32,949	32,860	32,818
Total consumption (100 cubic feet)	7,782,069	7,532,607	6,820,710
Sewer			
Sewer water conveyed to Detroit (100 cubic feet)	11,820,680	11,561,647	11,392,378

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

Operating Indicators Last Ten Fiscal Years

Fiscal Year Ended June 30,						
2008	2009	2010	2011	2012	2013	2014
57,128	58,245	58,147	58,156	59,032	60,117	60,275
71,052	80,189	73,079	79,779	77,805	77,020	79,406
8,326	6,525	6,769	6,769	7,009	6,344	5,729
20,452	17,186	15,223	15,301	14,741	13,689	12,520
58,723	56,591	62,162	62,624	54,164	52,953	54,074
16,784	14,961	14,403	18,873	21,509	18,045	18,652
26,967	38,732	34,061	34,639	29,022	31,476	35,001
2,083	2,081	2,107	2,221	2,942	3,099	2,799
7,382	7,184	7,502	7,768	7,901	7,942	10,301 (1)
1.28	5.03	2.60	7.09	2.60	3.99	5.74
38,202	39,043	35,884	27,510	34,962	31,226	31,255
7,588	8,072	7,881	7,653	7,631	6,258	7,232
3,824	3,912	3,642	4,989	3,889	5,671	6,281
20,323	20,325	28,209	18,268	18,943	20,450	21,134
200,779	206,035	218,405	211,738	285,055	180,520	193,059
306,916	299,265	293,888	276,590	228,162	223,220	223,511
860,642	870,252	907,385	874,771	751,668	662,312	610,229
491,259	511,809	511,737	477,827	420,271	402,934	385,723
32,927	32,826	32,696	32,662	32,826	32,396	32,568
7,277,128	6,676,634	6,278,524	6,298,102	6,993,560	6,197,018	6,337,347
11,615,212	12,193,727	10,352,858	9,745,433	11,331,781	9,614,895	10,775,389

(1) The City of Melvindale Fire Department was consolidated into the City of Dearborn Fire Department in 2014. 1,348 incidents (223 Fire; 1,125 EMS) were recorded in Melvindale in 2014. An additional 137 Mutual Aid runs for other governments were performed during the year.

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City of Dearborn, Michigan

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

Independent Auditor's Reports:

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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, 2014 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 24, 2014.

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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 a certain deficiency in internal control that we consider to be a material weakness.

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 deficiency described in the accompanying schedule of findings and questioned costs as Finding 2014-001 to be a material weakness.

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

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 Response to Finding

The City of Dearborn, Michigan's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Dearborn, Michigan's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

November 24, 2014

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

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of 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, 2014. 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

Opinion on Each Major Federal Program

In our opinion, 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 each of its major federal programs for the year ended June 30, 2014.

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 City's internal control over compliance.

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

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

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

Plante & Moran, PLLC

November 24, 2014

City of Dearborn, Michigan

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

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	\$ 1,674,983
Neighborhood Stabilization Program	14.218	<u>633,632</u>
Total CDBG Entitlement Grant Cluster		2,308,615
Passed through the Michigan State Housing Development Authority - Home Investment Partnerships Program - Home Resource Fund - Grant Year 2010		
	14.239	<u>223,719</u>
Total U.S. Department of Housing and Urban Development		2,532,334
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	16,663
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	1,339
2010 Edward Byrne Memorial Justice Assistance Grant Program	16.738	22,127
2011 Edward Byrne Memorial Justice Assistance Grant Program	16.738	26,088
ARRA - 2009 Edward Byrne Memorial Justice Assistance Grant Program	16.804	<u>2,431</u>
Total JAG Program Cluster		51,985
Direct programs:		
Bullet Proof Vest Program	16.607	6,399
Equitable Sharing of Federally Forfeited Property	16.922	562,695
ARRA COPS Hiring Recovery Program	16.710	75,849
2012 COPS Hiring Program	16.710	197,374
Passed through Detroit Community Justice Partnership - Project Safe Neighborhoods Anti-Gang Initiative		
	16.744	<u>15,488</u>
Total U.S. Department of Justice		909,790
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	25,441
Passed through Michigan Department of Transportation - ARRA Intermodal Rail Passenger Facility		
	20.319	<u>10,542,436</u>
Total U.S. Department of Transportation		10,567,877
National Endowment for the Arts - Direct Program - Our Town Grant	45.024	75,000

City of Dearborn, Michigan

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2014

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	\$ 120,000
Passed through the Michigan Department of Environmental Quality:		
State Revolving Fund Loan - East Dearborn CSO Control Program	66.458	805
State Revolving Fund Loan - Combined Sewer Overflow Phase I	66.458	569,252
State Revolving Fund Loan - Combined Sewer Overflow Phase II	66.458	<u>2,172,363</u>
Total U.S. Environmental Protection Agency		2,862,420
Federal Emergency Management Agency:		
Direct programs:		
2007 Assistance to Firefighters Grant	97.044	5,804
2010 Staffing for Adequate Fire and Emergency Response Grant (SAFER)	97.044	56,590
Passed through the Michigan Department of State Police:		
Civil Preparedness Program	97.042	75,802
2009 Hazard Mitigation Assistance	97.047	<u>43,762</u>
Total Federal Emergency Management Agency		<u>181,958</u>
Total federal awards		<u><u>\$ 17,146,042</u></u>

