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COMPREHENSIVE ANNUAL



FINANCIAL REPORT



**For the Year Ended
June 30, 2015**

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CITY OF DEARBORN, MICHIGAN

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2015

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, 2014

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, 2015

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, 2015, 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 5-18 of the CAFR.

MANAGEMENT REPRESENTATIONS

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

We believe that the financial information, as presented:

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

Management has reviewed and approved the financial statements, supplementary financial information, and related notes prior to their issuance and has 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, 2015

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 review and corresponding updates started in calendar year 2013 and will continue until all major internal control systems are reviewed. This was initiated because of the significant staff downsizing and 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 2015.

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 led 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 Council member for total service of seventeen years prior to swearing in as Mayor December 12, 2006. He is very knowledgeable about the internal operations and the community history. 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 infrastructure projects and general repair and maintenance of City property.

Culture and Recreation encompasses a main library and two branch libraries, a Historical Museum and a robust Recreation Department including neighborhood parks, several large community parks, a dual ice surface arena and the Ford Community & Performing Arts Center. The Recreation Department operates the 18-hole Robert Herndon Dearborn Hills Golf Course within the city limits as well as the 27-hole Mystic Creek Golf Course within the 626 acre Camp Dearborn Park that is located in Milford, Michigan. In 2015 Camp Dearborn, including the Mystic Creek Golf Course, and the Dearborn Hills Golf Course were consolidated to the General Fund. Previously the Camp and two golf courses were reported in separate funds and are now accounted for as programs.

The City has separate Economic & Community Development department inclusive of the Housing program. Legal, Finance, Human Resources, Assessment, and Public Information function as support-type departments. The City of Dearborn is a medium sized community, but in many respects operates like a large community due to the presence of Ford Motor Company and the corresponding business environment.

PROPRIETARY TYPE OPERATIONS

The City operates the water and sewer utilities. The City relies on and compensates the City of Detroit for providing clean water and for 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 City issued \$12 million Unlimited Tax General Obligation (UTGO) debt in December 2014 under the State Revolving Fund (SRF) which is the next series for the Combined Sewer Overflow Federally mandated projects.

The Housing operation manages four retirement buildings with two City owned and two for the Housing Commission under the Federal program.

The Parking System Fund accounted for the construction, maintenance and operation of City-owned parking decks and lots. The user paid parking system was pared back and this fund was closed in the spring of 2015 and the operation consolidated as a component of the public works department.

A group of internal service funds are operated for asset or risk management. In addition, the Management Information Department and the Public Works-Building Services operations are accounted for in the internal service funds with allocations to the various user departments.

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, and for required trust funds. Appropriations are predominantly controlled at the department level (General Fund), project level (Capital Improvement Fund), or fund level (all other funds), as appropriate. Appropriations lapse at fiscal year-end except for the portion related to grant or 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 focused on positioning the State to have an attractive business climate. The Legislature generally supports the effort and passes bills aligned with the Governor's direction. The legislature approved the multi-year 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 in Dearborn, with the Ford World Headquarters, Regent Court Marketing Center, and the Research and Engineering complex. The Rouge operation, also located in Dearborn, is competitive with the most advanced manufacturing plants in the world. Because of its flexible platform design, the Rouge assembly plant produces the next generation of Ford's most popular vehicle, the aluminum F-150 pickup truck. The company continues to invest in the complex to keep it state-of-the-art, with another \$160 million targeted for 2016. Ford is also moving forward on a substantial re-imagining of its corporate facilities in Dearborn, which will result in several thousand additional jobs being added and consolidated at these centers of administration, creativity, design and engineering capabilities.

Transmittal Letter
November 24, 2015

University of Michigan-Dearborn (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 505 students by the beginning of the 2013 fall school year. Based on the very successful first phase, another 99 beds have been completed for the beginning of the 2015-2016 school year, bringing the total to 604 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 City Hall Artspace Lofts conversion of this historic complex into affordable artist live/work spaces will be completed in early 2016, providing 53 units that can accommodate approximately 100 residents. These units are flexible spaces ranging from studios to 1-3 bedrooms depending on the artist needs. This project represents over \$17 million in new investment in the East Downtown District, and is expected to be a catalyst for its redevelopment as an arts and culture district. In the West Downtown District, a dozen new businesses are either open or scheduled to open in the 2015-16 fiscal year. These investments have occurred in response to pent-up demand for commercial activity that is now occurring after several years of economic downturn associated with the great recession of 2008.

The purchase of the former City Hall by Artspace for the conversion described above allowed the City to relocate its administrative functions to a modern office building at 16901 Michigan Avenue in the fall of 2014. This move has improved internal communication for City departments, increased operational efficiency and provided a dramatic improvement to customer service by consolidating all public interaction at a single counter at the main entrance to the building. It also completes the consolidation of the civic campus at Michigan Avenue and Greenfield, with room to improve civic functions into the future as needed.

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 \$7.2 million of property in land inventory (lower of cost or market value).

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

The City has downsized full-time positions, reduced or modified the compensation packages, enhanced efficiencies, closed lower demand facilities, and adjusted the program/service mix. These efforts have produced cost savings in excess of \$15 million annually. The efforts to date

Transmittal Letter
November 24, 2015

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 a study for a multi-community dispatch center is currently underway.

The general employee pay rates were held virtually flat for an extended period of time and coupled with other concessions it has been determined that an evaluation of the compensation package in relation to market was necessary for retention and recruitment. While the compensation package may not be competitive for some positions, there are others that will likely fall in the competitive range.

The October 2015 single family unit home supply (on-market listings) was approximately 337 units. The median sale price was \$120,500 in September 2015 compared to \$110,000 in September 2014 and the median days on the market was 33 days in September 2015 compared to 36 days in September 2014. 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>	
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	Increase Reserves
2014-2015	(\$0.01)	(\$2.8)	\$8.7	Increase Reserves

The favorable 2014-2015 results are primarily due to flood reimbursement from FEMA, contribution from AK Steel for the Dearborn Administrative Center relocation to a new facility from City Hall, and project savings, which are all one-time type transactions. There were also operation budget savings due to staffing vacancies and other favorable results in relation to budget estimates.

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, 2014. This was the sixteenth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized CAFR. This report satisfies both GAAP (Generally Accepted Accounting Principles) and applicable legal requirements.

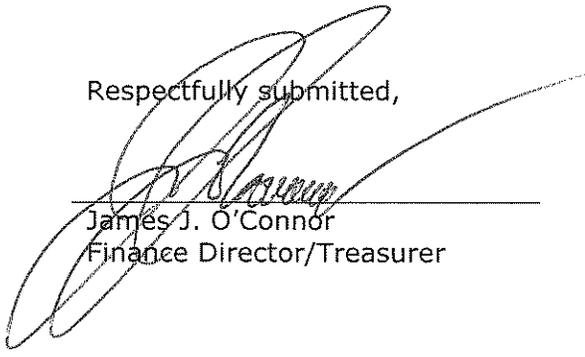
A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Transmittal Letter
November 24, 2015

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:

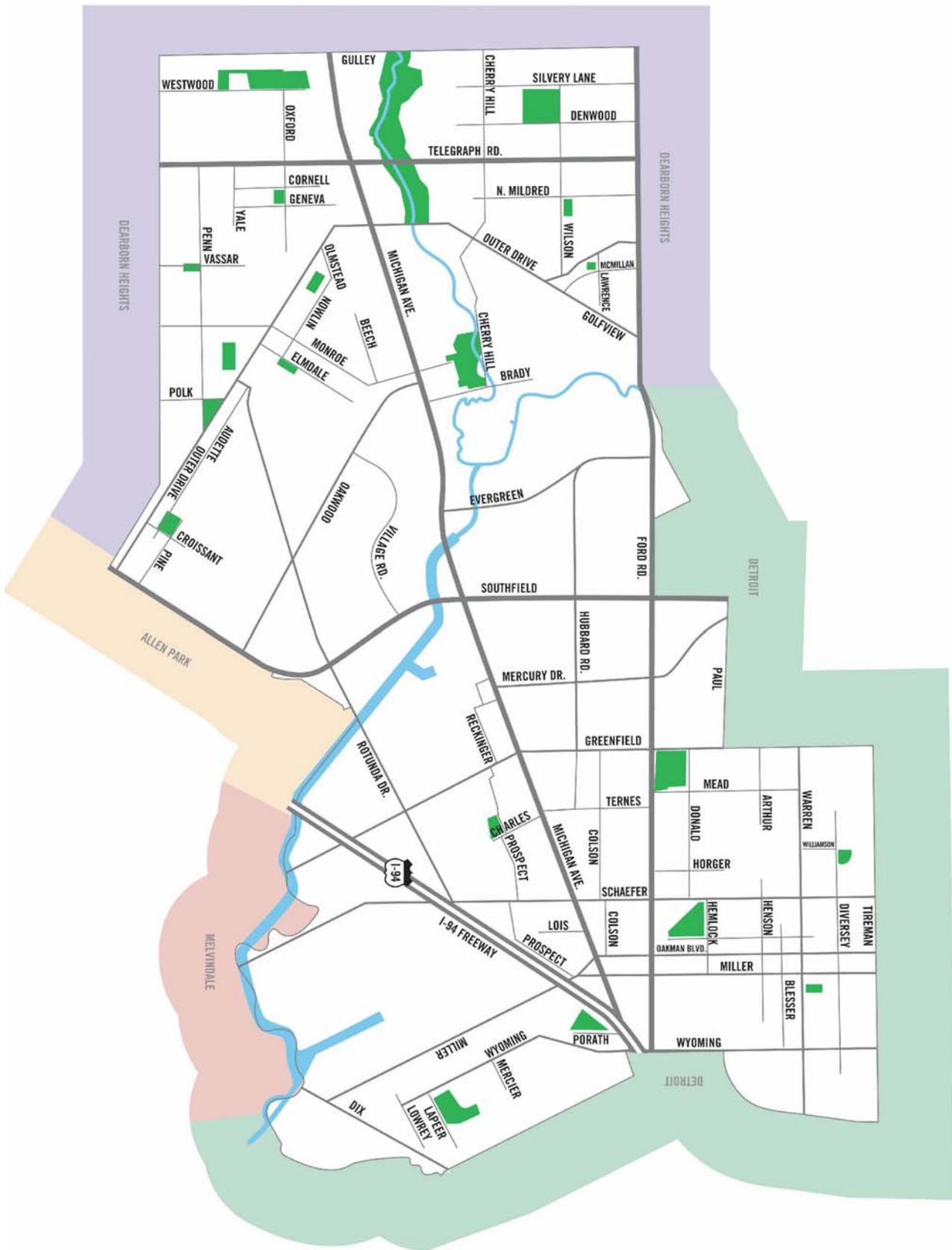
- ◆ Trust, respect, honesty, and fairness
- ◆ The basic resources needed to do a good job
- ◆ Clear and complete direction when necessary
- ◆ A supportive environment that encourages input on what should be done and how it should be done
- ◆ Recognition and reward based on merit

City employees are expected to:

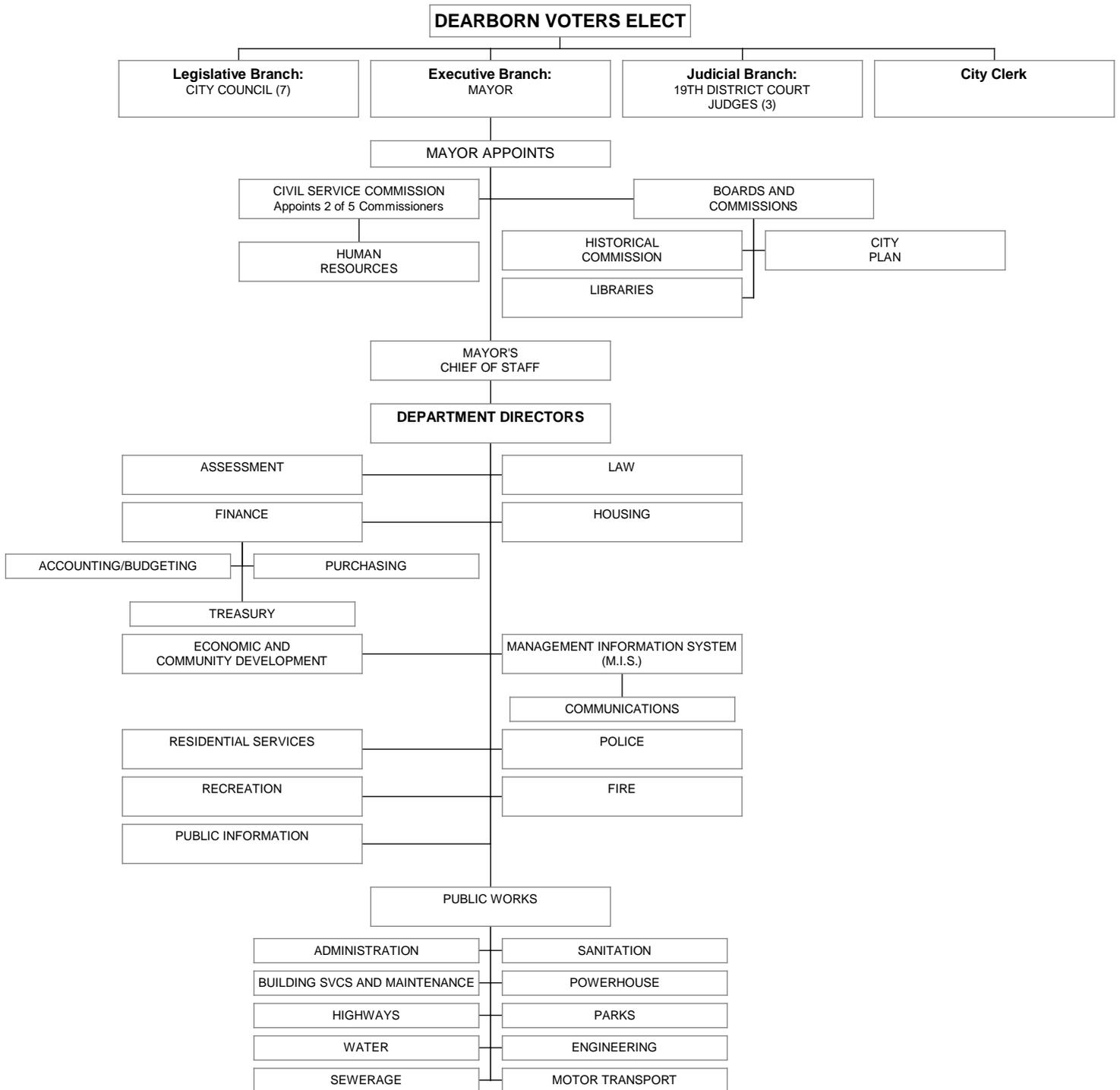
- ◆ Make a total commitment to provide the best possible public service
- ◆ Use all available resources efficiently and effectively
- ◆ Continuously seek ways to improve service delivery through innovation
- ◆ Continuously seek feedback from citizens
- ◆ Be responsible and accountable for their actions
- ◆ 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, 2015

<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	Vacant
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

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Dearborn, Michigan (the "City") as of and for the year ended June 30, 2015 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, 2015, 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 17 to the basic financial statements, during the year ended June 30, 2015, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, 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 supplementary 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 supplementary information, the schedule of expenditures of federal awards, included in the federal awards supplemental information section, and the introductory section and statistical section 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, as identified in the table of contents as other supplementary information, and the schedule of expenditures of federal awards, included in the federal awards supplemental information section, 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, as identified in the table of contents as other supplementary information, and the schedule of expenditures of federal awards, included in the federal awards supplemental information section, 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, 2015 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, 2015

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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, 2015. It should be reviewed in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

Using this Annual Report

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

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

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

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

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

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

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

Our analysis of the City's major funds begins on page 22 and provides detailed information about the most significant funds; not the City as a whole. The City's two 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 34 and 35. 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.

City of Dearborn, Michigan

Management's Discussion & Analysis June 30, 2015

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	
	FY2015	FY2014*	FY2015	FY2014*	FY2015	FY2014*
Current and other assets	\$ 115.4	\$ 95.5	\$ 107.9	\$ 102.6	\$ 223.3	\$ 198.1
Capital assets	187.0	159.3	384.8	390.3	571.8	549.6
Total assets	<u>302.4</u>	<u>254.8</u>	<u>492.7</u>	<u>492.9</u>	<u>795.1</u>	<u>747.7</u>
Deferred outflows of resources	23.6	-	1.6	-	25.2	-
Long-term liabilities	131.7	28.8	187.6	191.6	319.3	220.4
Other liabilities	13.7	12.7	26.5	27.1	40.2	39.8
Total liabilities	<u>145.4</u>	<u>41.5</u>	<u>214.1</u>	<u>218.7</u>	<u>359.5</u>	<u>260.2</u>
Deferred inflows of resources	0.8	-	0.1	-	0.9	-
Net position:						
Net investment in capital assets	181.2	157.7	193.6	184.7	374.8	342.4
Restricted	13.3	13.9	25.8	14.0	39.1	27.9
Unrestricted (deficit)	(14.7)	41.7	60.8	75.5	46.1	117.2
Total net position	<u>\$ 179.8</u>	<u>\$ 213.3</u>	<u>\$ 280.2</u>	<u>\$ 274.2</u>	<u>\$ 460.0</u>	<u>\$ 487.5</u>

*The City implemented GASB Statement no. 68 in FY2015. FY2014 amounts have not been restated to reflect the retroactive application of the change.

Net position serves as an indicator of the City's financial position. The table above indicates that the City of Dearborn assets and deferred outflows of resources exceeds liabilities and deferred inflows of resources by \$460.0 million as of June 30, 2015. 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 restricted category of net position is defined as those resources 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 decreased 6% or \$27.5 million from \$487.5 million to \$460.0 million. Of this change, a \$33.5 million decrease is related to Governmental Activities offset by a \$6.0 million increase in the Business-type Activities. Specific information about these changes follows.

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

City of Dearborn, Michigan

Management's Discussion & Analysis June 30, 2015

Governmental activities - Total assets increased by 18.7% or \$47.6 million from \$254.8 million to \$302.4 million. In addition to an increase of \$9.6 million in cash and cash equivalents, there was an increase of \$27.7 million in capital assets due primarily to the consolidation of the Golf Course and Parking System funds into the General fund at June 30, 2015.

During the year the City adopted GASB Statement no. 68 *Accounting and Financial Reporting for Pensions* which resulted in the addition of \$13.6 million in net pension assets and \$92.7 million in long-term liabilities. The deferred outflows and inflows of resources of \$23.6 million and \$800 thousand respectively were entirely related to pensions.

Business-type activities – Activity in the business-type activities was fairly flat in FY2015. The most significant changes in business-type activities were driven by capital assets and long-term liabilities associated with the Combined Sewer Overflow (CSO) project. The consolidation of the Golf Course and Parking System funds into the General fund resulted in a decrease in capital assets which was offset in part by an increase of \$12.3 million in capital assets in the Water and Sewer funds. In addition, \$5.0 million of long-term debt liabilities related to those funds was also transferred to the governmental activities during the year. The City also recorded \$6.6 million in net pension liabilities related to the adoption of GASB 68. The deferred inflows and outflows of resources were entirely related to pensions.

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.

City of Dearborn, Michigan

Management's Discussion & Analysis June 30, 2015

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	
	FY2015	FY2014	FY2015	FY2014	FY2015	FY2014
Revenues						
Program revenues:						
Charges for services	\$ 22.8	\$ 22.0	\$ 52.2	\$ 53.4	\$ 75.0	\$ 75.4
Operating grants	9.4	11.7	-	-	9.4	11.7
Capital grants	13.1	14.4	15.5	0.7	28.6	15.1
General revenues:						
Taxes	78.9	75.0	14.8	15.4	93.7	90.4
Intergovernmental revenue	10.1	8.9	-	-	10.1	8.9
Other general revenues	0.3	-	1.1	2.5	1.4	2.5
Total revenues	<u>134.6</u>	<u>132.0</u>	<u>83.6</u>	<u>72.0</u>	<u>218.2</u>	<u>204.0</u>
Program expenses						
General government	16.1	15.6	-	-	16.1	15.6
Public safety	62.5	60.9	-	-	62.5	60.9
Public works	22.8	19.7	-	-	22.8	19.7
Recreation & culture	23.6	19.6	-	-	23.6	19.6
Community improvement	2.5	3.4	-	-	2.5	3.4
Housing	-	-	2.8	3.6	2.8	3.6
Golf course	-	-	0.4	0.9	0.4	0.9
Parking	-	-	1.0	2.1	1.0	2.1
Sewer	-	-	38.9	34.4	38.9	34.4
Water	-	-	14.9	16.3	14.9	16.3
Total expenses	<u>127.5</u>	<u>119.2</u>	<u>58.0</u>	<u>57.3</u>	<u>185.5</u>	<u>176.5</u>
Excess (deficiency) before transfers	7.1	12.8	25.6	14.7	32.7	27.5
Transfers	14.5	(1.0)	(14.5)	1.0	-	-
Increase (decrease) in net position	<u>21.6</u>	<u>11.8</u>	<u>11.1</u>	<u>15.7</u>	<u>32.7</u>	<u>27.5</u>
Net position - beginning (1)	<u>158.2</u>	<u>201.5</u>	<u>269.1</u>	<u>258.5</u>	<u>427.3</u>	<u>460.0</u>
Net position - ending	<u>\$ 179.8</u>	<u>\$ 213.3</u>	<u>\$ 280.2</u>	<u>\$ 274.2</u>	<u>\$ 460.0</u>	<u>\$ 487.5</u>

(1) The City implemented GASB Statement no. 68 in FY2015. FY2014 amounts have not been restated to reflect the retroactive application of the change except for FY2015 net position beginning balances.

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

Table 2 Comments:

Governmental activities – Charges for services and other general revenues were up a combined \$1.2 million primarily due to the consolidation of the Golf Course and Parking System funds into the General fund and the opening of the new International Rail Passenger Facility (IRPF) during the year. Operating expenditures related to these events drove the \$3.1 million and \$4.0 million increases in the Public Works (IRPF and Parking System) and Recreation & Culture (Golf) functions respectively. As construction wrapped up on the IRPF, related operating and capital grants funding tapered off driving the decreases in those revenue categories.

Tax revenue increases were driven by improving property values and a more stabilized housing market. Intergovernmental revenues were bolstered by a one-time reimbursement by the Federal Emergency Management Agency (FEMA) of \$1.0 million related to the catastrophic flood of August 2014.

Business-type activities – Combined Sewer Overflow (CSO) lawsuit recoveries including liquidated damages and contractor retainage forfeitures totaled \$13.6 million of the \$14.7 million dollar increase in capital grants. Direct expense of \$1.3 million for sewer replacement and a \$2.0 million increase in reserves drove the \$4.5 million increase in sewer program expenses.

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.

General fund revenues were \$4.2 million higher than budgeted during the year. Significant one-time sources were the private capital contributions of \$2.0 million for the renovation of the new Dearborn Administrative Center, a return of excess capital funding of \$1.0 million from the Facilities fund, and contributions of \$900 thousand from the closing of the Parking System funds into the General fund. Ambulance service revenues exceeded budget by \$1.1 million and District Court fines by \$500 thousand. These were offset in part by \$800 thousand in federal grant revenues which involve reimbursement processes that generally lag and involve multiple years.

Actual charges to appropriations (expenditures) were approximately \$6.5 million below the final budget amount. This is attributable in part to budgetary savings of \$2.6 million in personnel costs, \$800 thousand in budgeted contributions to the Parking and Golf Course funds that were not required due to the consolidation of those funds into the General fund, and also \$3.1 million in operational savings from the departments' continued efforts to conserve money through attention to controlling costs.

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

City of Dearborn, Michigan

Management's Discussion & Analysis June 30, 2015

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2015, the City had approximately \$572 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	
	FY2015	FY2014	FY2015	FY2014	FY2015	FY2014
Land	\$ 12,528,821	\$ 7,919,540	\$ 1,768,541	\$ 5,929,738	\$ 14,297,362	\$ 13,849,278
Right-of-ways	37,818	37,818	-	-	37,818	37,818
Construction in progress	998,835	21,748,477	52,473,818	56,024,040	53,472,653	77,772,517
Infrastructure assets	61,255,887	58,528,096	-	-	61,255,887	58,528,096
Buildings & improvements	100,953,171	62,593,711	16,198,820	30,299,075	117,151,991	92,892,786
Equipment	11,188,166	8,489,780	32,321,311	34,295,976	43,509,477	42,785,756
Water system	-	-	69,851,888	59,020,219	69,851,888	59,020,219
Sewer system	-	-	212,192,154	204,672,298	212,192,154	204,672,298
Total	<u>\$ 186,962,698</u>	<u>\$ 159,317,422</u>	<u>\$ 384,806,532</u>	<u>\$ 390,241,346</u>	<u>\$ 571,769,230</u>	<u>\$ 549,558,768</u>

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

City of Dearborn, Michigan

Management's Discussion & Analysis June 30, 2015

Table 3 Comments:

This year's major changes included:

Governmental activities:

Construction in Progress:	
Intermodal Passenger Rail Facility (IPRF)	\$ (20,545,534)
Dearborn Administrative Center	(695,688)
	<u>\$ (21,241,222)</u>
Infrastructure assets, net change due to cost less depreciation	\$ 2,727,791
Buildings and improvements, net change due to completed projects and transfers less depreciation	\$ 38,359,459
Machinery and Equipment, net change due to acquisitions, disposals, less depreciation	
Vehicles net	\$ 2,113,226
Other machinery and equipment net	585,160
	<u>\$ 2,698,386</u>

Business-type activities

Construction in Progress:	
Water System	\$ (6,007,021)
Sewer System	2,456,799
	<u>\$ (3,550,222)</u>
Buildings and improvements, net change due to completed projects and transfers less depreciation	\$ (14,100,255)
Machinery and Equipment, net change due to acquisitions, transfers, and disposals less depreciation	\$ (1,974,665)
Water System, net change due to completed projects less disposals and depreciation	\$ 10,831,669
Sewer System, net change due to completed projects less disposals and depreciation	\$ 7,519,856

Additional information on the City of Dearborn's capital assets can be found in Note 3 on pages 56-57 of this report.

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

City of Dearborn, Michigan

Management's Discussion & Analysis June 30, 2015

Debt

At June 30, 2015 the City had approximately \$198 million in bonds and notes outstanding versus \$208 million 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	
	FY2015	FY2014	FY2015	FY2014	FY2015	FY2014
General obligation bonds (backed by City)	\$ 5,773,651	\$ 1,626,558	\$186,498,731	\$198,808,356	\$ 192,272,382	\$200,434,914
Revenue bonds and notes (backed by specific tax and fee revenue)	-	-	5,276,637	7,549,455	5,276,637	7,549,455
Total	<u>\$ 5,773,651</u>	<u>\$ 1,626,558</u>	<u>\$191,775,368</u>	<u>\$206,357,811</u>	<u>\$ 197,549,019</u>	<u>\$207,984,369</u>

Table 4 Comments:

Governmental activities – The 2004 Parking Capital Improvement Bond Series A and Series B were refunded with the 2014 Parking Refunding Bonds. These bonds, as well as the 2006 Parking Refunding Bonds, were reclassified to Governmental Activities due to the consolidation of the Parking System funds into the General fund. The 2008 Golf Course Refunding Bonds were also reclassified to Governmental Activities due to the consolidation of the Golf Course fund into the General fund.

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 58-67 of this report.

Fiscal Year 2016 Budgets & Rates

The fiscal year 2016 General Fund budget for revenue is estimated at \$108,487,071 fully covering appropriations of \$108,045,168. The General Fund budget overall has increased as a result of the consolidation of the Recreation Camp Dearborn and Golf Courses, and the Parking System, to the General Fund. In addition, the Intermodal Train Station was completed and is operational.

The primary revenue of the General Fund is property taxes. Property tax revenue is comprised of two components. The first component is property values, which are market driven and the second component is the tax rate, which is controllable within limits of law. Property market values are increasing and some areas have experienced double digit growth. However, Proposal A of 1994 limits the taxable value growth to the current State inflation rate of 1.5%.

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

City of Dearborn, Michigan

Management's Discussion & Analysis June 30, 2015

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. This millage is decreasing to 4.25 mills from 4.29 mills.

With the rapid national 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 operating millage continues at 18.5 mills including the 3.5 supplemental component that expires at the end of fiscal year 2017. The Library millage remains the same as the prior year at 1.54 mills. The garbage and rubbish millage is decreasing .11 mills to 2.16 mills. The total millage of 26.45 mills is slightly less than the prior year 26.60 mills.

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 2015 budget includes 190 sworn police officers. There are 318 public safety positions of the total full-time staffing count of 700. The fiscal year 2001 City-wide budget included 911 full-time positions. The non-public safety staff has declined 35% or (196 positions) from 585 in 2001 to 389 as of the date of this memo.

A total of 7 positions were added for the 2015-2016 budget, which are reflected in the previous staffing counts. There are 4 additional police officers and 3 non-public safety positions added. The labor contracts are all expiring June 30, 2015 and negotiations have progressed well with several groups expected to settle before the expiration date with mutually agreed terms.

The traditional defined benefit and City provided retiree health care programs have been closed for many years. Employees hired after these closures participate in defined contribution retirement programs. However, the public safety groups 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. The second health care provider is transitioning to a self-insured arrangement July 1, 2015. Other than the Medicare advantage fully-insured programs, the active and retiree health care programs will be self-insured supported by stop loss coverage for individuals and in aggregate. Controlling health care costs is a challenge as approximately \$17 million per year is expended for health care and a 10% increase produces \$1.7 million in additional costs. A two year consecutive 10% increase consumes an entire tax mill (\$3.4 million) in a very short 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 for the immediate future. The State Legislature has proposed legislation that would allow communities to issue debt (bonds) for these legacy costs to spread

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

City of Dearborn, Michigan

Management's Discussion & Analysis June 30, 2015

the costs over time. There is current law authorizing the issuance of this debt, but unfortunately the law requires a bond rating of AA to issue bonds for this debt, but we are hopeful that this will be corrected to single A. The low interest rate environment is still attractive, but unless the legislature provides modest relief on the rating provision the City remains ineligible for the program.

The General Fund equity (fund balance) as of June 30, 2014 was \$23 million. The City relocated from City Hall to a modern 10-year old office building contiguous with the central city municipal campus. There are operating efficiencies through lower maintenance costs, as well as layout efficiencies and synergy productivity gains. The City Hall building was 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 2016 budget projects no use of fund balance returning 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.

FISCAL YEAR 2016 BUDGETARY ASSUMPTIONS:

- ✓ Taxable Value increased for fiscal year 2016 1.6% and real property values are projected to have modest growth in the coming years.
- ✓ Tax Rates and Water/Sewer Rates

Description	Fiscal Year 2014-2015	Fiscal Year 2015-2016	Difference
Tax Millage Rate:			
City Operating	18.50	18.50	n/a
Garbage & Rubbish	2.27	2.16	(.11)
Library	1.54	1.54	n/a
Debt Service	4.29	4.25	(.04)
Total Millage Rate	26.60	26.45	(.15)
Water Rate	\$20.00	\$21.10	1.10
Sewer Rate	\$37.60	\$38.80	1.20

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 adding 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 expire June 30, 2015. Modest pay rate adjustments are included in the proposed budget. If contracts are settled at a rate greater than budgeted, a budget amendment will be required.

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

City of Dearborn, Michigan

Management's Discussion & Analysis June 30, 2015

- ✓ Funding for fleet replacement is \$2,944,534 and facility reinvestment is \$2,802,962 (of which \$464,484 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 printers has been reinstated. The current budget includes anticipated funding of \$250,000 per year for FY2016-2018.

MAJOR CAPITAL INITIATIVES

The 2015-2016 funding of the Capital Improvement Plan is \$19,936,911. 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 funding sources 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 - \$350,000

◆ Residential/Commercial Eyesore Demolition	\$ 250,000
◆ Land Acquisition for Resale	\$ 100,000

Infrastructure - \$16,728,508

◆ Streets	\$ 6,893,589
◆ Water	\$ 4,250,000
◆ Sewer	\$ 5,000,000
◆ Sidewalks, Alleys, Streetscape	\$ 584,919

Facilities - \$2,858,403

◆ Parks	\$ 1,447,519
◆ Libraries	\$ 40,000
◆ General Government Facilities	\$ 185,000
◆ Public Works Facilities	\$ 170,000
◆ Recreation Facilities	\$ 970,884
◆ Public Safety	\$ 45,000

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 FY2016 estimated Gas & Weight Tax revenue budget for both funds combined increased \$1.0 million from FY2015. 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 notes to the financial statements are an integral part of this statement.

City of Dearborn, Michigan

Management's Discussion & Analysis June 30, 2015

The grant revenue from the Community Development Block Grant Fund is estimated to be \$2,066,621 which provides federal resources to support the low to moderate income population.

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

Housing

The Seniors Apartment Operating Fund working capital and equity of the fund are both financially healthy.

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 2015-2016 is 4.25 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 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 post employment health care 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. An additional \$500,000 was added to the funding level and similar increments are intended to be added annually in an effort to reach the annual funding level actuarial determined amount.

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

Health care cost increases can be more than twice the rate of general inflation. This presents an unsustainable financial model that must be managed.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Department of Finance at the City of Dearborn, 16901 Michigan Avenue, Suite 1, Dearborn, MI 48126.

City of Dearborn, Michigan

Government-wide Statement of Net Position June 30, 2015

	Primary Government			Component Units (See page 37)
	Governmental Activities	Business-type Activities	Total	
Assets				
Current assets:				
Cash and cash equivalents (Note 2)	\$ 83,587,446	\$ 70,026,974	\$ 153,614,420	\$ 5,130,063
Accounts receivable (Net)	2,107,992	9,803,143	11,911,135	97,315
Unbilled accounts receivable	-	4,120,240	4,120,240	-
Property taxes receivable	62,380	15,571	77,951	-
Accrued interest receivable	22,871	24,716	47,587	1,404
Due from other governments	8,220,201	1,970,785	10,190,986	-
Prepaid items	689,711	26,142	715,853	-
Inventories	7,729,251	974,577	8,703,828	-
Total current assets	<u>102,419,852</u>	<u>86,962,148</u>	<u>189,382,000</u>	<u>5,228,782</u>
Noncurrent assets:				
Restricted cash and investments	-	20,977,013	20,977,013	-
Net pension assets	13,039,528	-	13,039,528	-
Capital assets, not being depreciated (Note 3)	13,565,475	54,242,359	67,807,834	-
Capital assets, net of depreciation (Note 3)	173,397,223	330,564,173	503,961,396	-
Total noncurrent assets	<u>200,002,226</u>	<u>405,783,545</u>	<u>605,785,771</u>	<u>-</u>
Total assets	<u>302,422,078</u>	<u>492,745,693</u>	<u>795,167,771</u>	<u>5,228,782</u>
Deferred Outflows of Resources - Pensions	23,589,319	1,623,923	25,213,242	-
Liabilities				
Current liabilities:				
Accounts payable	4,910,920	11,002,994	15,913,914	249,752
Accrued interest payable	20,959	898,834	919,793	-
Accrued liabilities	3,663,566	818,192	4,481,758	18,652
Deposits/refunds payable	728,188	255,868	984,056	-
Due for tax refunds	1,583,654	-	1,583,654	-
Due to fiduciary funds	315,869	-	315,869	-
Due to other governments	9,954	128,149	138,103	-
Unearned revenue	930,625	5,356	935,981	-
Current portion of long-term debt (Note 4)	1,502,619	13,367,612	14,870,231	288,105
Total current liabilities	<u>13,666,354</u>	<u>26,477,005</u>	<u>40,143,359</u>	<u>556,509</u>
Noncurrent liabilities:				
Current portion of long term debt payable with restricted assets (Note 4)	-	565,000	565,000	-
Accrued interest payable with restricted assets	-	39,142	39,142	-
Claims payable	1,723,698	-	1,723,698	-
Other liabilities	-	2,000,000	2,000,000	-
Other liabilities - Other postemployment benefits (Note 7)	27,587,842	-	27,587,842	-
Net pension liability	92,534,572	6,601,793	99,136,365	-
Long-term debt, net of current portion (Note 4)	9,865,957	178,408,775	188,274,732	10,307,019
Total noncurrent liabilities	<u>131,712,069</u>	<u>187,614,710</u>	<u>319,326,779</u>	<u>10,307,019</u>
Total liabilities	<u>145,378,423</u>	<u>214,091,715</u>	<u>359,470,138</u>	<u>10,863,528</u>
Deferred Inflows of Resources - Pensions	786,500	121,003	907,503	-
Net Position				
Net investment in capital assets	181,189,047	193,596,164	374,785,211	-
Restricted for:				
Capital projects	-	19,690,371	19,690,371	-
Debt service	-	6,090,684	6,090,684	-
Road construction, preservation, maintenance	9,952,442	-	9,952,442	-
Law enforcement activities	1,279,936	-	1,279,936	-
Historical museum activities	784,708	-	784,708	-
Community development	552,039	-	552,039	-
Library activities	792,241	-	792,241	-
Unrestricted	(14,703,939)	60,779,679	46,075,740	(5,634,746)
Total net position	<u>\$ 179,846,474</u>	<u>\$ 280,156,898</u>	<u>\$ 460,003,372</u>	<u>\$ (5,634,746)</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	\$ 16,125,892	\$ 4,640,656	\$ 276,074	\$ 2,002,325
Public safety	62,447,337	9,455,854	741,404	386,218
Public works	22,756,920	704,128	5,371,263	3,619,079
Recreation and culture	23,646,790	7,958,928	1,543,168	1,305,393
Community improvement	2,541,722	28,248	1,491,817	5,816,592
Total governmental activities	<u>127,518,661</u>	<u>22,787,814</u>	<u>9,423,726</u>	<u>13,129,607</u>
Business-type activities:				
Housing	2,834,958	2,685,340	-	-
Golf Course	450,449	474,448	-	-
Parking	989,904	844,313	-	475,000
Sewer	38,884,885	29,350,068	-	14,951,763
Water	14,887,593	18,902,308	-	-
Total business-type activities	<u>58,047,789</u>	<u>52,256,477</u>	<u>-</u>	<u>15,426,763</u>
Total primary government	<u>\$ 185,566,450</u>	<u>\$ 75,044,291</u>	<u>\$ 9,423,726</u>	<u>\$ 28,556,370</u>
Component units:				
West Dearborn Downtown Development Authority	\$ 681,303	\$ -	\$ -	\$ -
East Dearborn Downtown Development Authority	1,115,530	-	-	-
Brownfield Redevelopment Authority	4,281,812	-	-	-
Economic Development Corporation	-	-	-	-
Total component units	<u>\$ 6,078,645</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 (1)				
Net position - ending				

(1) Net position - beginning has been restated in order to adopt GASB 68. See Note 17.

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

Government-wide Statement of Activities
Year Ended June 30, 2015

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (9,206,837)	\$ -	\$ (9,206,837)	\$ -
(51,863,861)	-	(51,863,861)	-
(13,062,450)	-	(13,062,450)	-
(12,839,301)	-	(12,839,301)	-
4,794,935	-	4,794,935	-
<u>(82,177,514)</u>	<u>-</u>	<u>(82,177,514)</u>	<u>-</u>
-	(149,618)	(149,618)	-
-	23,999	23,999	-
-	329,409	329,409	-
-	5,416,946	5,416,946	-
-	4,014,715	4,014,715	-
<u>-</u>	<u>9,635,451</u>	<u>9,635,451</u>	<u>-</u>
<u>(82,177,514)</u>	<u>9,635,451</u>	<u>(72,542,063)</u>	<u>-</u>
-	-	-	(681,303)
-	-	-	(1,115,530)
-	-	-	(4,281,812)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,078,645)</u>
78,864,715	14,820,721	93,685,436	5,802,754
10,103,356	-	10,103,356	214,282
44,036	64,528	108,564	3,705
308,125	1,057,749	1,365,874	174,299
14,540,831	(14,540,831)	-	-
<u>103,861,063</u>	<u>1,402,167</u>	<u>105,263,230</u>	<u>6,195,040</u>
21,683,549	11,037,618	32,721,167	116,395
158,162,925	269,119,280	427,282,205	(5,751,141)
<u>\$ 179,846,474</u>	<u>\$ 280,156,898</u>	<u>\$ 460,003,372</u>	<u>\$ (5,634,746)</u>

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

City of Dearborn, Michigan

Balance Sheet Governmental Funds June 30, 2015

	General	Capital Projects	Other Governmental Funds (See page 121)	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 31,567,679	\$ 5,453,432	\$ 16,000,260	\$ 53,021,371
Accounts Receivable (Net)	1,482,080	19,621	582,489	2,084,190
Property taxes receivable	59,030	-	3,350	62,380
Accrued interest receivable	9,259	1,491	3,801	14,551
Due from other funds	118,368	11,050	189,706	319,124
Due from other governments	5,580,115	918,383	1,721,703	8,220,201
Prepaid items	699	-	-	699
Inventories	512,282	7,044,922	172,047	7,729,251
Total assets	<u>\$ 39,329,512</u>	<u>\$ 13,448,899</u>	<u>\$ 18,673,356</u>	<u>\$ 71,451,767</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 1,833,734	\$ 145,856	\$ 1,224,242	\$ 3,203,832
Accrued liabilities	3,346,934	-	228,516	3,575,450
Deposits/refunds payable	372,849	15,730	339,609	728,188
Due for tax appeals	-	-	98,659	98,659
Due to other governments	9,764	-	190	9,954
Due to other funds	428,931	-	225,738	654,669
Unearned revenue	859,683	3,942	-	863,625
Total liabilities	<u>6,851,895</u>	<u>165,528</u>	<u>2,116,954</u>	<u>9,134,377</u>
Deferred Inflows of Resources:				
Unavailable revenue	154,941	-	386,343	541,284
Total deferred inflows of resources	<u>154,941</u>	<u>-</u>	<u>386,343</u>	<u>541,284</u>
Fund Balances:				
Nonspendable:				
Inventories	512,282	7,044,922	172,047	7,729,251
Prepaid expense	699	-	-	699
Restricted for:				
Law enforcement activities	-	-	1,279,936	1,279,936
Road construction, preservation, maintenance	-	-	9,952,442	9,952,442
Historical museum activities	-	-	784,708	784,708
Library activities	-	-	785,890	785,890
Committed for:				
Telecommunications	-	-	2,362,376	2,362,376
Designated Purposes - community programs	-	-	832,660	832,660
Assigned for:				
Subsequent year's budget	1,417,297	-	-	1,417,297
Capital projects	-	6,238,449	-	6,238,449
Unassigned	30,392,398	-	-	30,392,398
Total fund balances	<u>32,322,676</u>	<u>13,283,371</u>	<u>16,170,059</u>	<u>61,776,106</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 39,329,512</u>	<u>\$ 13,448,899</u>	<u>\$ 18,673,356</u>	<u>\$ 71,451,767</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, 2015

Total fund balance for governmental funds		\$ 61,776,106
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	\$ 7,859,838	
Cost of assets, depreciated	173,794,189	
Accumulated depreciation	<u>(76,745,872)</u>	
Total adjustment due to capital assets		104,908,155
2. Some receivables are expected to be collected over several years and are not available to pay for current year expenditures		541,284
3. Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds		
Noncurrent liabilities, due in more than one year	(5,154,385)	
Noncurrent liabilities, net pension including related deferred inflows and outflows and net pension assets	(53,724,515)	
Noncurrent liabilities, other postemployment benefits	<u>(27,587,842)</u>	
Total adjustment due to long-term liabilities		(86,466,742)
4. Internal service funds are included as part of governmental activities		<u>99,087,671</u>
Net position of governmental activities		<u>\$ 179,846,474</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, 2015

	General	Capital Projects	Other Governmental Funds (See page 123)	Total Governmental Funds
Revenues				
Taxes, assessments and penalties on taxes	\$ 72,752,770	\$ -	\$ 6,319,130	\$ 79,071,900
Licenses and permits	2,015,394	-	-	2,015,394
Intergovernmental revenues:				
State sources	9,629,545	203,728	7,415,470	17,248,743
Federal sources	1,852,428	5,349,968	1,837,022	9,039,418
Local sources	563,466	215,000	83,026	861,492
Charges for services	11,032,914	86,169	1,127,015	12,246,098
Fines and forfeits	4,416,754	-	426,722	4,843,476
Rents and royalties	3,859,069	-	1,609,159	5,468,228
Miscellaneous revenue	2,874,920	1,746,842	723,253	5,345,015
Private source contributions	-	-	101,193	101,193
Investment income	30,169	4,185	10,782	45,136
Total revenues	109,027,429	7,605,892	19,652,772	136,286,093
Expenditures				
Current				
General government	15,246,282	-	469,078	15,715,360
Public safety	57,319,763	-	407,006	57,726,769
Public works	14,441,949	-	9,781,722	24,223,671
Recreation and culture	13,098,836	-	7,218,822	20,317,658
Community improvement	513,934	-	1,886,839	2,400,773
Utilities	-	-	250,020	250,020
Loss on land held for resale	-	350,894	256,832	607,726
Capital outlay	294,347	4,663,416	1,111,266	6,069,029
Total expenditures	100,915,111	5,014,310	21,381,585	127,311,006
Revenues Over (Under) Expenditures	8,112,318	2,591,582	(1,728,813)	8,975,087
Other Financing Sources (Uses)				
Transfers in	1,866,258	870,138	3,127,458	5,863,854
Transfers out	(1,278,635)	(67,413)	(2,910,532)	(4,256,580)
Total other financing sources (uses)	587,623	802,725	216,926	1,607,274
Net Change in Fund Balances	8,699,941	3,394,307	(1,511,887)	10,582,361
Fund Balances - Beginning of Year	23,622,735	9,889,064	17,681,946	51,193,745
Fund Balances - End of Year	\$ 32,322,676	\$ 13,283,371	\$ 16,170,059	\$ 61,776,106