City of Dearborn, Michigan

Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended June 30, 2014

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 11,937,765
Add noncash assistance	16,663
Add federal money to be recorded as a capital contribution from grants on the financial statements	120,000
Add federal money recorded as a liability (combined sewer overflow projects)	2,742,420
Add federal money classified as forfeited revenue when received	562,695
Add federal revenue classified as miscellaneous revenue on financial statements	66,853
Add unexpended proceeds on sale of HUD NSP land	339,559
Add grant receivable/revenue not recorded as revenue under modified accrual accounting	1,574,177
Less federal grants received not administered by the City	(159,487)
Less revenue for prior year expenditures received in current year	<u>(54,603)</u>
Federal expenditures per the schedule of expenditures of federal awards	<u>\$ 17,146,042</u>

City of Dearborn, Michigan

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

Note 1 - Basis of Presentation and Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Dearborn, Michigan under programs of the federal government for the year ended June 30, 2014. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-87, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Because the Schedule presents only a selected portion of the operations of 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, 2014 that is included on the schedule of expenditures of federal awards:

<u>Federal Program</u>	<u>CFDA Number</u>	<u>Description</u>	<u>Amount</u>
U.S. Department of Agriculture	10.569	Emergency Food Distribution Program	\$ 16,663

Note 3 - Subrecipient Awards

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

<u>Federal Program Title</u>	<u>CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grant	14.218	\$ 67,249

City of Dearborn, Michigan

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

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 2013. 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, 2014

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
14.218	U.S. Department of Housing and Urban Development - Community Development Block Grant Cluster
20.319	U.S. Department of Transportation - Intermodal Rail Passenger Facility

Dollar threshold used to distinguish between type A and type B programs: \$514,381

Auditee qualified as low-risk auditee? Yes No

City of Dearborn, Michigan

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

Section II - Financial Statement Audit Findings

Reference Number	Finding
2014-001	<p>Finding Type - Material Weakness</p> <p>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).</p> <p>Condition - As a result of current year audit procedures, we noted one item that was not properly calculated and/or presented in accordance with GAAP: the City has contributed above the actuarially required amounts for the defined benefit pension funds without recognizing it in the financial statements.</p> <p>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 one exception. 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.</p> <p>Cause - The City has the resources to determine the proper GAAP accounting for this item, but for various reasons chose a method for calculating and reporting the transactions that was not in compliance with GAAP.</p> <p>Effect - The noted decision made by management had the following result: the City has not recorded a net pension asset that would have amounted to \$1,675,290 as of June 30, 2014, including interest.</p> <p>Recommendation - We recommend the City implement additional review procedures to verify significant amounts are accurately reported before the financial statement audit begins. In this situation, the City has explained its position and treatment. We recognize that GAAP changes effective for the next fiscal year will result in the lapsing of this finding.</p>

City of Dearborn, Michigan

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

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2014-001 (Cont'd)	Views of Responsible Officials and Planned Corrective Actions - 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. In summary, generally accepted accounting principles (GAAP) are changing and the City practices will then align. The City does not have an internal control weakness as we fully understand the recording and reporting for this accounting activity.

Section III - Federal Program Audit Findings

None

City of Dearborn, Michigan

Summary Schedule of Prior Audit Findings Year Ended June 30, 2014

Prior Year Finding Number	Federal Program	Original Finding Description	Status	Planned Corrective Action
2013-001	N/A	IT segregation of duties	Corrected	N/A
2013-002	N/A	Bank reconciliations not fully reconciled and completed on a timely basis	Corrected	N/A
2013-003	N/A	The City recorded three items that were not properly calculated and/or presented in accordance with GAAP.	As of June 30, 2014 this is a repeat finding for one of the three items. The other two items were properly accounted for in fiscal year 2014.	See current year finding 2014-001 for planned corrective action
2013-004	N/A	No monthly reconciliation of the water and sewer receivables	Corrected	N/A
2013-005	16.710 - ARRA COPS Hiring Recovery Program	Two unresolved COPS monitoring visit findings at report date	Grant received a monitoring visit from the Department of Justice (DOJ) in FY 2013 that resulted in two findings classified as a material weakness and material noncompliance with laws and regulations. At the time of issuance, the City had submitted a significant amount of information and a summary letter to the DOJ to support the City's actions taken and resolve the outstanding findings; however, the two monitoring visit findings remained unresolved at the time of issuance. As a result, we issued a qualified opinion on the COPS grant. Subsequent to issuance of the June 30, 2013 A-133 Audit Report, the City received communication from the DOJ acknowledging the DOJ's agreement with the City's position and the monitoring visit was resolved favorably.	N/A

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