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, 2015

Net change in fund balance - Total Governmental Funds \$ 10,582,361

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	\$ 14,846,814	
Net book value of assets disposed	(239,269)	
Depreciation	<u>(6,534,214)</u>	
Total excess capital outlay		8,073,331
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.		(1,478,670)
3. Governmental funds report inventories as expenditures when purchased; however in the statement of activities, the cost of those assets is expensed when used.		(52,815)
4. 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	(109,799)	
Pension	(1,539,297)	
Other postemployment benefits	<u>(6,581,287)</u>	
Total expenses not reported in governmental funds		(8,230,383)
5. Internal service funds are included as part of governmental activities.		<u>12,789,725</u>
Change in net position of governmental activities		<u>\$ 21,683,549</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 133)
	Parking System Funds	Sewer	Water	
Assets				
Current assets:				
Cash and cash equivalents	\$ -	\$ 55,955,900	\$ 5,314,633	\$ 8,756,441
Accounts receivable (Net)	-	4,157,926	5,616,973	28,244
Property taxes receivable	-	15,571	-	-
Unbilled accounts receivable	-	2,668,870	1,451,370	-
Accrued interest receivable	-	20,864	1,458	2,394
Due from other governments	-	797,354	1,063,451	109,980
Due from other funds	-	-	-	-
Prepaid items	-	-	-	26,142
Inventories	-	185,960	788,617	-
Total current assets	-	63,802,445	14,236,502	8,923,201
Noncurrent assets:				
Restricted cash and investments:				
Construction and equipment	-	19,690,371	-	-
Debt service	-	1,267,931	18,711	-
Capital assets (Net)	-	306,227,602	76,170,284	2,408,646
Total noncurrent assets	-	327,185,904	76,188,995	2,408,646
Total assets	-	390,988,349	90,425,497	11,331,847
Deferred Outflows of Resources - Pensions	-	396,887	979,697	247,339
Liabilities				
Current liabilities:				
Accounts payable	-	7,412,269	3,520,060	70,665
Accrued interest payable	-	898,834	-	-
Accrued liabilities	-	461,731	273,088	83,373
Deposits/refunds payable	-	-	116,955	138,913
Due for tax appeals	-	-	-	-
Due to other governments	-	128,149	-	-
Due to other funds	-	-	-	-
Unearned revenue	-	-	-	5,356
Current portion of long-term debt	-	13,322,612	45,000	-
Total current liabilities	-	22,223,595	3,955,103	298,307
Noncurrent liabilities:				
Current portion of long term debt payable with restricted assets	-	550,000	15,000	-
Accrued interest payable with restricted assets	-	35,431	3,711	-
Long-term debt, net of current portion	-	177,308,944	533,812	-
Net pension liability	-	1,613,478	3,982,799	1,005,516
Other liabilities	-	2,132,396	296,560	137,063
Claims payable	-	-	-	-
Total noncurrent liabilities	-	181,640,249	4,831,882	1,142,579
Total liabilities	-	203,863,844	8,786,985	1,440,886
Deferred Inflows of Resources - Pensions	-	29,573	73,000	18,430
Net Position				
Net investment in capital assets	-	115,596,046	75,591,472	2,408,646
Restricted for:				
Construction	-	19,690,371	-	-
Debt service	-	6,090,684	-	-
Unrestricted	-	46,114,718	6,953,737	7,711,224
Total net position	\$ -	\$ 187,491,819	\$ 82,545,209	\$ 10,119,870

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

**Statement of Net Position
Proprietary Funds
June 30, 2015**

Total	Governmental Activities - Internal Service Funds (See page 139)
\$ 70,026,974	\$ 30,566,075
9,803,143	23,802
15,571	-
4,120,240	-
24,716	8,320
1,970,785	-
-	312,965
26,142	689,012
974,577	-
86,962,148	31,600,174
19,690,371	-
1,286,642	-
384,806,532	82,054,544
405,783,545	82,054,544
492,745,693	113,654,718
1,623,923	945,177
11,002,994	1,707,088
898,834	20,959
818,192	227,825
255,868	-
-	1,484,995
128,149	-
-	293,289
5,356	67,000
13,367,612	1,362,910
26,477,005	5,164,066
565,000	-
39,142	-
177,842,756	4,410,742
6,601,793	3,842,461
2,566,019	300,830
-	1,723,698
187,614,710	10,277,731
214,091,715	15,441,797
121,003	70,427
193,596,164	76,280,893
19,690,371	-
6,090,684	-
60,779,679	22,806,778
\$ 280,156,898	\$ 99,087,671

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

City of Dearborn, Michigan

	Business-type Activities Enterprise Funds			
	Parking System Funds	Sewer	Water	Other Enterprise Funds (See page 134)
Operating Revenues				
Intergovernmental revenue:				
Federal	\$ -	\$ 93,245	\$ -	\$ -
Local sources	-	-	-	-
Sales	-	20,942,555	11,160,834	232,084
Charges for services	691,950	7,605,018	7,040,630	1,040,753
Fines	152,363	-	-	-
Penalties	-	709,250	700,844	-
Rents and royalties	-	-	-	1,886,951
City contributions for insurance premiums	-	-	-	-
Miscellaneous	-	1,019,208	6,626	31,915
Private source contributions	-	-	-	-
Total operating revenues	<u>844,313</u>	<u>30,369,276</u>	<u>18,908,934</u>	<u>3,191,703</u>
Operating Expenses				
Personnel services	87,167	2,256,617	5,148,832	1,873,726
Contractual services	440,030	4,551,521	943,514	224,929
Insurance and bonds	37,517	175,133	100,331	73,161
Insurance benefits	-	-	-	-
Claims and judgments	-	-	-	-
Utilities	95,197	388,277	16,650	451,442
Repair and maintenance	75,447	690,608	33,496	177,802
Supplies	46,305	192,964	674,420	118,744
Cost of sales	-	18,057,600	8,149,764	22,028
Cost of rentals	-	110,937	-	76,153
Depreciation	-	6,571,225	(479,791)	224,332
Other	6,285	2,195,801	246,609	30,109
Total operating expenses	<u>787,948</u>	<u>35,190,683</u>	<u>14,833,825</u>	<u>3,272,426</u>
Operating Income (Loss)	56,365	(4,821,407)	4,075,109	(80,723)
Nonoperating Revenues (Expenses)				
Taxes, assessments and penalties	-	14,820,721	-	-
Investment income	370	53,702	4,430	6,026
Contributions	-	-	-	-
Gain/(loss) on disposal of assets	(29,806)	(7,775)	(37,891)	-
Other interest	(172,150)	(3,686,427)	(15,877)	(12,981)
Other expense	-	-	-	-
Total nonoperating revenues (expenses)	<u>(201,586)</u>	<u>11,180,221</u>	<u>(49,338)</u>	<u>(6,955)</u>
Income (Loss) before Capital Contributions & Transfers	(145,221)	6,358,814	4,025,771	(87,678)
Capital contributed from grants, developers & other	475,000	14,951,763	-	-
Total capital contributions and transfers	475,000	14,951,763	-	-
Income (Loss) before Transfers	329,779	21,310,577	4,025,771	(87,678)
Transfers				
Transfers in	-	-	-	428,590
Transfers out	(13,331,968)	-	-	(1,637,453)
Net transfers	<u>(13,331,968)</u>	<u>-</u>	<u>-</u>	<u>(1,208,863)</u>
Income (Loss)	(13,002,189)	21,310,577	4,025,771	(1,296,541)
Net Position - Beginning of Year (1)	13,002,189	166,181,242	78,519,438	11,416,411
Net Position - End of Year	<u>\$ -</u>	<u>\$ 187,491,819</u>	<u>\$ 82,545,209</u>	<u>\$ 10,119,870</u>

(1) Net Position - Beginning of Year has been restated in order to adopt GASB 68. See Note 17.

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

City of Dearborn, Michigan

	Parking System Funds
Cash Flows from Operating Activities	
Receipts from customers	\$ 844,313
Payments to suppliers	(821,987)
Payments to employees	(87,167)
Internal activity	(135,067)
Claims paid	-
Other receipts	5,330
Other payments	-
Net cash provided (used) by operating activities	(194,578)
Cash Flows from Noncapital Financing Activities	
Transfers in	-
Transfers out	(1,475,392)
Net cash provided (used) by noncapital financing activities	(1,475,392)
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	-
Settlement proceeds	-
Prepaid interest on debt	-
Principal paid on debt	(427,756)
Acquisition and construction of capital assets	-
Contribution of capital assets	-
Interest paid on debt	(193,832)
Net cash provided (used) by capital and related financing activities	(176,394)
Cash Flows from Investing Activities	
Net sale (purchase) of investments	99,886
Investment income	1,147
Net cash provided (used) by investing activities	101,033
Net Increase (Decrease) in Cash and Cash Equivalents	(1,745,331)
Cash and Cash Equivalents - Beginning of Year	1,745,331
Cash and Cash Equivalents - End of Year	\$ -
Cash and Cash Equivalents - Unrestricted	\$ -
Cash and Cash Equivalents - Restricted	-
Cash and Cash Equivalents - End of Year	\$ -

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

**Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2015**

Business-type Activities Enterprise Funds		Other Enterprise Funds (See page 135)	Total	Governmental Activities - Internal Service Funds (See page 143)
Sewer	Water			
\$ 29,785,254	\$ 18,505,595	\$ 3,054,626	\$ 52,189,788	\$ 31,901,030
(22,838,919)	(9,643,979)	(1,082,199)	(34,387,084)	(9,141,485)
(2,232,006)	(5,150,652)	(1,868,479)	(9,338,304)	4,773
-	-	-	(135,067)	(46,901)
-	-	-	-	(20,772,230)
-	-	31,915	37,245	3,707,271
(195,801)	(246,609)	(26,714)	(469,124)	(226,609)
<u>4,518,528</u>	<u>3,464,355</u>	<u>109,149</u>	<u>7,897,454</u>	<u>5,425,849</u>
-	-	428,590	428,590	2,095,658
-	-	(697,256)	(2,172,648)	(1,000,000)
-	-	(268,666)	(1,744,058)	1,095,658
14,820,721	-	-	14,820,721	-
-	-	-	475,000	-
5,763,510	-	-	5,763,510	-
14,951,763	-	-	14,951,763	-
-	-	-	-	(153,558)
(14,350,271)	(55,000)	-	(14,833,027)	(1,365,832)
(14,094,296)	(4,350,716)	-	(18,445,012)	(7,416,861)
-	-	-	-	26,866
(3,797,072)	(16,221)	(17,308)	(4,024,433)	-
<u>3,294,355</u>	<u>(4,421,937)</u>	<u>(17,308)</u>	<u>(1,321,284)</u>	<u>(8,909,385)</u>
3,262,168	340,223	465,036	4,167,313	1,775,215
61,380	5,619	7,389	75,535	26,874
<u>3,323,548</u>	<u>345,842</u>	<u>472,425</u>	<u>4,242,848</u>	<u>1,802,089</u>
11,136,431	(611,740)	295,600	9,074,960	(585,789)
65,777,771	5,945,084	8,460,841	81,929,027	31,151,864
<u>\$ 76,914,202</u>	<u>\$ 5,333,344</u>	<u>\$ 8,756,441</u>	<u>\$ 91,003,987</u>	<u>\$ 30,566,075</u>
\$ 55,955,900	\$ 5,314,633	\$ 8,756,441	\$ 70,026,974	\$ 30,566,075
20,958,302	18,711	-	20,977,013	-
<u>\$ 76,914,202</u>	<u>\$ 5,333,344</u>	<u>\$ 8,756,441</u>	<u>\$ 91,003,987</u>	<u>\$ 30,566,075</u>

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

City of Dearborn, Michigan

Parking
System
Funds

**Reconciliation of Operating Income (Loss) to Net Cash Provided
(Used) by Operating Activities:**

Operating income (loss)	\$	56,365
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense		-
Change in assets and liabilities:		
Accounts receivable		-
Due from other funds		-
Due from other governments		5,330
Prepaid items		-
Inventories		-
Accounts payable		(114,791)
Accrued liabilities		(6,415)
Customer deposits		-
Accrued vacation and sick leave		-
Due to other funds		(135,067)
Due to other governments		-
Claims payable		-
Unearned revenue		-
Net Pension liability and related deferrals		-
Net cash provided (used) by operating activities	<u>\$</u>	<u>(194,578)</u>

There were non-cash transfers of capital assets and debt during the year when the Golf Course and Parking System funds were consolidated into the General fund as follows:

FROM		TO
Golf	\$	Governmental activities
	34,183	Facilities
	871,551	Fleet Replacement
	34,463	
	\$ 940,197	
Parking		Governmental activities
	870,138	Facilities
	10,972,571	Fleet Replacement
	13,867	
	\$ 11,856,576	

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

**Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2015**

Business-type Activities Enterprise Funds		Other Enterprise Funds (See page 136)	Total	Governmental Activities - Internal Service Funds (See page 145)
Sewer	Water			
\$ (4,821,407)	\$ 4,075,109	\$ (80,723)	\$ (770,656)	\$ 2,236,992
6,571,225	(479,791)	224,332	6,315,766	3,186,601
(84,078)	492,326	(22,538)	385,710	7,002
-	-	-	-	(248,575)
(499,944)	(903,680)	(10,515)	(1,408,809)	(64,390)
-	-	(382)	(382)	(434,335)
-	(79,763)	26,082	(53,681)	-
1,317,543	204,811	20,297	1,427,860	383,884
2,104,864	149,148	22,443	2,270,040	312,181
-	8,015	(68,041)	(60,026)	-
12,130	(17,309)	(6,192)	(11,371)	(150,533)
-	-	-	(135,067)	201,674
(94,286)	-	(2,985)	(97,271)	(21,856)
-	-	-	-	11,453
-	-	(4,068)	(4,068)	-
12,481	15,489	11,439	39,409	5,751
<u>\$ 4,518,528</u>	<u>\$ 3,464,355</u>	<u>\$ 109,149</u>	<u>\$ 7,897,454</u>	<u>\$ 5,425,849</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, 2015

	Pension & Other Employee Benefits	Agency Funds
	<u> </u>	<u> </u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 969,489	\$ 2,778,869
Investments - short-term	9,888,911	-
Accounts receivable (Net)	-	301,331
Accrued interest receivable	454,655	-
Other	1,624,997	-
Due from other funds	315,869	-
Due from other governments	-	52,169
Total current assets	<u>13,253,921</u>	<u>3,132,369</u>
Noncurrent assets - investments:		
Long-term bonds	32,435,542	-
Fixed income mutual funds	115,778,838	-
Common stock	143,458,983	-
Real estate properties	31,362,176	-
Commingled and mutual funds	166,708,623	-
Total noncurrent assets	<u>489,744,162</u>	<u>-</u>
Total assets	<u>502,998,083</u>	<u>\$ 3,132,369</u>
Liabilities		
Accounts payable	721,402	\$ 616,829
Payroll deductions payable	-	120,433
Deposits/refunds payable	-	1,901,790
Due to other governments	-	476,118
Other liabilities	-	17,199
Total liabilities	<u>721,402</u>	<u>\$ 3,132,369</u>
Net Position - restricted for pensions	<u>\$ 502,276,681</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, 2015

	<u>Pension & Other Employee Benefits</u>
Additions	
Investment income:	
Interest and dividends	\$ 11,078,238
Net increase/(decrease) in value of investments	(5,164,121)
Investment/administrative expenses	<u>(2,206,903)</u>
Net investment income	<u>3,707,214</u>
Contributions:	
Employer	26,167,600
Employee	1,253,459
Reimbursements	530,296
Total contributions	<u>27,951,355</u>
Total additions	31,658,569
Deductions	
Benefit payments	42,853,435
Refunds of contributions	1,050,142
Total deductions	<u>43,903,577</u>
Change in Net Position	(12,245,008)
Net Position - Beginning of Year	514,521,689
Net Position - End of Year	<u><u>\$ 502,276,681</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	\$ 520,728	\$ 2,573,952	\$ 1,723,839
Accounts Receivable (Net)	-	97,315	-
Accrued interest receivable	142	704	472
Total assets	<u>520,870</u>	<u>2,671,971</u>	<u>1,724,311</u>
Liabilities			
Accounts payable	3,808	191,086	54,858
Accrued liabilities	249	18,403	-
Current portion of long-term debt	-	-	288,105
Noncurrent liabilities:			
Other liabilities	-	-	572,552
Bonds payable	-	-	9,734,467
Total liabilities	<u>4,057</u>	<u>209,489</u>	<u>10,649,982</u>
Net Position - Unrestricted	<u>\$ 516,813</u>	<u>\$ 2,462,482</u>	<u>\$ (8,925,671) (1)</u>

(1) See Note 15

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

**Statement of Net Position
Component Units
June 30, 2015**

Economic Development Corporation	Total
\$ 311,544	\$ 5,130,063
-	97,315
86	1,404
311,630	5,228,782
-	249,752
-	18,652
-	288,105
-	572,552
-	9,734,467
-	10,863,528
\$ 311,630	\$ (5,634,746)

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	\$ 681,303	\$ -	\$ -
East Dearborn Development Authority - Community improvement	1,115,530	-	-
Brownfield Redevelopment Authority - Community improvement	4,281,812	-	-
Economic Development Corporation - Community improvement	-	-	-
Total component units	<u>\$ 6,078,645</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:
 Taxes
 Federal sources
 State 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, 2015**

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
\$ (681,303)	\$ -	\$ -	\$ -	\$ (681,303)
-	(1,115,530)	-	-	(1,115,530)
-	-	(4,281,812)	-	(4,281,812)
-	-	-	-	-
<u>(681,303)</u>	<u>(1,115,530)</u>	<u>(4,281,812)</u>	<u>-</u>	<u>(6,078,645)</u>
482,837	804,915	4,515,002	-	5,802,754
-	159,032	-	-	159,032
-	55,250	-	-	55,250
400	1,802	1,292	211	3,705
86,299	88,000	-	-	174,299
<u>569,536</u>	<u>1,108,999</u>	<u>4,516,294</u>	<u>211</u>	<u>6,195,040</u>
(111,767)	(6,531)	234,482	211	116,395
628,580	2,469,013	(9,160,153)	311,419	(5,751,141)
<u>\$ 516,813</u>	<u>\$ 2,462,482</u>	<u>\$ (8,925,671)</u>	<u>\$ 311,630</u>	<u>\$ (5,634,746)</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.

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 two proprietary fund types 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. The two parking system funds were consolidated into the General fund as of June 30, 2015 and the current year financials represent a partial year.

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, 2015 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	\$ 5,580,115	\$ 918,383	\$ 1,721,703	\$ 8,220,201
Accounts	1,482,080	19,621	582,489	2,084,190
Net receivables	<u>\$ 7,062,195</u>	<u>\$ 938,004</u>	<u>\$ 2,304,192</u>	<u>\$ 10,304,391</u>

Revenues are reported net of uncollectible amounts. The amount in the allowance for uncollectibles in the General fund at June 30, 2015 is \$1,023,300 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, 2015.

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 \$7.0 million, the Community Development fund has approximately \$172 thousand and the Sewer fund has approximately \$186 thousand invested in land inventory at June 30, 2015.

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 | 2-40 years |
| • Land improvements | 8-45 years |
| • Infrastructure assets (Roads, bridges and sidewalks) | 15-40 years |
| • Buildings and improvements | 5-50 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 deferred outflows of resources related to the implementation of GASB 68 for pensions.

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. The City has deferred inflows of resources related to the implementation of GASB 68 for pensions.

Unavailable revenue is reported from the following sources:

Taxes	\$	161,292
Notes and mortgages		379,992
Total unavailable revenue	\$	<u>541,284</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 2014 levy that financed operations for the fiscal year ended June 30, 2015 had a taxable value of \$3,706,669,474. In November 2011, voters authorized a five-year sunset 3.5 mills operating millage and a ten-year sunset 1.0 mill library millage. The City millage for the fiscal year ended June 30, 2015 was 26.60 mills, consisting of 15.00 mills operating, 3.50 mills for voted operations, 1.54 mills for library, 2.27 mills for garbage and rubbish and 4.29 mills for debt service. The City is legally empowered by Section 13.2 of the City Charter and P.A.s 298 and 164 for a maximum limit of 21.5 mills for each fiscal year. The rollbacks required by Michigan law are of maximum limit of 21.5 mills for each fiscal year. The rollbacks required by Michigan law of 1917, as amended, are 24.5 mills of authorization with an annual maximum limit of 21.5 mills for each fiscal year. The rollbacks required by Michigan law are applied to the authorized 24.5 mills. The maximum potential millage for the fiscal year ended June 30, 2015 was 24.2254 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	\$ 742,566
Capital Projects	588,094
Nonmajor governmental funds	4,452,641
	<u>\$ 5,783,301</u>

Pension and Other Postemployment Benefit Costs

The City offers pension benefits to retirees. The City records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the pension plan, and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Interfund Activity

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

Use of Estimates

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

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

Note 1 – Summary of Significant Accounting Policies (Continued)

- Assigned: Intent to spend resources on specific purposes expressed by City Council or the Finance Director/Treasurer, who is authorized by resolution approved by City Council to make assignments.
- Unassigned: Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

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

Note 2 – Deposits and Investments

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

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

Note 2 –Deposits and Investments (Continued)

invested with Incore Capital Management (formerly 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 \$3,607,863 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments

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

Interest Rate Risk

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

Note 2 –Deposits and Investments (Continued)

<u>Primary Government Investment Types</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
U.S. Government Obligations	\$49,793,273	.30 years

<u>Fiduciary Investment Types</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Corporate Bonds	\$16,525,229	9.25 years
Federal Agency/Instrumentality	6,136,782	26.57 years
U.S. Government Obligations	7,679,912	7.65 years
Municipal Bonds	457,313	17.92 years
Fixed Income Mutual Funds	115,778,839	*

* The weighted average maturity for \$115,778,839 of Fixed Income Mutual Funds is not known based on the information available to the City as of June 30, 2015.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations at the time of purchase. The City's investment policy limits investments to the safest types of securities. Financial institutions, broker/dealers,

intermediaries and advisers need to be pre-qualified to do business with the City. The policy also states that the investment portfolio will be diversified to minimize potential losses on individual securities. As of year-end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Note 2 –Deposits and Investments (Continued)

<u>Primary Government Investment Types</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Bank Investment Pool	\$90,506,600	N/R	

<u>Fiduciary Investment Types</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Bank Investment Pool	\$8,799,588	N/R	
Bank Investment Pool J Funds	984,469	N/R	
Corporate Bonds	486,497	AAA	S & P
Corporate Bonds	362,506	AA+	S & P
Corporate Bonds	593,521	AA	S & P
Corporate Bonds	476,534	AA-	S & P
Corporate Bonds	1,682,130	A+	S & P
Corporate Bonds	2,140,680	A	S & P
Corporate Bonds	3,628,011	A-	S & P
Corporate Bonds	2,403,150	BBB+	S & P
Corporate Bonds	2,495,848	BBB	S & P
Corporate Bonds	787,426	BBB-	S & P
Corporate Bonds	1,468,926	N/R	
Federal Agency/Instrumentality	6,136,782	N/R	
Municipal Bonds	77,809	AAA	S & P
Municipal Bonds	134,970	AA	S & P
Municipal Bonds	165,266	AA-	S & P
Municipal Bonds	79,268	AA+	S & P
Fixed Income Mutual Funds	115,778,839	*	

* The credit quality ratings for \$115,778,839 of Fixed Income Mutual Funds are not known based on the information available to the City as of June 30, 2015.

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, 2015, the City had more than 5% of its investments in the following:

Fiduciary Funds

Comerica Foreign Equity	8.25%
Comerica	7.66%
Baird	6.96%

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 \$1,424,694 had a weighted average maturity in years of .29. The component units did not have a concentration of credit risk.

Note 3 – Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

Governmental Activities

	Beginning Balance	Increases	Decreases	Transfers	Adjustments	Ending Balance
Assets not being depreciated						
Land	\$ 7,919,540		(1)	\$ 4,083,866	\$ 525,416	\$ 12,528,821
Right of ways	37,818	-	-	-	-	37,818
Construction in progress	21,748,477	8,737,215	-	(29,486,857)		998,835
Total capital assets not being depreciated	29,705,835	8,737,215	(1)	(25,402,991)	525,416	13,565,474
Other capital assets						
Building & improvements	118,661,992	709,847	(7,865,123)	50,839,789	1,426,473	\$ 163,772,978
Equipment	40,530,219	3,972,941	(4,336,817)	1,361,975	399,018	41,927,336
Infrastructure assets	105,127,574	6,666,165	-	-	-	111,793,739
Subtotal	264,319,785	11,348,953	(12,201,940)	52,201,764	1,825,491	317,494,053
Accumulated depreciation:						
Buildings & improvements	56,068,281	2,882,219	(5,555,774)	8,246,549	1,178,532	\$ 62,819,807
Equipment	32,040,439	2,360,682	(4,158,856)	1,144,969	(648,064)	30,739,170
Infrastructure assets	46,599,478	3,938,374	-	-	-	50,537,852
Subtotal	134,708,198	9,181,275	(9,714,630)	9,391,518	530,468	144,096,829
Net other capital assets	129,611,587	2,167,678	(2,487,310)	42,810,246	1,295,023	173,397,224
Net capital assets	\$ 159,317,422	\$ 10,904,893	\$ (2,487,311)	\$ 17,407,255	\$ 1,820,439	\$ 186,962,698

Depreciation was charged to functions as follows:

Governmental activities:	
General government	\$ 669,798
Public Safety	1,653,061
Public Works	4,722,952
Recreation & culture	2,134,364
Community improvement	1,100
Total governmental activities depreciation expense	\$ 9,181,275

Note 3 – Capital Assets (Continued)

Business-type Activities

	Beginning Balance	Increases	Decreases	Transfers	Adjustments	Ending Balance
Assets not being depreciated:						
Land	\$ 5,929,738	\$ -	\$ (77,331)	\$ (4,083,866)	\$ -	\$ 1,768,541
Construction in progress	56,024,040	19,051,401	-	(20,940,300)	(1,661,323)	52,473,818
Total capital assets not being depreciated	61,953,778	19,051,401	(77,331)	(25,024,166)	(1,661,323)	54,242,359
Other capital assets:						
Land improvements	20,655,674	-	(88,107)	(20,191,067)	-	376,500
Buildings & improvements	30,810,324	-	-	(1,161,865)	(48,990)	29,599,469
Equipment	44,442,767	950,043	(243,993)	(1,361,975)	122,933	43,909,775
Water system	101,798,609	-	(428,827)	10,310,214	8,614	111,688,610
Sewer system	239,123,988	104,890	(51,798)	10,630,086	48,989	249,856,155
Subtotal	436,831,362	1,054,933	(812,725)	(1,774,607)	131,546	435,430,509
Accumulated depreciation:						
Land improvements	8,010,030	9,413	(55,801)	(7,587,142)	-	376,500
Buildings & improvements	13,156,893	750,686	-	(489,958)	(16,972)	13,400,649
Equipment	10,146,791	2,912,861	(235,660)	(1,314,418)	78,890	11,588,464
Water system	42,778,390	1,410,856	(395,873)	-	(1,956,651)	41,836,722
Sewer system	34,451,690	3,206,899	(45,918)	-	51,330	37,664,001
Subtotal	108,543,794	8,290,715	(733,252)	(9,391,518)	(1,843,403)	104,866,336
Net other capital assets	328,287,568	(7,235,782)	(79,473)	7,616,911	1,974,949	330,564,173
Net capital assets	\$ 390,241,346	\$ 11,815,619	\$ (156,804)	\$ (17,407,255)	\$ 313,626	\$ 384,806,532

Depreciation was charged to functions as follows:

Business-type activities:	
Housing	\$ 224,817
Sewer	6,513,124
Water	1,552,774
Total business activities depreciation expense	\$ 8,290,715

Note 4 – Long-term Debt

Outstanding Debt

The following is a summary of the debt outstanding of the City as of June 30, 2015:

	Principal Outstanding	
	Governmental Activities	Business-type Activities
2004 General Obligation Limited Tax Refunding Bonds, 2.00% to 4.00%, dated April 15, 2004	\$ 808,279	\$ -
2008 General Obligation Limited Tax Refunding Bonds, 3.25% to 3.75% dated February 7, 2008	483,028	
2014 General Obligation Limited Tax Refunding Bonds, (Taxable), 2.55% to 4.05%, dated July 15, 2014	3,125,000	
2006 General Obligation Limited Tax Refunding Bonds, (Taxable), 5.50% to 5.80%, dated April 25, 2006	1,357,344	
Sewage Disposal System Revenue Bonds, 2.00%, dated September 29, 1994		125,000
Sewage Disposal System Revenue Refunding Bonds, 2.00% to 4.00%, dated February 1, 2004		1,787,825
Sewage Disposal System Revenue Bonds, 2.25%, dated September 28, 1995		10,000
Sewage Disposal System Revenue Bonds, 2.50%, dated March 28, 2002		2,760,000
2014 Sewage Disposal System General Obligation Unlimited Tax Refunding Bonds 3.00% to 3.75%, dated July 15, 2014		19,250,945

Note 4 – Long-term Debt (Continued)

Outstanding Debt

The following is a summary of the debt outstanding of the City as of June 30, 2015:

	Principal Outstanding	
	Governmental Activities	Business-type Activities
2004 Sewage Disposal System General Obligation Unlimited Tax Bonds, 2.125%, dated September 23, 2004	\$ -	\$ 22,499,705
2005 Sewage Disposal System General Obligation Unlimited Tax Bonds, 1.625%, dated September 22, 2005		41,761,299
2006 Sewage Disposal System General Obligation Unlimited Tax Bonds, 1.625%, dated June 22, 2006		4,557,942
2007 Sewage Disposal System General Obligation Unlimited Tax Bonds, 1.625%, dated September 20, 2007		77,435,000
2009 Sewage Disposal System General Obligation Unlimited Tax Bonds, 2.50%, dated September 28, 2009		4,750,000
2009 Water Supply System Revenue Bonds, 2.50%, dated September 28, 2009		593,812
2012 Sewage Disposal System General Obligation Unlimited Tax Bonds, 2.50%, dated June 26, 2012		7,175,000
2013 Sewage Disposal System General Obligation Unlimited Tax Bonds, 2.50%, dated April 9, 2013		7,841,610
2014 Sewage Disposal System General Obligation Unlimited Tax Bonds, 2.50%, dated December 12, 2014		1,227,230
Subtotal	5,773,651	191,775,368
Accumulated sick, vacation and PTO benefits	5,594,925	566,019
Total	<u>\$ 11,368,576</u>	<u>\$ 192,341,387</u>

City of Dearborn, Michigan

Notes to Financial Statements June 30, 2015

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, 2015 the City's general obligation debt margin amounted to approximately \$185,000,000.

Changes in Long-term Debt

The following is a summary of long-term debt transactions of the City for the year ended June 30, 2015:

Governmental Activities

	Beginning Balance	Additions (1)	Reductions	Ending Balance	Amounts Due Within One Year
Bonds & notes payable - General obligation bonds	\$ 1,626,558	\$ 5,940,682	\$ (1,793,589)	\$ 5,773,651	\$ 1,362,910
Other liabilities - Compensated absences	5,383,270	232,182	(20,527)	5,594,925	139,709
Total governmental activities	<u>\$ 7,009,828</u>	<u>\$ 6,172,864</u>	<u>\$ (1,814,116)</u>	<u>\$ 11,368,576</u>	<u>\$ 1,502,619</u>

Business-type Activities

	Beginning Balance	Additions	Reductions (1)	Ending Balance	Amounts Due Within One Year
Bonds & notes payable - General obligation bonds	\$ 198,808,356	\$ 5,763,510	\$ (18,073,135)	\$ 186,498,731	\$ 11,634,787
Revenue bonds	7,549,455	-	(2,272,818)	5,276,637	2,297,825
Subtotal	206,357,811	5,763,510	(20,345,953)	191,775,368	13,932,612
Other liabilities - Compensated absences	553,918	31,496	(19,395)	566,019	-
Total business-type activities	<u>\$ 206,911,729</u>	<u>\$ 5,795,006</u>	<u>\$ (20,365,348)</u>	<u>\$ 192,341,387</u>	<u>\$ 13,932,612</u>

The funds that report each employee's compensation, primarily the General, Water, Sewer, Library, Facilities, Information Systems, Telecommunications and Seniors Apartment Operating funds, are used to liquidate the compensated absences liability.

(1) During FY2015, the Parking System funds were consolidated into the General fund. The long-term debt transfers are presented as a reduction in the Business-type activities and an addition in the Governmental activities.

Note 4 – Long-term Debt (Continued)

Debt Service Requirements

The annual requirements to service all debt outstanding as of June 30, 2015 (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
2016	\$ 1,362,910	\$ 229,828	\$ 13,932,612	\$ 3,966,076
2017	569,568	171,774	12,234,787	3,672,711
2018	348,085	147,937	12,934,787	3,433,274
2019	368,088	127,637	13,184,787	3,189,105
2020	405,000	101,014	13,232,017	2,939,918
2021-2025	2,225,000	305,908	67,682,745	9,664,443
2026-2030	495,000	10,024	48,642,878	3,997,728
2031-2035	-	-	9,930,755	700,756
Total	<u>\$ 5,773,651</u>	<u>\$ 1,094,122</u>	<u>\$ 191,775,368</u>	<u>\$ 31,564,011</u>

Description of Long-term Debt

Primary Government

On April 15, 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 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, 2015, \$540,000 of bonds are considered to be defeased and the liability for the bonds has been removed from the Enterprise Funds statement of net position.

Note 4 – Long-term Debt (Continued)

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.

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 nontaxable 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 July 15, 2014, the City of Dearborn issued \$3,125,000 in Limited Tax General Obligation (taxable) Refunding Bonds, with interest rates ranging from 2.55% to 4.05%. The proceeds from these bonds were used to refinance and restructure the 2004 Capital Improvement Bonds Series A and B. The City of Dearborn Post Employment Health Care Fund purchased this bond issue in-full which is now a component of the Fund's investment portfolio. The proceeds from these bonds were used to advance refund \$3,175,000 of outstanding Capital Improvement General Obligation Limited Tax Bonds (Series A) and \$425,000 of outstanding Capital Improvement General Obligation Limited Tax Bonds (Series B). The net 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 August 14, 2014. The advance refunding increases total debt service payments over 12 years by approximately \$604,000 which represents an economic gain of approximately \$49,000.

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 subsequently used to pay off the bonds. 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.

Note 4 – Long-term Debt (Continued)

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 February 1, 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 solely from the net revenues of the sewer system. The remaining principal and interest to be paid on the bonds is \$1,820,000. During the current year, net revenues of the system were \$3,540,488 compared to the annual debt requirements of \$1,879,600 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

Note 4 – Long-term Debt (Continued)

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 October 1, 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 July 15, 2014, the City of Dearborn issued \$20,085,000 in Unlimited Tax General Obligation Sewer Refunding Bonds, with interest rates ranging from 3.00% to 3.75%. The proceeds from these bonds were used to refinance the 2004 Series B Unlimited Tax General Obligation Sewer Bonds. 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 August 15, 2014. The advance refunding reduces total debt service payments over 20 years by approximately \$2,423,000 which represents an economic gain of approximately \$1,919,000.

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.

On September 22, 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.

On June 22, 2006, the City of Dearborn and the Michigan Municipal Bond Authority entered into an agreement whereby the City of Dearborn would issue, and the Michigan Municipal Bond Authority would purchase, up to \$7,450,000 in principal of General Obligation Sewer Bonds, Series 2006 (Unlimited Tax General Obligation) for the construction of the Combined Sewer Overflow project. As of December, 2010 this portion of the project was administratively complete 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 semi-annually 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

Note 4 – Long-term Debt (Continued)

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.

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 was due October 1, 2014 and will continue to be due October 1 through 2033.

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 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, 2015 is \$7,841,610.

On December 12, 2014, the City of Dearborn and the Michigan Finance Authority entered into an agreement whereby the City of Dearborn would issue, and the Michigan Finance Authority would purchase up to \$12,000,000 in principal of General Obligation Sewer Bonds, Series 2014 (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, 2015 and

Note 4 – Long-term Debt (Continued)

semiannually thereafter. The first principal payment is due October, 1 2017 and will continue to be due October 1 through 2036. The amount drawn as of June 30, 2015 is \$1,227,230.

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, 2015:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2009 General Obligation Limited Tax Redevelopment Bonds, Series A (Non-taxable) 5.00% to 5.50%, dated November 10, 2009	\$ 9,716,786	\$ 8,993	\$ -	9,725,779	\$ (8,688)
2009 General Obligation Limited Tax Redevelopment Bonds, Series B (Taxable) 3.10% to 4.75%, dated November 12, 2009	425,000	-	(210,000)	215,000	215,000
Loan due to DCC (see Note 15)	736,138	-	(81,793)	654,345	81,793
Subtotal	10,877,924	8,993	(291,793)	10,595,124	288,105
Other Liabilities - Compensated Absences	68	-	(68)	-	-
Total Component Unit Activities	<u>\$ 10,877,992</u>	<u>\$ 8,993</u>	<u>\$ (291,861)</u>	<u>\$ 10,595,124</u>	<u>\$ 288,105</u>

Debt Service Requirements – Component Units

The annual requirements to service all component unit debt outstanding as of June 30, 2015 (excluding sick, vacation and PTO benefits), including both principal and interest, are as follows:

June 30,	Units	
	Principal	Interest
2016	\$ 288,105	\$ 535,713
2017	298,425	525,500
2018	308,766	514,250
2019	324,123	502,500
2020	334,501	490,000
2021-2025	1,750,354	2,239,750
2026-2030	1,993,080	1,799,175
2031-2035	2,627,770	1,184,150
2036-2040	2,670,000	376,750
Total	<u>\$ 10,595,124</u>	<u>\$ 8,167,788</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, 2015 represent interfund receivables and payables:

Receivable Fund	Payable Fund	Amount
Due from / to Other Funds		
General	Nonmajor governmental funds	\$ 118,368
Nonmajor governmental funds	General	83,886
	Nonmajor governmental funds	105,820
	Total Nonmajor governmental funds	189,706
Capital projects	Nonmajor governmental funds	850
	Internal service funds	10,200
	Total Capital projects	11,050
Internal service funds	General	82,265
	Nonmajor governmental funds	700
	Internal service funds	230,000
	Total Internal service funds	312,965
Fiduciary funds	General	262,780
	Internal service funds	53,089
	Total Fiduciary funds	315,869
Total		\$ 947,958

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, 2015 represent interfund transfers in and out:

Transferred In Fund	Transferred Out Fund	Amount	
General	Parking system	\$ 866,258	(3)
	Internal service funds	1,000,000	(3)
	Total General	<u>1,866,258</u>	
Capital projects	Parking system	870,138	(3)
Nonmajor governmental funds	General	850,045	(2) (3)
	Capital projects	67,413	(3)
	Nonmajor governmental funds	2,210,000	(1)
	Total nonmajor governmental funds	<u>3,127,458</u>	
Nonmajor enterprise funds	General	428,590	(3)
Internal service funds	Nonmajor governmental funds	700,532	(3)
	Parking system	11,595,572	(3)
	Nonmajor enterprise funds	1,637,453	(3)
	Total Internal service funds	<u>13,933,557</u>	
Total		<u>\$ 20,226,001</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) use unrestricted revenues collected in the General fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and (3) to transfer net position related to the closing of the Parking System funds.

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, 2014, 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	573	377	71
Terminated employees entitled to benefits but not yet receiving them	60	10	-
Current active employees	211	180	-

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 until January 1, 2015 when the RP2000 Mortality Table was adopted, 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 Command staff 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, until January 1, 2015 when the RP2000 Mortality Table was adopted, 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

Note 7 – Pension and Other Postemployment Plans (Continued)

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.

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 Command staff 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 58.15% 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.

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.

Note 7 – Pension and Other Postemployment Plans (Continued)

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, 2015 are as follows:

	Chapter 21	Chapter 22	Chapter 23	Amount Funded
Retiree reserve	\$ 26,968,613	\$ 142,773,304	\$ 256,644,330	100%
Employee reserve	-	326,643	9,143,289	100%
Employer reserve	-	-	7,316,600	100%

Financial Statement Information

As of June 30, 2015 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	\$ 49,505	\$ 387,914	\$ 55,773
Investments - short-term	2,481,621	4,935,512	335,856
Receivables:			
Accrued interest receivable	54,697	117,235	9,800
Other	363,818	820,471	28,868
Due from other funds	-	-	-
Total current assets	<u>2,949,641</u>	<u>6,261,132</u>	<u>430,297</u>
Noncurrent assets - investments:			
Long-term bonds	-	-	-
Fixed income mutual funds	39,081,678	64,449,909	12,247,251
Common stock	30,017,465	85,608,930	4,526,170
Real estate properties	14,815,966	14,840,574	1,705,636
Commingled and mutual funds	56,355,884	102,265,127	8,087,612
Total noncurrent assets	<u>140,270,993</u>	<u>267,164,540</u>	<u>26,566,669</u>
Total assets	<u>143,220,634</u>	<u>273,425,672</u>	<u>26,996,966</u>
Liabilities			
Accounts payable	120,687	321,453	28,353
Total liabilities	<u>120,687</u>	<u>321,453</u>	<u>28,353</u>
Net Position - restricted for pensions	<u>\$ 143,099,947</u>	<u>\$ 273,104,219</u>	<u>\$ 26,968,613</u>

Note 7 – Pension and Other Postemployment Plans (Continued)

For the year ended June 30, 2015 the Statement of Changes in Net Position for the three pension plans is as follows:

	General Employees' Retirement System Fund	Revised Police & Fire Retirement System Fund	Policemen's & Firemen's Retirement System Fund
Additions			
Investment income:			
Interest and dividends	\$ 2,741,703	\$ 4,687,861	\$ 274,865
Net increase/(decrease) in value of investments	(1,451,794)	(2,591,963)	33,435
Investment/administrative expenses	(613,934)	(1,318,353)	(141,187)
Net investment income	<u>675,975</u>	<u>777,545</u>	<u>167,113</u>
Contributions:			
Employer	3,804,508	9,193,439	-
Employee	505,681	735,288	-
Reimbursements	-	-	-
Total contributions	<u>4,310,189</u>	<u>9,928,727</u>	<u>-</u>
Total additions	4,986,164	10,706,272	167,113
Deductions			
Benefit payments	11,382,627	18,210,717	2,279,928
Refunds of contributions	50,841	999,301	-
Total deductions	<u>11,433,468</u>	<u>19,210,018</u>	<u>2,279,928</u>
Change in Net Position	(6,447,304)	(8,503,746)	(2,112,815)
Net Position - Beginning of Year	149,547,251	281,607,965	29,081,428
Net Position - End of Year	<u>\$ 143,099,947</u>	<u>\$ 273,104,219</u>	<u>\$ 26,968,613</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, 2015, 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%	6.33%
All Cap Equity	15.00%	6.61%
International Equity	9.00%	7.39%
Emerging International Equity	3.00%	9.55%
Core Bonds	30.00%	1.65%
Global Bonds	5.00%	0.13%
Emerging Market Debt	3.00%	4.70%
TIPS	5.00%	1.76%
Diversified Credit	5.00%	3.08%
Absolute Return Fixed Income	10.00%	1.88%
Real Estate	5.00%	5.00%
Global Asset Allocations	5.00%	4.88%
Total	100.00%	

* Real rate of return is based in investment manager inflation assumption of 2.5%

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%	6.33%
Small/Mid Cap Equity	4.00%	7.14%
International Equity	9.00%	7.39%
Emerging International Equity	4.00%	9.55%
All Cap Equity	14.00%	6.61%
Core Bonds	15.00%	1.65%
Global Bonds	5.00%	0.13%
Emerging Market Debt	4.00%	4.70%
TIPS	5.00%	1.76%
Diversified Credit	5.00%	3.08%
Absolute Return Fixed Income	5.00%	1.88%
Real Estate	5.00%	5.00%
Global Asset Allocations	20.00%	4.88%
Total	100.00%	

* Real rate of return is based in investment manager inflation assumption of 2.5%

Chapter 23 Asset Allocation		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return *
Large Cap Equity	8.00%	6.33%
Small/Mid Cap Equity	5.00%	7.14%
International Equity	10.00%	7.39%
Emerging International Equity	4.00%	9.55%
All Cap Equity	12.00%	6.61%
Core Bonds	10.00%	1.65%
Global Bonds	5.00%	0.13%
Emerging Market Debt	4.00%	4.70%
TIPS	5.00%	1.76%
Diversified Credit	2.00%	3.08%
Absolute Return Fixed Income	7.00%	1.88%
Real Estate	5.00%	5.00%
Hedge Funds	3.00%	4.61%
Global Asset Allocations	20.00%	4.88%
Total	100.00%	

* Real rate of return is based in investment manager inflation assumption of 2.5%

Note 7 – Pension and Other Postemployment Plans (Continued)

Rate of Return

For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was .60% for Chapter 21, .46% for Chapter 22 and .28% 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 adopted GASB 68 which requires the measurement of pension expense as it is earned rather than as it is funded. The net pension liability was measured as of June 30, 2015 and is composed of the following:

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

The City has chosen to use June 30, 2015 as its measurement date for the net pension liability. The June 30, 2015 reported net pension liability was determined using a measure of the total pension liability and the pension net position as on June 30, 2015. The June 30, 2015 total pension liability was determined by an actuarial valuation performed as of that date.

Changes in the net pension liability during the measurement year were as follows:

	Increase (decrease)		
	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 15,290,097	\$ 29,081,428	\$ (13,791,331)
Changes for the year			
Interest	990,509	-	990,509
Differences between expected and actual experience	34,361	-	34,361
Changes in assumptions	832,813	-	832,813
Net investment income	-	181,557	(181,557)
Benefit payments, including refunds	(2,279,928)	(2,279,928)	-
Administrative expenses	-	(14,444)	14,444
Net changes	<u>(422,245)</u>	<u>(2,112,815)</u>	<u>1,690,570</u>
Balances at June 30, 2015	<u>\$ 14,867,852</u>	<u>\$ 26,968,613</u>	<u>\$ (12,100,761)</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The changes in assumptions for Chapter 21 were due to an update in the mortality table. The mortality table used to predict retired healthy life mortality was the RP2000 Mortality Table projected to 2020. Previously 110% of the male 1994 Group Annuity Mortality Table and 100% of the female Group Annuity Mortality Table were used.

Note 7 – Pension and Other Postemployment Plans (Continued)

For the year ended June 30, 2015, the City of Dearborn recognized pension expense of \$271,498. At June 30, 2015 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Net difference between projected and actual earnings on pension plan investments	1,419,071	-
Total	<u>\$ 1,419,071</u>	<u>\$ -</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ 354,768
2017	354,768
2018	354,768
2019	354,768

Actuarial assumptions – The total pension liability (TPL) was determined by an actuarial valuation as of June 30, 2014, which used updated procedures to roll forward the estimated liability to June 30, 2015. 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. 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.

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 76 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 7.0%, 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)	\$(11,332,925)	\$(12,100,761)	\$(12,797,522)

Chapter 22 – General Employees Retirement System

The City has chosen to use June 30, 2015 as its measurement date for the net pension liability. The June 30, 2015 reported net pension liability was determined using a measure of the total pension liability and the pension net position as on June 30, 2015. The June 30, 2015 total pension liability was determined by an actuarial valuation performed as of that date.

Changes in the net pension liability during the measurement year were as follows:

	Increase (decrease)		
	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 174,207,636	\$ 149,547,251	\$ 24,660,385
Changes for the year			
Service cost	1,463,932	-	1,463,932
Interest	12,268,658	-	12,268,658
Differences between expected and actual experience	(1,318,646)	-	(1,318,646)
Contributions - employer	-	3,804,508	(3,804,508)
Contributions - employee	-	505,681	(505,681)
Net investment income	-	716,111	(716,111)
Benefit payments, including refunds	(11,433,468)	(11,433,468)	-
Administrative expenses	-	(40,136)	40,136
Net changes	980,476	(6,447,304)	7,427,780
Balances at June 30, 2015	\$ 175,188,112	\$ 143,099,947	\$ 32,088,165

Note 7 – Pension and Other Postemployment Plans (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the City of Dearborn recognized pension expense of \$3,927,310. At June 30, 2015 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (588,135)
Net difference between projected and actual earnings on pension plan investments	7,893,113	-
Total	<u>\$ 7,893,113</u>	<u>\$ (588,135)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	
2016	\$ 1,385,143
2017	1,973,278
2018	1,973,278
2019	1,973,279

Actuarial assumptions – The total pension liability (TPL) was determined by an actuarial valuation as of June 30, 2014, which used updated procedures to roll forward the estimated liability to June 30, 2015. The valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5-3.5%
Salary increases	3.75-7.05% average, including inflation
Investment rate of return	7.25% percent, net of pension plan investment expense, including inflation

For calculation of the beginning and 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.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period 2006 – 2013 conducted by the City's actuary and adopted by The Chapter 22 Pension Board in July 2014.

Note 7 – Pension and Other Postemployment Plans (Continued)

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 3.80%.

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 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 77 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 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	\$49,878,414	\$32,088,165	\$16,855,474

Chapter 23 – Police and Fire Revised Retirement System

The City has chosen to use June 30, 2015 as its measurement date for the net pension liability. The June 30, 2015 reported net pension liability was determined using a measure of the total pension liability and the pension net position as on June 30, 2015. The June 30, 2015 total pension liability was determined by an actuarial valuation performed as of that date.

Note 7 – Pension and Other Postemployment Plans (Continued)

Changes in the net pension liability during the measurement year were as follows:

	Increase (decrease)		
	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 332,395,549	\$ 281,607,965	\$ 50,787,584
Changes for the year			
Service cost	3,854,655	-	3,854,655
Interest	23,542,045	-	23,542,045
Differences between expected and actual experience	(429,811)	-	(429,811)
Contributions - employer	-	9,193,439	(9,193,439)
Contributions - employee	-	735,288	(735,288)
Net investment income	-	838,284	(838,284)
Benefit payments, including refunds	(19,210,018)	(19,210,018)	-
Administrative expenses	-	(60,739)	60,739
Net changes	7,756,871	(8,503,746)	16,260,617
Balances at June 30, 2015	\$ 340,152,420	\$ 273,104,219	\$ 67,048,201

Pension Expense and Deferred outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the City of Dearborn recognized pension expense of \$10,381,708. At June 30, 2015 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (319,368)
Net difference between projected and actual earnings on pension plan investments	15,391,716	-
Total	\$ 15,391,716	\$ (319,368)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ 3,737,486
2017	3,737,486
2018	3,749,447
2019	3,847,929

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, 2014, which used updated procedures to roll forward the estimated liability to June 30, 2015. The valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5-3.5%
Salary increases	3.75-7.25% average, including inflation
Investment rate of return	7.25% percent, net of pension plan investment expense, including inflation

For calculation of the beginning and 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, 2015 valuation were based on the results of an actuarial experience study for the period 2006 – 2013 conducted by the City's actuary and adopted by the Chapter 23 Pension Board in July 2014.

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 3.80%.

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 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.

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 77 to view the long-term expected rate of return for Chapter 23.

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 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:

Note 7 – Pension and Other Postemployment Plans (Continued)

	1% decrease (6.25%)	Current discount rate (7.25%)	1% increase (8.25%)
Net pension liability	\$109,781,641	\$67,048,201	\$31,630,632

Municipal Employees' Retirement System of Michigan

Plan Description

In 2009, the City of Dearborn began participation in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees' Retirement System of Michigan (MERS), that covers Police employees hired on or after July 1, 2005 and Fire employees hired on or after May 1, 2009. MERS was established as a statewide public employee pension plan by the Michigan Legislature under PA 135 of 1945 and is administered by a nine-member retirement board. MERS issues a publicly available financial report which includes the financial statements and required supplementary information of this defined benefit plan. This report can be obtained at www.mersofmich.com or in writing to MERS at 1134 Municipal Way, Lansing, MI 48917.

Benefits Provided

The Plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS.

Benefit Provisions

Police hired after July 1, 2005	2014 Valuation	2013 Valuation
Benefit multiplier	2.50% multiplier (80% max)	2.50% multiplier (80% max)
Normal retirement age	60	60
Vesting	10 years	10 years
Early retirement (unreduced)	50/25	50/25
Early retirement (reduced)	55/12	55/12
Final average compensation	3 years	3 years
Employee contributions	5%	5%
D-2	D-D (25%)	D-D (25%)
Act 88	No	No
Fire hired after May 1, 2006	2014 Valuation	2013 Valuation
Benefit multiplier	2.50% multiplier (80% max)	2.50% multiplier (80% max)
Normal retirement age	60	60
Vesting	10 years	10 years
Early retirement (unreduced)	50/25	50/25
Early retirement (reduced)	55/12	55/12
Final average compensation	3 years	3 years
Employee contributions	5%	5%
D-2	D-D (25%)	D-D (25%)
Act 88	No	No

Note 7 – Pension and Other Postemployment Plans (Continued)

Employees are eligible for non-duty disability benefits after 10 years of service and for duty-connected disability benefits upon hire. An employee who leaves service may withdraw his or her contributions plus any accumulated interest.

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. The member shall be paid a retirement allowance in an amount which is the greater of:

(a) 25% of the member's final average compensation, or as determined by the Defined Benefits Formula.

(b) 10 years of credited service in addition to the member's actual period of credited service provided that the total years of credited service may not exceed the greater of 30 years or the member's actual period of credited service. In all cases where the retirement allowance benefit program in effect imposes a limitation on the maximum amount of retirement allowance payable, then the Benefit Program D-2 allowance shall not exceed such limitation.

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 an age and service allowance.

Death of a Member – Duty – Upon the death of a member which is the result of a work-related injury or illness, the surviving dependents receive, subject to offsetting for workers' compensation and Social Security, the following benefits:

(a) The amount of retirement allowance paid a surviving spouse shall not be less than 25% of the deceased member's final average compensation.

(b) The amount of retirement allowance paid a surviving child shall not be less than an equal share of 25% of the deceased member's final average compensation.

(c) Under Benefit Program D-2, the amount of retirement allowance paid a surviving spouse or surviving child shall not be less than the amount computed as if the member had acquired 10 years of credited service in addition to the member's actual period of credited service, provided that the total years of credited service may not exceed the greater of 30 years or the member's actual period of credited service. In all cases where the retirement allowance Benefit Program in effect imposes a limitation on the maximum amount of retirement allowance payable, then the Benefit Program D-2 allowance shall not exceed such limitation.

Vesting is not required.

Death of a Member – Non Duty – Upon the death of a member which is the result of a non-work related injury or illness, the surviving dependents will receive, subject to offsetting for workers' compensation and Social Security, the following benefits:

(a) The surviving spousal beneficiary will receive the greater of a lifetime benefit of at least 85% of the Defined Benefit formula, or the survivor benefit payment option.

(b) Children (not named as survivor beneficiary) would equally share a total of 50% of the employees Straight Life benefit until they are age 21 or married.

Vesting is required. There are no provisions for benefit changes after retirement.

Note 7 – Pension and Other Postemployment Plans (Continued)

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the City Council, generally after negotiation of these terms with the associated unions. Police and Fire employees' benefit terms may be subject to binding arbitration in certain circumstances.

Employees covered by benefit terms

At the December 31, 2014 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	-
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	121

Contributions

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, MERS retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees. For the year ended December 31, 2014, the average active employee contribution rate was 5% percent of annual pay, and the City's average contribution rate was 9.55% (Police) 11.11% (Fire) of annual payroll.

Net Pension Liability of the City

The net pension liability reported at June 30, 2015 was determined using a measure of the total pension liability and the pension net position as of December 31, 2014. The December 31, 2014 total pension liability was determined by an actuarial valuation performed as of that date.

Changes in net pension liability during the measurement year were as follows:

	Increase (decrease)		
	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2013	<u>\$ 4,413,955</u>	<u>\$ 5,502,130</u>	<u>\$ (1,088,175)</u>
Changes for the year			
Service cost	1,209,895	-	1,209,895
Interest	413,899	-	413,899
Contributions - employer	-	743,093	(743,093)
Contributions - employee	-	371,624	(371,624)
Net investment income	-	373,756	(373,756)
Benefit payments, including refunds	(3,887)	(3,887)	-
Administrative expenses	-	(14,087)	14,087
Net changes	<u>1,619,907</u>	<u>1,470,499</u>	<u>149,408</u>
Balances at December 31, 2014	<u>\$ 6,033,862</u>	<u>\$ 6,972,629</u>	<u>\$ (938,767)</u>

Note 7 – Pension and Other Postemployment Plans (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the City recognized pension expense of \$792,173. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 100,328	-
Employer contributions to the plan subsequent to the measurement date	409,014	-
Total	<u>\$ 509,342</u>	<u>\$ -</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of the employer contributions to the plan of \$409,014 subsequent to the measurement date which will impact the net pension liability in fiscal year 2016 rather than pension expense.

<u>Year Ended June 30,</u>	
2016	\$ 25,082
2017	25,082
2018	25,082
2019	25,082

Actuarial Assumptions – The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3-4%
Salary Increases	4.5% In the long term, 1%, 2% and 3% for calendar years 2014, 2015 and 2016 respectively, including inflation
Investment rate of return	8.25% Net of pension plan investment expense, including inflation

Although no specific price inflation assumptions are needed for the valuation, the 4.5% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%.

Mortality rates used were based on the 1994 Group Annuity Mortality Table of a 50% Male and 50% Female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

Note 7 – Pension and Other Postemployment Plans (Continued)

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study in 2008. The MERS Retirement Board is currently conducting an actuarial experience study covering the period from January 1, 2009 through December 31, 2013.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

MERS Asset Allocation		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	57.50%	5.02%
Global Fixed Income	20.00%	2.18%
Real Assets	12.50%	4.23%
Diversifying Strategies	10.00%	6.56%
	<u>100.00%</u>	

Discount rate - The discount rate used to measure the total pension liability is 8.25% for 2014. The Projection of cash flows used to do determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers.

Projected cash flows - Based on these assumptions, the pension plan fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. 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.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the City of Dearborn, calculated using the discount rate of 8.25 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% decrease (7.25%)	Current discount rate (8.25%)	1% increase (9.25%)
Change in net pension liability as of 12/31/2014	\$397,814	\$(938,767)	\$ (2,014,258)

Note 7 – Pension and Other Postemployment Plans (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued financial report found at www.mersofmichigan.com.

The Plan's fiduciary net position has been determined on the same basis used by the Plan. The Plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

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, 2015 there were 720 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, 2015, the City has estimated the cost of providing retiree health care benefits through an actuarial valuation as of June 30, 2014. 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 22 years. Based on that valuation, the City contributed \$13,010,226 in the year ended June 30, 2015 which represents 64.7% of the annual required contribution. An additional \$528,807 was contributed from the Federal Government. This represents an additional 2.6% of the annual required contribution.

Note 7 – Pension and Other Postemployment Plans (Continued)

Annual required contribution (recommended)	\$ 19,854,489
Interest on the prior year's net OPEB obligation	1,522,975
Less adjustment to the annual required contribution	<u>(1,257,144)</u>
Annual OPEB cost	20,120,320
Amounts contributed:	
Payments of current expenses	(13,010,226)
Advance funding - Medicare / ERRP reimbursement	<u>(528,807)</u>
Change in net OPEB obligation	6,581,287
OPEB obligation - beginning of the year	<u>21,006,555</u>
OPEB obligation - end of the year	<u><u>\$ 27,587,842</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>2013</u>	<u>2014</u>	<u>2015</u>
Annual OPEB Costs	\$ 13,745,155	\$ 20,574,789	\$ 20,120,320
Percentage contributed:			
City of Dearborn	103.0%	56.5%	64.7%
Federal Government	<u>2.5%</u>	<u>2.3%</u>	<u>2.6%</u>
Total contributions	105.5%	58.8%	67.3%
Net OPEB obligation	\$ 12,549,643	\$ 21,006,555	\$ 27,587,842

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, 2014:	
Actuarial value of assets	\$ 53,903,727
Actuarial accrued liability	217,362,700
Unfunded AAL	163,458,973
Funded ratio	24.8%
Annual covered payroll	40,134,079
Ratio of UAAL to covered payroll	407.3%

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.

Note 7 – Pension and Other Postemployment Plans (Continued)

The following are condensed financial statements for the Postemployment Healthcare fund as of June 30, 2015:

Statement of Net Position

Assets	
Cash and investments	\$ 58,006,720
Other assets	1,000,537
Liabilities	<u>(240,909)</u>
Net position	<u>\$ 58,766,348</u>

Statement of Changes in Net Position

Net investment income	\$ 2,219,764
Contributions	13,699,949
Benefit payments	(10,923,663)
Administrative expenses	<u>(133,429)</u>
Change in net position	<u>\$ 4,862,621</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, 2014 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 7.25% 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 9.00% initially, reduced to an ultimate rate of 3.00% after ten years. The inflation rate assumed is 3.00%. Salary increases are projected from 3.00% to 7.80%. No increases in benefits are assumed. The actuarial value of assets was equal to the market value of investments. The UAAL is being amortized as a level percentage of projected payroll on a closed basis over 22 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, 2015 was approximately \$56,500.

Note 7 – Pension and Other Postemployment Plans (Continued)

The following are condensed financial statements for the Retiree Death Benefit fund as of June 30, 2015:

Statement of Net Position

Assets	
Cash and investments	\$ 347,554
Liabilities	(10,000)
Net position	<u>\$ 337,554</u>

Statement of Changes in Net Position

Net investment income	\$ 246
Contributions	12,490
Benefit payments	(56,500)
Change in net position	<u>\$ (43,764)</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 general employees hired on or after July 1, 2010 are required to participate in the plan as determined by labor contracts. All Police employees hired on or after June 20, 2012 and all Fire employees hired on or after August 26, 2013 are also required to participate. Employees may also elect to convert into the plan in lieu of retiree health care provided by the City.

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

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

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

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

In accordance with the above requirements, the City contributed \$194,875 during the current year and employees contributed \$77,950.

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 or after 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 \$224,065 during the current year and employees contributed \$540,852.

Note 11 – Risk Management

Commercial Insurance

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

Self-insurance

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

Unemployment Compensation

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

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 \$5,000,000 per occurrence. The excess layer is \$10,000,000 per occurrence. The City has increased funding of its insurance program as a result of the City's past claims and industry conditions. The City estimates liability for claims based on the Law Department's evaluation of potential exposure, historical experience and future development of the claims. Retained earnings are designated for anticipated future catastrophic losses.

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

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

Note 11 – Risk Management (Continued)

	Unemployment Compensation	Workers' Compensation	Employee Insurance	Fleet & General Liability
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	-	631,452	304,949	2,282,695
Claims incurred during the year	62,696	346,681	19,674,670	2,243,483
Changes in estimates for claims of prior periods	-	(277,324)	(52,377)	(1,911,940)
Payments on claims	<u>(62,696)</u>	<u>26,953</u>	<u>(19,674,670)</u>	<u>(385,879)</u>
Claims liability - June 30, 2015	<u>\$ -</u>	<u>\$ 727,762</u>	<u>\$ 252,572</u>	<u>\$ 2,228,359</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, legal defenses, and reserves.

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, 2015, 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 in the final phase of 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 being funded by a pass-through grant under the American Recovery and Reinvestment Act of 2009. Project costs incurred as of June 30, 2015 were \$26,740,774.

Note 13 – Commitments for Construction (Continued)

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.

The Sewer Fund cash and cash equivalents balance of \$73.6 million as of June 30, 2015 includes \$62.8 million earmarked for CSO projects. Litigation has delayed construction resulting in the buildup of cash, which in part includes liquidated damages and contractor forfeited retainage. Significant litigation related to CSO retention projects has been resolved and the City is working with the Michigan Department of Environmental Quality to address redesign of CSO outfall 013 located within the Greenfield Village boundary, outfall 014 located along the Rouge River and outfall 016 located at the intersection of Palmer St. and Colson Ave. The City expects to use this cash for the completion of these projects, which in addition to available State Revolving Fund (SRF) loans will fund the Five-Year CSO Master Project Plan.

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, 2015 approximately \$274.3 million in State Revolving Fund low interest loan bonds and \$24.5 million in general obligation bonds have been issued. \$41.1 million is available in SRF loans at June 30, 2015, consisting of undrawn issued and remaining authority. 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.

Current projects include construction in West Dearborn for CSO outfall 003 and outfall 005 CSO Control Program Phase 1. Construction for Phase 1 of this project is slated for the construction season of 2015 and 2016 and is currently in progress. 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, \$12.8 million in fiscal year 2014 and \$13.3 million in the current fiscal year.

The Public Works Engineering Division has a comprehensive water main replacement program under both the CSO Control Program and the annual water main replacement program.

The Engineering Division, in addition to replacing aged water mains in the CSO Control Program areas, plans to replace 12,000 to 15,000 linear feet of aging water mains, related gate valves and fire hydrants with construction expenditures to be in the range of \$2.5 to \$3.0 million annually. The water mains in the CSO Control Program areas are replaced simultaneously.

The design drawings and specifications for the CSO Control Program involving the drainage area of CSO outfall 016 is in progress and Phase 1 of the project will be bid out in December, 2015 with construction to begin in February 2016. Phase 2 of the project will be bid out in the later months of 2016 with construction to begin in 2017.

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, 2014			\$ (13,427,217)
Total code enforcement revenue		\$ 1,891,591	
Related expenses:			
Direct costs	\$ 1,092,514		
Estimated indirect costs	<u>43,701</u>		
Total code enforcement expenses		<u>1,136,215</u>	
Current year surplus (deficit)			<u>755,376</u>
Shortfall at June 30, 2015			<u><u>\$ (12,671,841)</u></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 an early loan payment of \$81,793 in 2012 and \$81,793 in 2015. The remaining eight annual payments will be paid in years 2016-2023.

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.

Note 15 – Brownfield Redevelopment Fund (Continued)

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 was sold to AK Steel Corporation-Dearborn Works in September, 2014. The BRA requirements will continue with 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 and Phase II is in the planning stage.

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 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 \$34,628 for shared office space and \$63,806 for reimbursement of shared costs, including administrative salaries and operating expenses, for the fiscal year ended June 30, 2015.

Note 17 – Change in Accounting

During the current year, the City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. As a result, the government-wide statements and the proprietary funds now include a liability for our unfunded legacy costs. Some of the changes in this net pension liability will be recognized immediately as part of the pension expense measurement, and part will be deferred and recognized over future years. Refer to the pension footnote for further details. This change does not impact the General fund or any other governmental fund.

The financial statements for the year ended June 30, 2014 have been restated in order to adopt GASB 68. The effect of this new accounting standard was a decrease in net position to record the net pension liability at June 30, 2014.

As a result of implementing this Statement, the beginning net position of both the governmental activities and business-type activities have been restated as indicated:

	Governmental Activities	Business-type Activities	Total
Net position - June 30, 2014 as previously reported	\$ 213,310,102	\$ 274,178,744	\$ 487,488,846
Adjustment for implementation of GASB 68			
Facilities fund	(2,023,665)	-	(2,023,665)
Information Systems fund	(938,295)	-	(938,295)
Full accrual adjustment	(52,185,217)	-	(52,185,217)
Water fund	-	(3,060,613)	(3,060,613)
Sewer fund	-	(1,233,683)	(1,233,683)
Housing fund	-	(765,168)	(765,168)
Total adjustment for implementation of GASB 68	(55,147,177)	(5,059,464)	(60,206,641)
Net position - June 30, 2014 as restated	\$ 158,162,925	\$ 269,119,280	\$ 427,282,205

Note 18 – Upcoming Reporting Changes

In February 2015, the Governmental Accounting Standards Board issued GASB Statement No. 72, *Fair Value Measurement and Application*. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. The City is currently evaluating the impact this standard will have on the financial statements when adopted.

Note 18 – Upcoming Reporting Changes (Continued)

In June 2015, the GASB issued two new standards addressing accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*, addresses reporting by OPEB plans whereas GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses accounting and reporting by employer governments that provide OPEB benefits to their employees. Along with the currently required statement of fiduciary net position and statement of changes in fiduciary net position, OPEB plans will now be required to include in the financial statement more extensive footnote disclosures and required supplementary information related to the measurement of the OPEB liabilities for which assets have been accumulated. In addition, the City will, after adoption of GASB 75, recognize on the face of the financial statements its net OPEB liability. The City is currently evaluating the impact these standards will have on the financial statements when adopted. GASB 74 is effective for fiscal years beginning after June 15, 2016 whereas GASB 75 is effective one year later.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement will require governments to disclose in their financial statements information related to tax abatement agreements. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2016 fiscal year.

Required Supplementary Information

City of Dearborn, Michigan

Chapter 21 Policemen's and Firemen's Retirement System

Schedule of Contributions

<u>FY Ended June 30,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Actual Contribution as a Percentage of Covered Payroll</u>
2006 - 2015	\$ -	\$ -	\$ -	\$ -	-

Additional information as of June 30, 2014, 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	2015
Total Pension Liability		
Interest on the Total Pension Liability	\$ 1,080,946	\$ 990,509
Difference between expected and actual experience of the Total Pension Liability	-	34,361
Assumption Changes	-	832,813
Benefit Payments and Refunds	(2,465,877)	(2,279,928)
Net Change in Total Pension Liability	(1,384,931)	(422,245)
Total Pension Liability - Beginning	16,675,028	15,290,097
Total Pension Liability - Ending (a)	<u>\$ 15,290,097</u>	<u>\$ 14,867,852</u>
Plan Fiduciary Net Position		
Pension Plan Net Investment Income	\$ 3,108,996	\$ 181,557
Benefit Payments and Refunds	(2,465,877)	(2,279,928)
Pension Plan Administrative Expense	(13,694)	(14,444)
Net Change in Plan Fiduciary Net Position	629,425	(2,112,815)
Plan Fiduciary Net Position - Beginning	28,452,003	29,081,428
Plan Fiduciary Net Position - Ending (b)	<u>\$ 29,081,428</u>	<u>\$ 26,968,613</u>
Net Pension Liability - Ending (a) - (b)	\$ (13,791,331)	\$ (12,100,761)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	190.20%	181.39%
Net Pension Liability as a Percentage of Covered Employee Payroll	0.00%	0.00%

Schedule of Investment Returns

FY Ended June 30,	Annual Return*
2014	11.32%
2015	0.60%

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

City of Dearborn, Michigan

Chapter 22 General Employees Retirement System

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
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%
2015	3,743,710	3,804,508	(60,798)	12,433,033	30.6%

Additional information as of June 30, 2014, the latest actuarial valuation, follows:

Notes to Schedule of Contributions

Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	20 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	2.5% - 3.5% Price inflation assumption used
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 and 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 2015 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	2015
Total Pension Liability		
Service Cost	\$ 1,517,855	\$ 1,463,932
Interest on the Total Pension Liability	11,983,300	12,268,658
Difference between expected and actual experience of the Total Pension Liability	-	(1,318,646)
Assumption Changes	1,861,488	-
Benefit Payments and Refunds	(11,365,962)	(11,433,468)
Net Change in Total Pension Liability	3,996,681	980,476
Total Pension Liability - Beginning	170,210,955	174,207,636
Total Pension Liability - Ending (a)	<u>\$ 174,207,636</u>	<u>\$ 175,188,112</u>
Plan Fiduciary Net Position		
Employer Contributions	\$ 3,980,163	\$ 3,804,508
Employee Contributions	536,150	505,681
Pension Plan Net Investment Income	19,334,481	716,111
Benefit Payments and Refunds	(11,365,962)	(11,433,468)
Pension Plan Administrative Expense	-	(40,136)
Net Change in Plan Fiduciary Net Position	12,484,832	(6,447,304)
Plan Fiduciary Net Position - Beginning	137,062,419	149,547,251
Plan Fiduciary Net Position - Ending (b)	<u>\$ 149,547,251</u>	<u>\$ 143,099,947</u>
Net Pension Liability - Ending (a) - (b)	\$ 24,660,385	\$ 32,088,165
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	85.84%	81.68%
Covered Employee Payroll	\$ 13,007,069	\$ 12,433,033
Net Pension Liability as a Percentage of Covered Employee Payroll	189.59%	258.09%

Schedule of Investment Returns

FY Ended June 30,	Annual Return*
2014	14.43%
2015	0.46%

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

City of Dearborn, Michigan

Chapter 23 Police and Fire Retirement System

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
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%
2015	9,298,618	9,193,439	105,179	15,763,013	58.3%

Additional information as of June 30, 2014, the latest actuarial valuation, follows:

Notes to Schedule of Contributions

Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	16 years
Asset valuation method	5-year smoothed market 80%/120% corridor
Actuarial assumptions:	
Investment rate of return*	7.25%
Projected salary increases*	3.75% to 7.25% including inflation
*Includes inflation at	3.75% (2.5% to 3.5% assumed in this valuation)
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 and 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 2015 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	2015
Total Pension Liability		
Service Cost	\$ 4,192,556	\$ 3,854,655
Interest on the Total Pension Liability	22,709,018	23,542,045
Difference between expected and actual experience of the Total Pension Liability	-	(429,811)
Assumption Changes	3,480,799	-
Benefit Payments and Refunds	(18,236,765)	(19,210,018)
Net Change in Total Pension Liability	12,145,608	7,756,871
Total Pension Liability - Beginning	320,249,941	332,395,549
Total Pension Liability - Ending (a)	<u>\$ 332,395,549</u>	<u>\$ 340,152,420</u>
Plan Fiduciary Net Position		
Employer Contributions	\$ 3,980,163	\$ 9,193,439
Employee Contributions	536,150	735,288
Pension Plan Net Investment Income	19,334,481	828,284
Benefit Payments and Refunds	(11,365,962)	(19,210,018)
Pension Plan Administrative Expense	-	(60,739)
Net Change in Plan Fiduciary Net Position	12,484,832	(8,503,746)
Plan Fiduciary Net Position - Beginning	137,062,419	281,607,965
Plan Fiduciary Net Position - Ending (b)	<u>\$ 149,547,251</u>	<u>\$ 273,104,219</u>
Net Pension Liability - Ending (a) - (b)	\$ 182,848,298	\$ 67,048,201
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	84.72%	80.29%
Covered Employee Payroll	\$ 16,420,322	\$ 15,763,013
Net Pension Liability as a Percentage of Covered Employee Payroll	309.30%	425.35%

Schedule of Investment Returns

FY Ended June 30,	Annual Return*
2014	14.57%
2015	0.28%

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

City of Dearborn, Michigan

Municipal Employees Retirement System of Michigan (MERS)

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
2010	\$ 371,921	\$ 371,921	\$ -	\$ 2,866,665	12.97%
2011	460,742	461,883	(1,141)	3,622,893	12.75%
2012	525,387	525,387	-	4,877,608	10.77%
2013	589,294	589,294	-	5,988,508	9.84%
2014	711,350	711,350	-	7,038,775	10.11%
2015	791,756	791,756	-	7,711,024	10.27%

The information presented above was determined as part of the actuarial valuations for the years then ended. Additional information as of December 31, 2014, 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

Assumed Retirement Age – 25 years of service, age 50
 Reduced Benefit - 15 years of service, age 55

For calculation of the beginning and end of year TPL: a 50% Male – 50% Female blend of the 1994 Group Annuity Mortality Table was used.

City of Dearborn, Michigan

Municipal Employees Retirement System of Michigan (MERS)

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

Fiscal year ended December 31,	2014
Total Pension Liability	
Service Cost	\$ 1,209,895
Interest on the Total Pension Liability	413,899
Benefit Payments and Refunds	(3,887)
Net Change in Total Pension Liability	<u>1,619,907</u>
Total Pension Liability - Beginning	<u>4,413,955</u>
Total Pension Liability - Ending (a)	<u>\$ 6,033,862</u>
Plan Fiduciary Net Position	
Employer Contributions	\$ 371,624
Employee Contributions	743,093
Pension Plan Net Investment Income	373,756
Benefit Payments and Refunds	(3,887)
Pension Plan Administrative Expense	(14,087)
Net Change in Plan Fiduciary Net Position	<u>1,470,499</u>
Plan Fiduciary Net Position - Beginning	<u>5,502,130</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 8,443,128</u>
Net Pension Liability - Ending (a) - (b)	\$ (2,409,266)
Plan Fiduciary Net Position as a Percentage	
of Total Pension Liability	115.60%
Covered Employee Payroll	\$ 7,711,024
Net Pension Liability as a Percentage	
of Covered Employee Payroll	12.17%

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)	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
6/30/2014	53.9	217.4	163.5	24.8	40.1	407.3

Schedule of Employer Contributions

Year Ended June 30,	Actual Valuation Date	Annual Required Contribution	Percentage Contributed
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
2015	6/30/2012	19,854,489	65.5

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of June 30, 2014 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	22 years
Asset valuation method	Market
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases	3.00% - 7.8%

City of Dearborn, Michigan

Budgetary Comparison Schedule – General Fund Year Ended June 30, 2015

	Budgeted Amounts (Unaudited)		Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
	Original	Final				
Revenues						
Taxes and Penalties on Taxes						
Current property taxes	\$ 68,370,090	\$ 68,370,090	\$ 68,249,007	\$ (121,083)	\$ -	\$ 68,249,007
Property tax administration fee	2,167,366	2,167,366	2,278,500	111,134	-	2,278,500
Penalties and interest on taxes	1,315,000	1,315,000	1,242,793	(72,207)	-	1,242,793
Payments in lieu of taxes	973,122	973,122	982,470	9,348	-	982,470
Total taxes and penalties on taxes	72,825,578	72,825,578	72,752,770	(72,808)	-	72,752,770
Licenses and Permits						
Business licenses and permits	200,000	200,000	205,726	5,726	-	205,726
Nonbusiness licenses and permits	1,579,890	1,579,890	1,809,668	229,778	-	1,809,668
Total licenses and permits	1,779,890	1,779,890	2,015,394	235,504	-	2,015,394
Intergovernmental Revenues						
State sources:						
Sales and use tax	9,095,760	9,095,760	8,954,051	(141,709)	-	8,954,051
Liquor licenses	68,000	68,000	65,467	(2,533)	-	65,467
Operators' licenses	3,010	3,010	3,065	55	-	3,065
Judges' salaries	137,172	137,172	137,172	-	-	137,172
Alcohol caseload rebate	20,500	20,500	17,107	(3,393)	-	17,107
Other state sources	395,185	405,185	452,683	47,498	-	452,683
Total state sources	9,719,627	9,729,627	9,629,545	(100,082)	-	9,629,545
Other governmental:						
Federal sources	275,000	2,610,955	1,852,428	(758,527)	-	1,852,428
Local sources	635,000	635,000	563,466	(71,534)	-	563,466
Total other governmental	910,000	3,245,955	2,415,894	(830,061)	-	2,415,894
Total intergovernmental revenues	10,629,627	12,975,582	12,045,439	(930,143)	-	12,045,439
Charges for Services						
General government:						
Birth and death records	220,000	220,000	250,577	30,577	-	250,577
City service fee	1,039,400	1,039,400	1,005,167	(34,233)	-	1,005,167
Other	96,625	96,625	120,202	23,577	-	120,202
Total general government	1,356,025	1,356,025	1,375,946	19,921	-	1,375,946
Public safety:						
Annual safety inspection	1,084,450	1,084,450	972,545	(111,905)	-	972,545
Annual maintenance inspection	519,950	519,950	216,977	(302,973)	-	216,977
Ambulance services	1,971,600	1,971,600	3,093,902	1,122,302	-	3,093,902
Additional police patrols	207,000	207,000	163,833	(43,167)	-	163,833
Other	1,501,900	1,501,900	1,517,539	15,639	-	1,517,539
Total public safety	5,284,900	5,284,900	5,964,796	679,896	-	5,964,796
Public works						
Debris and rubbish pickup	32,500	48,450	70,193	21,743	-	70,193
Parking fees	-	18,500	9,651	(8,849)	-	9,651
Total public works	32,500	66,950	79,844	12,894	-	79,844
Recreation and culture:						
Programs and activities sales	677,558	680,421	643,130	(37,291)	-	643,130
Sales	297,395	781,232	666,839	(114,393)	-	666,839
Use and admission fees	1,649,816	2,411,418	2,302,359	(109,059)	-	2,302,359
Total recreation and culture	2,624,769	3,873,071	3,612,328	(260,743)	-	3,612,328
Total charges for services	9,298,194	10,580,946	11,032,914	451,968	-	11,032,914
Fines and Forfeitures						
Parking fines	335,000	335,000	363,832	28,832	-	363,832
19th District Court fines	3,542,300	3,542,300	4,049,365	507,065	-	4,049,365
Other fines and forfeits	4,300	7,300	3,557	(3,743)	-	3,557
Total fines and forfeitures	3,881,600	3,884,600	4,416,754	532,154	-	4,416,754
Miscellaneous Revenue						
Franchise fees	324,233	324,233	324,232	(1)	-	324,232
Rents and lease agreements	2,493,997	3,802,282	3,859,069	56,787	-	3,859,069
Reimbursements	57,000	60,241	172,064	111,823	-	172,064
Other revenue	349,389	432,251	2,378,624	1,946,373	-	2,378,624
Total miscellaneous revenue	3,224,619	4,619,007	6,733,989	2,114,982	-	6,733,989
Investment Income						
	17,374	18,146	30,169	12,023	-	30,169
Total revenues	101,656,882	106,683,749	109,027,429	2,343,680	-	109,027,429
Other Financing Sources						
Facilities Fund	-	-	1,000,000	1,000,000	-	1,000,000
West Dearborn Parking System	-	-	712,520	712,520	-	712,520
East Dearborn Parking System	-	-	153,738	153,738	-	153,738
Total other financing sources	-	-	1,866,258	1,866,258	-	1,866,258
Total revenues and other sources	101,656,882	106,683,749	110,893,687	4,209,938	-	110,893,687

City of Dearborn, Michigan

Budgetary Comparison Schedule – General Fund Year Ended June 30, 2015

	Budgeted Amounts (Unaudited)		Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
	Original	Final				
Expenditures						
General Government						
Non-departmental	\$ 1,223,455	\$ 2,282,497	\$ 2,282,497	\$ -	\$ -	\$ 2,282,497
Council	463,689.00	464,855	409,947	54,908	(187)	409,760
District Court	4,183,920	4,183,920	4,130,072	53,848	(161)	4,129,911
Mayor	1,198,739	1,214,680	1,100,487	114,193	(2,875)	1,097,612
City Clerk	912,039	932,898	914,623	18,275	(1,649)	912,974
Law	2,036,790	2,173,887	2,012,851	161,036	(138,579)	1,874,272
Human resources	810,831	816,381	798,642	17,739	(14,777)	783,865
Public works/building services and maintenance	383,199	383,199	381,223	1,976	-	381,223
Public works/central garage	(23,815)	61,408	(28,789)	90,197	(2,895)	(31,684)
Assessment	992,062	1,004,264	861,359	142,905	(5,042)	856,317
Finance:						
Accounting	1,350,086	1,334,715	1,274,145	60,570	(6,540)	1,267,605
Purchasing	450,600	464,240	433,254	30,986	-	433,254
Treasurer	837,528	885,479	857,542	27,937	(8,866)	848,676
Total general government	14,819,123	16,202,423	15,427,853	774,570	(181,571)	15,246,282
Public Safety						
Police:						
Operations	34,611,201	35,167,582	33,233,759	1,933,823	(36,401)	33,197,358
Ordinance enforcement	679,147	734,870	649,242	85,628	(25)	649,217
Fire:						
Operations	20,557,990	21,051,785	20,926,647	125,138	(60,149)	20,866,498
Civil preparedness	149,768	155,268	154,971	297	-	154,971
Residential Services	1,885,766	1,903,123	1,581,213	321,910	(9,999)	1,571,214
Commercial Services	1,013,297	1,026,058	895,929	130,129	(15,424)	880,505
Total public safety	58,897,169	60,038,686	57,441,761	2,596,925	(121,998)	57,319,763
Public Works						
Administrative	481,246	487,620	486,904	716	-	486,904
Parking system	-	208,335	158,246	50,089	(810)	157,436
Highways	5,444,353	5,528,990	5,429,491	99,499	(212)	5,429,279
Train station	-	170,000	123,830	46,170	-	123,830
Sanitation	6,431,801	7,470,871	7,112,955	357,916	(20,922)	7,092,033
Neighborhood services	1,084,660	1,077,453	813,226	264,227	(30,107)	783,119
Line	406,358	433,818	421,136	12,682	(51,788)	369,348
Total public works	13,848,418	15,377,087	14,545,788	831,299	(103,839)	14,441,949
Recreation and Culture						
Public works	3,699,493	3,769,437	3,493,757	275,680	(281,822)	3,211,935
Recreation:						
Administrative	1,091,691	1,104,041	1,075,910	28,131	(8,904)	1,067,006
Programs	1,194,683	1,201,245	1,066,787	134,458	(1,450)	1,065,337
Outdoor pools	764,763	759,764	606,881	152,883	(3,809)	603,072
Community center:						
Admin/Athletics	2,313,216	2,344,687	2,300,361	44,326	(4,689)	2,295,672
Cultural arts	1,073,108	1,067,294	1,047,309	19,985	(4,140)	1,043,169
Senior services	647,992	650,612	564,762	85,850	-	564,762
Sports arena	1,314,574	1,319,989	1,195,838	124,151	(861)	1,194,977
Camp Dearborn	-	825,360	861,422	(36,062)	(2,910)	858,512
Mystic Creek Golf Course	-	747,618	629,309	118,309	(100)	629,209
Dearborn Hills Golf Course	-	470,383	397,118	73,265	(499)	396,619
Historical commission	221,511	225,552	168,581	56,971	(15)	168,566
Total recreation and culture	12,321,031	14,485,982	13,408,035	1,077,947	(309,199)	13,098,836
Community Improvement						
Economic & Community Development	700,638	829,931	539,892	290,039	(25,958)	513,934
Capital Outlay						
	296,800	443,214	294,347	148,867	-	294,347
Total expenditures	100,883,179	107,377,323	101,657,676	5,719,647	(742,565)	100,915,111
Other Uses - Transfers out	1,045,500	2,073,888	1,278,635	795,253	-	1,278,635
Total expenditures and other uses	101,928,679	109,451,211	102,936,311	6,514,900	(742,565)	102,193,746
Net Change in Fund Balances	(271,797)	(2,767,462)	7,957,376	10,724,838	742,565	8,699,941
Fund Balances - Beginning of Year	23,622,735	23,622,735	23,622,735	-	-	23,622,735
Reserved for Encumbrances	-	-	742,565	742,565	(742,565)	-
Fund Balances - End of Year	\$ 23,350,938	\$ 20,855,273	\$ 32,322,676	\$ 11,467,403	\$ -	\$ 32,322,676

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 \$350,894 that was approved subsequent to June 30, 2015 that was related to an appropriation in the Capital Projects fund for unrealized losses on land inventory held for resale due to a decline in property market values and an amendment of \$14,842 in the General fund for emergency response expenditures related to a tanker fire.

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 accounted for the 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. The fund was consolidated into the General fund as of June 30, 2015.

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.

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 accounted for the operation of Robert Herndon's Dearborn Hills Public Golf Course. The fund was consolidated into the General fund as of June 30, 2015.

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

Fiduciary Funds

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

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

Imprest Payroll Fund – This fund acted as a payroll-clearing mechanism to aggregate and distribute payroll deductions. Its use related primarily to internal control and convenience in cash management. The fund was consolidated into the Agency fund as of June 30, 2015.

City of Dearborn, Michigan

Description of Nonmajor Funds Year Ended June 30, 2015

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

	Major Street & Trunkline Fund	Local Street Fund	Camp Dearborn Operating Fund	Drug Law Enforcement Fund	Library Fund
Assets					
Cash and cash equivalents	\$ 3,605,435	\$5,747,906	\$ -	\$ 1,307,524	\$ 1,055,710
Accounts receivable (Net)	6,361	-	-	8,759	1,587
Property taxes receivable	-	-	-	-	3,350
Accrued interest receivable	986	1,572	-	350	288
Due from other funds	31,758	156,336	-	1,612	-
Due from other governments	821,912	500,005	-	-	149,786
Inventories	-	-	-	-	-
Total assets	\$ 4,466,452	\$6,405,819	\$ -	\$ 1,318,245	\$ 1,210,721
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 215,188	\$ 480,453	\$ -	\$ 37,609	\$ 122,687
Accrued liabilities	-	-	-	-	197,134
Deposits/refunds payable	-	-	-	-	-
Due for tax appeals	-	-	-	-	98,659
Due to other funds	151,510	72,678	-	700	-
Due to other governments	-	-	-	-	-
Total liabilities	366,698	553,131	-	38,309	418,480
Deferred Inflows of Resources:					
Unavailable revenue	-	-	-	-	6,351
Total deferred inflows of resources	-	-	-	-	6,351
Fund Balances:					
Inventories	-	-	-	-	-
Restricted for:					
Law enforcement activities	-	-	-	1,279,936	-
Road construction, preservation, maintenance	4,099,754	5,852,688	-	-	-
Historical museum activities	-	-	-	-	-
Library activities	-	-	-	-	785,890
Committed for:					
Telecommunications	-	-	-	-	-
Designated Purposes - community programs	-	-	-	-	-
Total fund balances	4,099,754	5,852,688	-	1,279,936	785,890
Total liabilities, deferred inflows of resources and fund balances	\$ 4,466,452	\$6,405,819	\$ -	\$ 1,318,245	\$ 1,210,721

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015**

Community Development Fund	Tele- communications Fund	Designated Purposes Fund	Total Nonmajor Governmental Funds
\$ 247,461	\$ 2,074,626	\$1,961,598	\$ 16,000,260
232,938	331,497	1,347	582,489
-	-	-	3,350
-	568	37	3,801
-	-	-	189,706
250,000	-	-	1,721,703
172,047	-	-	172,047
<u>\$ 902,446</u>	<u>\$ 2,406,691</u>	<u>\$1,962,982</u>	<u>\$ 18,673,356</u>
\$ 348,697	\$ 12,896	\$ 6,712	\$ 1,224,242
-	31,382	-	228,516
860	-	338,749	339,609
-	-	-	98,659
850	-	-	225,738
-	37	153	190
<u>350,407</u>	<u>44,315</u>	<u>345,614</u>	<u>2,116,954</u>
<u>379,992</u>	<u>-</u>	<u>-</u>	<u>386,343</u>
<u>379,992</u>	<u>-</u>	<u>-</u>	<u>386,343</u>
172,047	-	-	172,047
-	-	-	1,279,936
-	-	-	9,952,442
-	-	784,708	784,708
-	-	-	785,890
-	2,362,376	-	2,362,376
-	-	832,660	832,660
<u>172,047</u>	<u>2,362,376</u>	<u>1,617,368</u>	<u>16,170,059</u>
<u>\$ 902,446</u>	<u>\$ 2,406,691</u>	<u>\$1,962,982</u>	<u>\$ 18,673,356</u>

City of Dearborn, Michigan

	Major Street & Trunkline Fund	Local Street Fund	Camp Dearborn Operating Fund	Drug Law Enforcement Fund	Library Fund
Revenues					
Taxes, assessments and penalties on taxes	\$ 468,050	\$ 744,550	\$ -	\$ -	\$ 5,106,530
Intergovernmental revenues:					
State sources	5,153,285	2,204,376	-	-	57,809
Federal sources	132,799	-	-	-	-
Local sources	-	-	-	-	83,026
Charges for services	-	-	981,840	-	48,728
Fines and forfeits	-	-	3,815	346,393	76,514
Rents and royalties	-	-	610,113	-	7,233
Miscellaneous revenue	185,022	216,623	41,441	41,359	11,714
Private source contributions	-	-	-	-	121
Investment income	2,964	3,652	321	1,042	1,097
Total revenues	5,942,120	3,169,201	1,637,530	388,794	5,392,772
Expenditures					
General government	-	-	-	-	-
Public safety	-	-	-	381,031	-
Public works	5,343,622	4,332,924	-	-	-
Recreation and culture	-	-	1,794,405	-	4,749,691
Community improvement	-	-	-	-	-
Utilities	-	-	221,852	28,168	-
Capital outlay	-	-	-	626,449	421,492
Realized loss on land held for resale	-	-	-	-	-
Total expenditures	5,343,622	4,332,924	2,016,257	1,035,648	5,171,183
Revenues Over (Under) Expenditures	598,498	(1,163,723)	(378,727)	(646,854)	221,589
Other Financing Sources (Uses)					
Transfers in	-	2,210,000	317,458	-	-
Transfers out	(2,210,000)	-	(700,532)	-	-
Total other financing sources (uses)	(2,210,000)	2,210,000	(383,074)	-	-
Net Change in Fund Balances	(1,611,502)	1,046,277	(761,801)	(646,854)	221,589
Fund Balances - Beginning of Year	5,711,256	4,806,411	761,801	1,926,790	564,301
Fund Balances - End of Year	\$ 4,099,754	\$ 5,852,688	\$ -	\$ 1,279,936	\$ 785,890

**Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended June 30, 2015**

Community Development Fund	Tele- communications Fund	Designated Purposes Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 6,319,130
-	-	-	7,415,470
1,704,223	-	-	1,837,022
-	-	-	83,026
-	-	96,447	1,127,015
-	-	-	426,722
-	991,813	-	1,609,159
103,523	6,842	116,729	723,253
-	-	101,072	101,193
-	1,421	285	10,782
<u>1,807,746</u>	<u>1,000,076</u>	<u>314,533</u>	<u>19,652,772</u>
-	451,912	17,166	469,078
-	-	25,975	407,006
-	-	105,176	9,781,722
-	375,238	299,488	7,218,822
1,886,839	-	-	1,886,839
-	-	-	250,020
-	63,325	-	1,111,266
256,832	-	-	256,832
<u>2,143,671</u>	<u>890,475</u>	<u>447,805</u>	<u>21,381,585</u>
(335,925)	109,601	(133,272)	(1,728,813)
-	-	600,000	3,127,458
-	-	-	(2,910,532)
<u>-</u>	<u>-</u>	<u>600,000</u>	<u>216,926</u>
(335,925)	109,601	466,728	(1,511,887)
<u>507,972</u>	<u>2,252,775</u>	<u>1,150,640</u>	<u>17,681,946</u>
<u>\$ 172,047</u>	<u>\$ 2,362,376</u>	<u>\$1,617,368</u>	<u>\$ 16,170,059</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, 2015

	Final Budget (Unaudited)	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Taxes, assessments and penalties on taxes	\$ 468,050	\$ 468,050	\$ -	\$ -	\$ 468,050
Intergovernmental revenues:					
State sources	5,297,560	5,153,285	(144,275)	-	5,153,285
Federal sources	-	132,799	132,799	-	132,799
Miscellaneous revenue	517,475	185,022	(332,453)	-	185,022
Investment income	3,988	2,964	(1,024)	-	2,964
Total revenues	6,287,073	5,942,120	(344,953)	-	5,942,120
Expenditures - Public works	9,165,635	5,944,732	3,220,903	(601,110)	5,343,622
Revenues Over (Under) Expenditures	(2,878,562)	(2,612)	2,875,950	601,110	598,498
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	(2,212,337)	(2,210,000)	2,337	-	(2,210,000)
Total other financing sources (uses)	(2,212,337)	(2,210,000)	2,337	-	(2,210,000)
Net Change in Fund Balances	(5,090,899)	(2,212,612)	2,878,287	601,110	(1,611,502)
Fund Balances - Beginning of Year	5,711,256	5,711,256	-	-	5,711,256
Reserved for Encumbrances	-	601,110	601,110	(601,110)	-
Fund Balances - End of Year	\$ 620,357	\$ 4,099,754	\$ 3,479,397	\$ -	\$ 4,099,754

City of Dearborn, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Local Street Fund Year Ended June 30, 2015

	Final Budget (Unaudited)	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Taxes, assessments and penalties on taxes	\$ 744,550	\$ 744,550	\$ -	-	\$ 744,550
Intergovernmental revenues:					
State sources	1,675,000	2,204,376	529,376	-	2,204,376
Miscellaneous revenue	216,623	216,623	-	-	216,623
Investment income	4,992	3,652	(1,340)	-	3,652
Total revenues	2,641,165	3,169,201	528,036	-	3,169,201
Expenditures - Public works	10,313,880	6,822,640	3,491,240	(2,489,716)	4,332,924
Revenues Over (Under) Expenditures	(7,672,715)	(3,653,439)	4,019,276	2,489,716	(1,163,723)
Other Financing Sources (Uses)					
Transfers in	3,270,493	2,210,000	(1,060,493)	-	2,210,000
Transfers out	-	-	-	-	-
Total other financing sources (uses)	3,270,493	2,210,000	(1,060,493)	-	2,210,000
Net Change in Fund Balances	(4,402,222)	(1,443,439)	2,958,783	2,489,716	1,046,277
Fund Balances - Beginning of Year	4,806,411	4,806,411	-	-	4,806,411
Reserved for Encumbrances	-	2,489,716	2,489,716	(2,489,716)	-
Fund Balances - End of Year	\$ 404,189	\$ 5,852,688	\$ 5,448,499	\$ -	\$ 5,852,688

City of Dearborn, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Camp Dearborn Operating Fund Year Ended June 30, 2015

	Final Budget (Unaudited)	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Charges for services:					
Use and admission	\$ 497,855	\$ 497,854	\$ (1)	\$ -	\$ 497,854
Sales	483,993	483,986	(7)	-	483,986
Fines and forfeits	3,815	3,815	-	-	3,815
Rents and royalties:					
Oil exploration	31,972	31,973	1	-	31,973
Facilities	578,142	578,140	(2)	-	578,140
Miscellaneous revenue	41,445	41,441	(4)	-	41,441
Investment income	321	321	-	-	321
Total revenues	1,637,543	1,637,530	(13)	-	1,637,530
Expenditures					
Recreation and culture	1,794,412	1,794,405	7	-	1,794,405
Utilities	221,858	221,852	6	-	221,852
Total expenditures	2,016,270	2,016,257	13	-	2,016,257
Revenues Over (Under) Expenditures	(378,727)	(378,727)	-	-	(378,727)
Other Financing Sources (Uses)					
Transfers in	317,458	317,458	-	-	317,458
Transfers out	(700,532)	(700,532)	-	-	(700,532)
Total other financing sources (uses)	(383,074)	(383,074)	-	-	(383,074)
Net Change in Fund Balances	(761,801)	(761,801)	-	-	(761,801)
Fund Balances - Beginning of Year	761,801	761,801	-	-	761,801
Reserved for Encumbrances	-	-	-	-	-
Fund Balances - End of Year	\$ -	\$ -	\$ -	-	\$ -

City of Dearborn, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Drug Law Enforcement Fund Year Ended June 30, 2015

	Final Budget (Unaudited)	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Fines and forfeits	\$ 346,500	\$ 346,393	\$ (107)	\$ -	\$ 346,393
Miscellaneous revenue	42,200	41,359	(841)	-	41,359
Investment income	2,001	1,042	(959)	-	1,042
Total revenues	<u>390,701</u>	<u>388,794</u>	<u>(1,907)</u>	<u>-</u>	<u>388,794</u>
Expenditures					
Public safety	558,741	395,303	163,438	(14,272)	381,031
Utilities	32,000	28,168	3,832	-	28,168
Capital outlay	888,086	779,771	108,315	(153,322)	626,449
Total expenditures	<u>1,478,827</u>	<u>1,203,242</u>	<u>275,585</u>	<u>(167,594)</u>	<u>1,035,648</u>
Revenues Over (Under) Expenditures	(1,088,126)	(814,448)	273,678	167,594	(646,854)
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	(193,113)	-	193,113	-	-
Total other financing sources (uses)	<u>(193,113)</u>	<u>-</u>	<u>193,113</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(1,281,239)	(814,448)	466,791	167,594	(646,854)
Fund Balances - Beginning of Year	1,926,790	1,926,790	-	-	1,926,790
Reserved for Encumbrances	-	167,594	167,594	(167,594)	-
Fund Balances - End of Year	<u>\$ 645,551</u>	<u>\$ 1,279,936</u>	<u>\$ 634,385</u>	<u>\$ -</u>	<u>\$ 1,279,936</u>

City of Dearborn, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Library Fund Year Ended June 30, 2015

	Final Budget (Unaudited)	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Taxes, assessments and penalties on taxes	\$ 5,084,275	\$ 5,106,530	\$ 22,255	\$ -	\$ 5,106,530
Intergovernment revenues:					
State sources	48,920	57,809	8,889	-	57,809
Local	60,000	83,026	23,026	-	83,026
Charges for Services	47,000	48,728	1,728	-	48,728
Fines and forfeits	83,000	76,514	(6,486)	-	76,514
Rents and royalties	10,000	7,233	(2,767)	-	7,233
Private source contributions	100	121	21	-	121
Miscellaneous revenue	7,700	11,714	4,014	-	11,714
Investment income	510	1,097	587	-	1,097
Total revenues	5,341,505	5,392,772	51,267	-	5,392,772
Expenditures					
Recreation and culture	4,965,239	4,753,304	211,935	(3,613)	4,749,691
Capital outlay	463,138	443,462	19,676	(21,970)	421,492
Total expenditures	5,428,377	5,196,766	231,611	(25,583)	5,171,183
Revenues Over (Under) Expenditures	(86,872)	196,006	282,878	25,583	221,589
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net Change in Fund Balances	(86,872)	196,006	(282,878)	25,583	221,589
Fund Balances - Beginning of Year	564,301	564,301	-	-	564,301
Reserved for Encumbrances	-	25,583	25,583	(25,583)	-
Fund Balances - End of Year	\$ 477,429	\$ 785,890	\$ (308,461)	\$ -	\$ 785,890

City of Dearborn, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Community Development Fund Year Ended June 30, 2015

	Final Budget (Unaudited)	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Intergovernmental revenues:					
Federal sources	\$ 5,156,610	\$ 1,704,223	\$ (3,452,387)	\$ -	\$ 1,704,223
Miscellaneous revenue	10,588	103,523	92,935	-	103,523
Sale of land inventory	162,385	-	(162,385)	-	-
Total revenues	<u>5,329,583</u>	<u>1,807,746</u>	<u>(3,521,837)</u>	<u>-</u>	<u>1,807,746</u>
Expenditures					
Community improvement	3,541,307	1,934,146	1,607,161	(47,307)	1,886,839
Realized loss on land held for resale	-	256,832	(256,832)	-	256,832
Total expenditures	<u>3,541,307</u>	<u>2,190,978</u>	<u>1,350,329</u>	<u>(47,307)</u>	<u>2,143,671</u>
Revenues Over (Under) Expenditures	1,788,276	(383,232)	(2,171,508)	47,307	(335,925)
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	(1,723,329)	(1,060,493)	662,836	1,060,493	-
Total other financing sources (uses)	<u>(1,723,329)</u>	<u>(1,060,493)</u>	<u>662,836</u>	<u>1,060,493</u>	<u>-</u>
Net Change in Fund Balances	64,947	(1,443,725)	(1,508,672)	1,107,800	(335,925)
Fund Balances - Beginning of Year	507,972	507,972	-	-	507,972
Reserved for Encumbrances	-	1,107,800	1,107,800	(1,107,800)	-
Fund Balances - End of Year	<u>\$ 572,919</u>	<u>\$ 172,047</u>	<u>\$ (400,872)</u>	<u>\$ -</u>	<u>\$ 172,047</u>

City of Dearborn, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Telecommunications Fund Year Ended June 30, 2015

	Final Budget (Unaudited)	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Rents and royalties	\$ 810,000	\$ 991,813	\$ 181,813	\$ -	\$ 991,813
Miscellaneous revenue	3,400	6,842	3,442	-	6,842
Investment income	1,951	1,421	(530)	-	1,421
Total revenues	815,351	1,000,076	184,725	-	1,000,076
Expenditures					
Recreation and culture	405,053	375,376	29,677	(138)	375,238
General government	465,848	451,912	13,936	-	451,912
Capital outlay	63,325	63,325	-	-	63,325
Total expenditures	934,226	890,613	43,613	(138)	890,475
Revenues Over (Under) Expenditures	(118,875)	109,463	228,338	138	109,601
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net Change in Fund Balances	(118,875)	109,463	228,338	138	109,601
Fund Balances - Beginning of Year	2,252,775	2,252,775	-	-	2,252,775
Reserved for Encumbrances	-	138	138	(138)	-
Fund Balances - End of Year	<u>\$ 2,133,900</u>	<u>\$ 2,362,376</u>	<u>\$ 228,476</u>	<u>\$ -</u>	<u>\$ 2,362,376</u>

City of Dearborn, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Designated Purposes Fund Year Ended June 30, 2015

	Final Budget (Unaudited)	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Intergovernmental revenues:					
State sources	\$ 145,860	\$ -	\$ (145,860)	\$ -	\$ -
Charges for services	96,449	96,447	(2)	-	96,447
Miscellaneous revenue	105,969	116,729	10,760	-	116,729
Investment income	285	285	-	-	285
Private source contributions	99,872	101,072	1,200	-	101,072
	<u>448,435</u>	<u>314,533</u>	<u>(133,902)</u>	<u>-</u>	<u>314,533</u>
Total revenues					
Expenditures					
General government	120,482	17,166	103,316	-	17,166
Public safety	696,092	31,230	664,862	(5,255)	25,975
Public works	105,173	105,176	(3)	-	105,176
Recreation and culture	1,211,135	354,933	856,202	(55,445)	299,488
	<u>2,132,882</u>	<u>508,505</u>	<u>1,624,377</u>	<u>(60,700)</u>	<u>447,805</u>
Total expenditures					
Revenues Over (Under) Expenditures	(1,684,447)	(193,972)	1,490,475	60,700	(133,272)
Other Financing Sources (Uses)					
Transfers in	610,500	600,000	(10,500)	-	600,000
Transfers out	(47,483)	-	47,483	-	-
	<u>563,017</u>	<u>600,000</u>	<u>36,983</u>	<u>-</u>	<u>600,000</u>
Total other financing sources (uses)					
Net Change in Fund Balances	(1,121,430)	406,028	1,527,458	60,700	466,728
Fund Balances - Beginning of Year	1,150,640	1,150,640	-	-	1,150,640
Reserved for Encumbrances	-	60,700	60,700	(60,700)	-
Fund Balances - End of Year	<u>\$ 29,210</u>	<u>\$ 1,617,368</u>	<u>\$ 1,588,158</u>	<u>\$ -</u>	<u>\$ 1,617,368</u>

City of Dearborn, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Capital Projects Fund Year Ended June 30, 2015

	Final Budget (Unaudited)	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Intergovernmental revenues:					
State sources	\$ 268,900	203,728	\$ (65,172)	\$ -	\$ 203,728
Federal sources	7,969,575	5,349,968	(2,619,607)	-	5,349,968
Local sources	360,030	215,000	(145,030)	-	215,000
Charges for services	262,625	86,169	(176,456)	-	86,169
Miscellaneous revenue	2,128,337	1,746,842	(381,495)	-	1,746,842
Private source contributions	84,200	-	(84,200)	-	-
Investment income	4,086	4,185	99	-	4,185
	<u>11,077,753</u>	<u>7,605,892</u>	<u>(3,471,861)</u>	<u>-</u>	<u>7,605,892</u>
Expenditures					
Capital outlay	10,400,433	5,251,510	5,148,923	(588,094)	4,663,416
Unrealized loss on land held for resale	350,894	350,894	-	-	350,894
	<u>10,751,327</u>	<u>5,602,404</u>	<u>5,148,923</u>	<u>(588,094)</u>	<u>5,014,310</u>
Revenues Over (Under) Expenditures	326,426	2,003,488	1,677,062	588,094	2,591,582
Other Financing Sources (Uses)					
Transfers in	1,046,325	870,138	(176,187)	-	870,138
Transfers out	(67,413)	(67,413)	-	-	(67,413)
	<u>978,912</u>	<u>802,725</u>	<u>(176,187)</u>	<u>-</u>	<u>802,725</u>
Net Change in Fund Balances	1,305,338	2,806,213	1,500,875	588,094	3,394,307
Fund Balances - Beginning of Year	9,889,064	9,889,064	-	-	9,889,064
Reserved for Encumbrances	-	588,094	588,094	(588,094)	-
Fund Balances - End of Year	<u>\$11,194,402</u>	<u>\$13,283,371</u>	<u>\$ 2,088,969</u>	<u>\$ -</u>	<u>\$13,283,371</u>

City of Dearborn, Michigan

Combining Statement of Net Position Nonmajor Enterprise Funds June 30, 2015

	Golf Course	Seniors Apartment Operating Fund	Total Nonmajor Enterprise Funds
Assets			
Current assets:			
Cash and cash equivalents	\$ -	\$ 8,756,441	\$ 8,756,441
Accounts receivable (Net)	-	28,244	28,244
Accrued interest receivable	-	2,394	2,394
Due from other governments	-	109,980	109,980
Prepaid items	-	26,142	26,142
Total current assets	-	8,923,201	8,923,201
Noncurrent assets:			
Capital assets (Net)	-	2,408,646	2,408,646
Total noncurrent assets	-	2,408,646	2,408,646
Total assets	-	11,331,847	11,331,847
Deferred Outflows of Resources - Pensions	-	247,339	247,339
Liabilities			
Current liabilities:			
Accounts payable	-	70,665	70,665
Accrued liabilities	-	83,373	83,373
Deposits/refunds payable	-	138,913	138,913
Unearned revenue	-	5,356	5,356
Total current liabilities	-	298,307	298,307
Noncurrent liabilities:			
Other liabilities	-	137,063	137,063
Net pension liability	-	1,005,516	1,005,516
Total noncurrent liabilities	-	1,142,579	1,142,579
Total liabilities	-	1,440,886	1,440,886
Deferred Inflows of Resources - Pensions	-	18,430	18,430
Net Position			
Net investment in capital assets	-	2,408,646	2,408,646
Unrestricted	-	7,711,224	7,711,224
Total net position	\$ -	\$ 10,119,870	\$ 10,119,870

City of Dearborn, Michigan

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position Nonmajor Enterprise Funds Year Ended June 30, 2015

	Golf Course	Seniors Apartment Operating Fund	Total Nonmajor Enterprise Funds
Operating Revenues			
Sales	\$ 232,084	\$ -	\$ 232,084
Charges for services	162,687	878,066	1,040,753
Rents and royalties	79,677	1,807,274	1,886,951
Miscellaneous	8,290	23,625	31,915
Total operating revenues	<u>482,738</u>	<u>2,708,965</u>	<u>3,191,703</u>
Operating Expenses			
Personnel services	192,179	1,681,547	1,873,726
Contractual services	108,660	116,269	224,929
Insurance and bonds	5,269	67,892	73,161
Utilities	16,157	435,285	451,442
Repair and maintenance	2,994	174,808	177,802
Supplies	56,154	62,590	118,744
Cost of sales	22,028	-	22,028
Cost of rentals	11,210	64,943	76,153
Depreciation	-	224,332	224,332
Other	22,817	7,292	30,109
Total operating expenses	<u>437,468</u>	<u>2,834,958</u>	<u>3,272,426</u>
Operating Income (Loss)	45,270	(125,993)	(80,723)
Nonoperating Revenues (Expenses)			
Investment income	123	5,903	6,026
Other interest	(12,981)	-	(12,981)
Total nonoperating revenues (expenses)	<u>(12,858)</u>	<u>5,903</u>	<u>(6,955)</u>
Income (Loss) before Transfers	32,412	(120,090)	(87,678)
Transfers			
Transfers in	428,590	-	428,590
Transfers out	(1,637,453)	-	(1,637,453)
Net transfers	<u>(1,208,863)</u>	<u>-</u>	<u>(1,208,863)</u>
Net Income (Loss)	(1,176,451)	(120,090)	(1,296,541)
Net Position - Beginning of Year (1)	<u>1,176,451</u>	<u>10,239,960</u>	<u>11,416,411</u>
Net Position - End of Year	<u>\$ -</u>	<u>\$ 10,119,870</u>	<u>\$ 10,119,870</u>

(1) Net Position - Beginning of Year has been restated in order to adopt GASB 68. See Note 17.

City of Dearborn, Michigan

Combining Statement of Cash Flows Nonmajor Enterprise Funds Year Ended June 30, 2015

	Golf Course	Seniors Apartment Operating Fund	Total Nonmajor Enterprise Funds
Cash Flows from Operating Activities			
Receipts from customers	\$ 403,990	\$ 2,650,636	\$ 3,054,626
Payments to suppliers	(227,061)	(855,138)	(1,082,199)
Payments to employees	(211,574)	(1,656,905)	(1,868,479)
Other receipts	8,290	23,625	31,915
Other payments	(22,817)	(3,897)	(26,714)
Net cash provided (used) by operating activities	(49,172)	158,321	109,149
Cash Flows from Noncapital Financing Activities			
Transfers in	428,590	-	428,590
Transfers out	32,319	-	32,319
Net cash provided by noncapital financing activities	460,909	-	460,909
Cash Flows from Capital and Related Financing Activities			
Acquisition and construction of capital assets	-	-	-
Gain (loss) on sale of capital assets	-	-	-
Grants and contributions received	-	-	-
Principal paid on debt	(729,575)	-	(729,575)
Interest paid on debt	(17,308)	-	(17,308)
Net cash provided (used) by capital and related financing activities	(746,883)	-	(746,883)
Cash Flows from Investing Activities			
Net sale (purchase) of investments	-	465,036	465,036
Investment income	262	7,127	7,389
Net cash provided (used) by investing activities	262	472,163	472,425
Net Increase (Decrease) in Cash and Cash Equivalents	(334,884)	630,484	295,600
Cash and Cash Equivalents - Beginning of Year	334,884	8,125,957	8,460,841
Cash and Cash Equivalents - End of Year	\$ -	\$ 8,756,441	\$ 8,756,441
Cash and Cash Equivalents - Unrestricted	\$ -	\$ 8,756,441	\$ 8,756,441
Cash and Cash Equivalents - Restricted	-	-	-
Cash and Cash Equivalents - End of Year	\$ -	\$ 8,756,441	\$ 8,756,441

City of Dearborn, Michigan

Combining Statement of Cash Flows Nonmajor Enterprise Funds Year Ended June 30, 2015

	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)	\$ 45,270	\$ (125,993)	\$ (80,723)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	-	224,332	224,332
Change in assets and liabilities:			
Accounts receivable	-	(22,538)	(22,538)
Due from other governments	-	(10,515)	(10,515)
Inventories	26,082	-	26,082
Accounts payable	(11,244)	31,541	20,297
Accrued liabilities	(16,442)	38,885	22,443
Customer deposits	(66,378)	(1,663)	(68,041)
Accrued vacation and sick leave	(19,395)	13,203	(6,192)
Due to other governments	(2,985)	-	(2,985)
Unearned revenue	(4,080)	12	(4,068)
Net Pension Liability and related deferrals	-	11,439	11,439
Net cash provided (used) by operating activities	<u>\$ (49,172)</u>	<u>\$ 158,321</u>	<u>\$ 109,149</u>

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City of Dearborn, Michigan

	Information Systems Fund	Facilities Fund	Fleet Replacement Fund
Assets			
Current assets:			
Cash and cash equivalents	\$ 4,775,495	\$ 9,365,831	\$ 4,629,758
Accounts receivable (Net)	-	18	-
Accrued interest receivable	1,306	2,560	1,266
Due from other funds	-	17,875	700
Prepaid items	-	-	-
Total current assets	<u>4,776,801</u>	<u>9,386,284</u>	<u>4,631,724</u>
Noncurrent assets:			
Capital assets (Net)	<u>331,089</u>	<u>75,122,496</u>	<u>6,600,959</u>
Total noncurrent assets	<u>331,089</u>	<u>75,122,496</u>	<u>6,600,959</u>
Total assets	<u>5,107,890</u>	<u>84,508,780</u>	<u>11,232,683</u>
Deferred Outflows of Resources - Pensions	300,355	644,822	-
Liabilities			
Current liabilities:			
Accounts payable	488,351	229,272	2,067
Accrued interest payable	-	20,959	-
Accrued liabilities	80,482	147,343	-
Due for tax appeals	-	-	-
Unearned revenue	67,000	-	-
Due to other funds	-	63,289	-
Current portion of long-term debt	-	1,362,910	-
Total current liabilities	<u>635,833</u>	<u>1,823,773</u>	<u>2,067</u>
Noncurrent liabilities:			
Long-term debt, net of current portion	-	4,410,742	-
Net pension liability	1,221,043	2,621,418	-
Other liabilities	154,689	146,141	-
Claims payable	-	-	-
Total noncurrent liabilities	<u>1,375,732</u>	<u>7,178,301</u>	<u>-</u>
Total liabilities	<u>2,011,565</u>	<u>9,002,074</u>	<u>2,067</u>
Deferred Inflows of Resources - Pensions	22,380	48,047	-
Net Position			
Net investment in capital assets	331,089	69,348,844	6,600,960
Unrestricted	3,043,211	6,754,637	4,629,656
Total net position	<u>\$ 3,374,300</u>	<u>\$ 76,103,481</u>	<u>\$ 11,230,616</u>

**Combining Statement of Net Position
Internal Service Funds
June 30, 2015**

Workers' Compensation and Employee Insurance Fund	Fleet & General Liability Insurance Fund	Total
\$ 5,698,327	\$ 6,096,664	\$ 30,566,075
23,784	-	23,802
1,521	1,667	8,320
230,000	64,390	312,965
689,012	-	689,012
<u>6,642,644</u>	<u>6,162,721</u>	<u>31,600,174</u>
-	-	82,054,544
-	-	82,054,544
<u>6,642,644</u>	<u>6,162,721</u>	<u>113,654,718</u>
-	-	945,177
355,936	631,462	1,707,088
-	-	20,959
-	-	227,825
-	1,484,995	1,484,995
-	-	67,000
-	230,000	293,289
-	-	1,362,910
<u>355,936</u>	<u>2,346,457</u>	<u>5,164,066</u>
-	-	4,410,742
-	-	3,842,461
-	-	300,830
980,334	743,364	1,723,698
<u>980,334</u>	<u>743,364</u>	<u>10,277,731</u>
<u>1,336,270</u>	<u>3,089,821</u>	<u>15,441,797</u>
-	-	70,427
-	-	76,280,893
5,306,374	3,072,900	22,806,778
<u>\$ 5,306,374</u>	<u>\$ 3,072,900</u>	<u>\$ 99,087,671</u>

City of Dearborn, Michigan

	Information Systems Fund	Facilities Fund	Fleet Replacement Fund
Operating Revenues			
Intergovernmental revenues:			
Federal sources	\$ 114,485	\$ 17,875	\$ -
Local sources	-	56,000	-
Charges for services	2,071,753	4,938,765	-
Rents and royalties	364,241	1,636,960	2,444,092
City contributions for insurance premiums	-	-	-
Miscellaneous	1,635	1,660,419	70,991
Private source contributions	-	193,029	-
Total operating revenues	<u>2,552,114</u>	<u>8,503,048</u>	<u>2,515,083</u>
Operating Expenses			
Contractual services	2,960,712	1,489,492	-
Utilities	-	1,621,994	-
Repair and maintenance	-	1,956,810	-
Depreciation	119,828	2,161,128	905,645
Insurance and bonds	-	-	-
Insurance benefits	-	-	-
Claims and judgments	-	-	-
Other	-	-	-
Total operating expenses	<u>3,080,540</u>	<u>7,229,424</u>	<u>905,645</u>
Operating Income (Loss)	(528,426)	1,273,624	1,609,438
Nonoperating Revenues (Expenses)			
Investment income	3,170	6,703	3,399
Contributions	-	-	26,866
Other interest	-	(169,150)	-
Gain/(loss) on disposal of assets	-	(2,226,553)	(21,487)
Other expense	-	(11,100)	-
Total nonoperating revenues (expenses)	<u>3,170</u>	<u>(2,400,100)</u>	<u>8,778</u>
Income (Loss) before Operating Transfers	(525,256)	(1,126,476)	1,618,216
Transfers			
Transfers in	-	13,863,588	69,969
Transfers out	-	(1,000,000)	-
Net transfers	<u>-</u>	<u>12,863,588</u>	<u>69,969</u>
Net Income (Loss)	(525,256)	11,737,112	1,688,185
Net Position - Beginning of Year (1)	3,899,556	64,366,369	9,542,431
Net Position - End of Year	<u>\$ 3,374,300</u>	<u>\$ 76,103,481</u>	<u>\$ 11,230,616</u>

(1) Net Position - Beginning of Year has been restated in order to adopt GASB 68. See Note 17.

**Combining Statement of Revenues, Expenses, and
Changes in Fund Net Position
Internal Service Funds
Year Ended June 30, 2015**

Workers' Compensation and Employee Insurance Fund	Fleet & General Liability Insurance Fund	Total
\$ -	\$ -	\$ 132,360
-	-	56,000
-	-	7,010,518
-	-	4,445,293
18,088,612	2,299,510	20,388,122
1,707,323	-	3,440,368
-	-	193,029
<u>19,795,935</u>	<u>2,299,510</u>	<u>35,665,690</u>
354,654	82,581	4,887,439
-	-	1,621,994
-	-	1,956,810
-	-	3,186,601
217,649	705,979	923,628
26,953	-	26,953
19,541,411	1,057,252	20,598,663
122,110	104,500	226,610
<u>20,262,777</u>	<u>1,950,312</u>	<u>33,428,698</u>
(466,842)	349,198	2,236,992
3,581	3,747	20,600
-	-	26,866
-	-	(169,150)
-	-	(2,248,040)
-	-	(11,100)
<u>3,581</u>	<u>3,747</u>	<u>(2,380,824)</u>
(463,261)	352,945	(143,832)
-	-	13,933,557
-	-	(1,000,000)
-	-	<u>12,933,557</u>
(463,261)	352,945	12,789,725
5,769,635	2,719,955	86,297,946
<u>\$ 5,306,374</u>	<u>\$ 3,072,900</u>	<u>\$ 99,087,671</u>

City of Dearborn, Michigan

	Information Systems Fund	Facilities Fund	Fleet Replacement Fund
Cash Flows from Operating Activities			
Receipts from customers	\$ 2,550,479	\$ 6,575,707	\$ 2,444,092
Payments to suppliers	(2,666,388)	(5,551,677)	(247,933)
Payments to employees	4,773	-	-
Internal activity	-	44,989	(700)
Claims paid	-	-	-
Other receipts	1,635	1,927,323	70,991
Other payments	-	-	-
Net cash provided (used) by operating activities	<u>(109,501)</u>	<u>2,996,342</u>	<u>2,266,450</u>
Cash Flows from Noncapital Financing Activities			
Transfers in	-	2,025,689	69,969
Transfers out	-	(1,000,000)	-
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>1,025,689</u>	<u>69,969</u>
Cash Flows from Capital and Related Financing Activities			
Principal paid on debt	-	(1,365,832)	-
Prepaid interest on debt	-	(153,558)	-
Contribution of capital assets	-	-	26,866
Acquisition and construction of capital assets	-	(4,376,504)	(3,040,357)
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(5,895,894)</u>	<u>(3,013,491)</u>
Cash Flows from Investing Activities			
Net sale (purchase) of investments	264,225	607,953	287,036
Investment income	3,920	8,873	4,366
Net cash provided (used) by investing activities	<u>268,145</u>	<u>616,826</u>	<u>291,402</u>
Net Increase (Decrease) in Cash and Cash Equivalents	158,644	(1,257,037)	(385,670)
Cash and Cash Equivalents - Beginning of Year	4,616,851	10,622,868	5,015,428
Cash and Cash Equivalents - End of Year	<u>\$ 4,775,495</u>	<u>\$ 9,365,831</u>	<u>\$ 4,629,758</u>

**Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2015**

Workers' Compensation and Employee Insurance Fund	Fleet & General Liability Insurance Fund	Total
\$ 18,095,632	\$ 2,235,120	\$ 31,901,030
(304,112)	(371,375)	(9,141,485)
-	-	4,773
(230,000)	138,810	(46,901)
(19,682,498)	(1,089,732)	(20,772,230)
1,707,322	-	3,707,271
(122,109)	(104,500)	(226,609)
<u>(535,765)</u>	<u>808,323</u>	<u>5,425,849</u>
-	-	2,095,658
-	-	(1,000,000)
-	-	1,095,658
-	-	(1,365,832)
-	-	(153,558)
-	-	26,866
-	-	(7,416,861)
-	-	(8,909,385)
329,963	286,038	1,775,215
5,409	4,306	26,874
<u>335,372</u>	<u>290,344</u>	<u>1,802,089</u>
(200,393)	1,098,667	(585,789)
5,898,720	4,997,997	31,151,864
<u>\$ 5,698,327</u>	<u>\$ 6,096,664</u>	<u>\$ 30,566,075</u>

City of Dearborn, Michigan

	Information Systems Fund	Facilities Fund	Fleet Replacement Fund
	<u> </u>	<u> </u>	<u> </u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (528,426)	\$ 1,273,624	\$ 1,609,438
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	119,828	2,161,128	905,645
Change in assets and liabilities:			
Accounts receivable	-	(18)	-
Due from other funds	-	(17,875)	(700)
Due from other governments	-	-	-
Prepaid items	-	-	(250,000)
Accounts payable	195,823	(547,506)	2,067
Accrued liabilities	98,501	213,680	-
Accrued vacation and sick leave	-	(150,533)	-
Due to other funds	-	62,864	-
Due to other governments	-	-	-
Claims payable	-	-	-
Net Pension Liability and related deferrals	4,773	978	-
	<u>4,773</u>	<u>978</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>\$ (109,501)</u>	<u>\$ 2,996,342</u>	<u>\$ 2,266,450</u>

**Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2015**

Workers' Compensation and Employee Insurance Fund	Fleet & General Liability Insurance Fund	Total
\$ (466,842)	\$ 349,198	\$ 2,236,992
-	-	3,186,601
7,020	-	7,002
(230,000)	-	(248,575)
-	(64,390)	(64,390)
(184,335)	-	(434,335)
294,459	439,041	383,884
-	-	312,181
-	-	(150,533)
-	138,810	201,674
-	(21,856)	(21,856)
43,933	(32,480)	11,453
-	-	5,751
<u>\$ (535,765)</u>	<u>\$ 808,323</u>	<u>\$ 5,425,849</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	\$ 49,505	\$ 387,914	\$ 55,773
Investments - short-term	2,481,621	4,935,512	335,856
Receivables:			
Accrued interest receivable	54,697	117,235	9,800
Other	363,818	820,471	28,868
Due from other funds	-	-	-
Total current assets	<u>2,949,641</u>	<u>6,261,132</u>	<u>430,297</u>
Noncurrent assets - investments:			
Long-term bonds	-	-	-
Fixed income mutual funds	39,081,678	64,449,909	12,247,251
Common stock	30,017,465	85,608,930	4,526,170
Real estate properties	14,815,966	14,840,574	1,705,636
Commingled and mutual funds	56,355,884	102,265,127	8,087,612
Total noncurrent assets	<u>140,270,993</u>	<u>267,164,540</u>	<u>26,566,669</u>
Total assets	<u>143,220,634</u>	<u>273,425,672</u>	<u>26,996,966</u>
Liabilities			
Accounts payable	<u>120,687</u>	<u>321,453</u>	<u>28,353</u>
Total liabilities	<u>120,687</u>	<u>321,453</u>	<u>28,353</u>
Net Position - restricted for pensions	<u>\$ 143,099,947</u>	<u>\$ 273,104,219</u>	<u>\$ 26,968,613</u>

**Combining Statement of Net Position
Fiduciary Pension & Other Employee Benefits Funds
June 30, 2015**

Retiree Death Benefit Fund	Postemployment Healthcare Fund	Total
\$ 347,459	\$ 128,838	\$ 969,489
-	2,135,922	9,888,911
95	272,828	454,655
-	411,840	1,624,997
-	315,869	315,869
<u>347,554</u>	<u>3,265,297</u>	<u>13,253,921</u>
-	32,435,542	32,435,542
-	-	115,778,838
-	23,306,418	143,458,983
-	-	31,362,176
-	-	166,708,623
<u>-</u>	<u>55,741,960</u>	<u>489,744,162</u>
<u>347,554</u>	<u>59,007,257</u>	<u>502,998,083</u>
<u>10,000</u>	<u>240,909</u>	<u>721,402</u>
<u>10,000</u>	<u>240,909</u>	<u>721,402</u>
<u>\$ 337,554</u>	<u>\$ 58,766,348</u>	<u>\$ 502,276,681</u>

City of Dearborn, Michigan

	General Employees' Retirement System Fund	Revised Police & Fire Retirement System Fund	Policemen's & Firemen's Retirement System Fund
Additions			
Investment income:			
Interest and dividends	\$ 2,741,703	\$ 4,687,861	\$ 274,865
Net increase/(decrease) in value of investments	(1,451,794)	(2,591,963)	33,435
Investment/administrative expenses	(613,934)	(1,318,353)	(141,187)
Net investment income	<u>675,975</u>	<u>777,545</u>	<u>167,113</u>
Contributions:			
Employer	3,804,508	9,193,439	-
Employee	505,681	735,288	-
Reimbursements	-	-	-
Total contributions	<u>4,310,189</u>	<u>9,928,727</u>	<u>-</u>
Total additions	4,986,164	10,706,272	167,113
Deductions			
Benefit payments	11,382,627	18,210,717	2,279,928
Refunds of contributions	50,841	999,301	
Total deductions	<u>11,433,468</u>	<u>19,210,018</u>	<u>2,279,928</u>
Change in Net Position	(6,447,304)	(8,503,746)	(2,112,815)
Net Position - Beginning of Year	149,547,251	281,607,965	29,081,428
Net Position - End of Year	<u>\$ 143,099,947</u>	<u>\$ 273,104,219</u>	<u>\$ 26,968,613</u>

**Combining Statement of Changes in Fiduciary Net Position
Fiduciary Pension & Other Employee Benefits Funds
Year Ended June 30, 2015**

Retiree Death Benefit Fund	Postemployment Healthcare Fund	Total
\$ 246	\$ 3,373,563	\$ 11,078,238
-	(1,153,799)	(5,164,121)
-	(133,429)	(2,206,903)
<u>246</u>	<u>2,086,335</u>	<u>3,707,214</u>
-	13,169,653	26,167,600
12,490	-	1,253,459
-	530,296	530,296
<u>12,490</u>	<u>13,699,949</u>	<u>27,951,355</u>
12,736	15,786,284	31,658,569
56,500	10,923,663	42,853,435
-	-	1,050,142
<u>56,500</u>	<u>10,923,663</u>	<u>43,903,577</u>
(43,764)	4,862,621	(12,245,008)
381,318	53,903,727	514,521,689
<u>\$ 337,554</u>	<u>\$ 58,766,348</u>	<u>\$ 502,276,681</u>

City of Dearborn, Michigan

Combining Statement of Net Position Fiduciary Agency Funds June 30, 2015

	Agency Fund	Imprest Payroll Fund	District Court Fund	Total
Assets				
Cash and cash equivalents	\$ 2,723,069	\$ -	\$ 55,800	\$ 2,778,869
Accounts receivable (Net)	2,839	-	298,492	301,331
Due from other governments	52,169	-	-	52,169
Total assets	<u>\$ 2,778,077</u>	<u>\$ -</u>	<u>\$ 354,292</u>	<u>\$ 3,132,369</u>
Liabilities				
Accounts payable	\$ 535,908	\$ -	\$ 80,921	\$ 616,829
Payroll deductions payable	120,433	-	-	120,433
Deposits/refunds payable	1,901,790	-	-	1,901,790
Due to other governments	202,747	-	273,371	476,118
Other liabilities	17,199	-	-	17,199
Total liabilities	<u>\$ 2,778,077</u>	<u>\$ -</u>	<u>\$ 354,292</u>	<u>\$ 3,132,369</u>

City of Dearborn, Michigan

Statement of Changes in Assets and Liabilities Fiduciary Agency Funds Year Ended June 30, 2015

Agency Fund:

	Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015
Assets				
Cash and cash equivalents	\$ 4,371,397	\$ 277,814,480	\$ 279,462,808	\$ 2,723,069
Accounts receivable (Net)	9,581	5,942	12,684	2,839
Due from other governments	9,940	52,169	9,940	52,169
Total assets	<u>\$ 4,390,918</u>	<u>\$ 277,872,591</u>	<u>\$ 279,485,432</u>	<u>\$ 2,778,077</u>
Liabilities				
Accounts payable	\$ 406,651	\$ 133,815,963	\$ 133,686,706	\$ 535,908
Deposits/refunds payable	3,969,753	5,205,917	7,273,880	1,901,790
Payroll deductions payable	-	477,165	356,732	120,433
Due to component units	-	1,450,000	1,450,000	-
Due to other governments	1,560	136,553,366	136,352,179	202,747
Other liabilities	12,954	370,180	365,935	17,199
Total liabilities	<u>\$ 4,390,918</u>	<u>\$ 277,872,591</u>	<u>\$ 279,485,432</u>	<u>\$ 2,778,077</u>

Imprest Payroll Fund:

	Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015
Assets				
Cash and cash equivalents	\$ 298,712	\$ 23,146,972	\$ 23,445,684	\$ -
Accounts receivable (Net)	152	1,458	1,610	-
Total assets	<u>\$ 298,864</u>	<u>\$ 23,148,430</u>	<u>\$ 23,447,294</u>	<u>\$ -</u>
Liabilities				
Payroll deductions payable	\$ 109,191	\$ 5,656,214	\$ 5,765,405	\$ -
Due to other governments	189,673	15,193,028	15,382,701	-
Other liabilities	-	2,299,188	2,299,188	-
Total liabilities	<u>\$ 298,864</u>	<u>\$ 23,148,430</u>	<u>\$ 23,447,294</u>	<u>\$ -</u>

City of Dearborn, Michigan

Statement of Changes in Assets and Liabilities Fiduciary Agency Funds Year Ended June 30, 2015

District Court Fund:

	Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015
Assets				
Cash and cash equivalents	\$ 55,800	\$ 6,076,193	\$ 6,076,193	\$ 55,800
Accounts receivable (Net)	254,183	1,641,559	1,597,250	298,492
Total assets	<u>\$ 309,983</u>	<u>\$ 7,717,752</u>	<u>\$ 7,673,443</u>	<u>\$ 354,292</u>
Liabilities				
Accounts payable	\$ 70,573	\$ 4,612,347	\$ 4,601,999	\$ 80,921
Due to other governments	239,410	3,105,405	3,071,444	273,371
Total liabilities	<u>\$ 309,983</u>	<u>\$ 7,717,752</u>	<u>\$ 7,673,443</u>	<u>\$ 354,292</u>

Total - All Fiduciary Agency Funds:

	Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015
Assets				
Cash and cash equivalents	\$ 4,725,909	\$ 307,037,645	\$ 308,984,685	\$ 2,778,869
Accounts receivable (Net)	263,916	1,648,959	1,611,544	301,331
Due from other governments	9,940	52,169	9,940	52,169
Total assets	<u>\$ 4,999,765</u>	<u>\$ 308,738,773</u>	<u>\$ 310,606,169</u>	<u>\$ 3,132,369</u>
Liabilities				
Accounts payable	\$ 477,224	\$ 138,428,310	\$ 138,288,705	\$ 616,829
Payroll deductions payable	109,191	6,133,379	6,122,137	120,433
Deposits/refunds payable	3,969,753	5,205,917	7,273,880	1,901,790
Due to other governments	430,643	154,851,799	154,806,324	476,118
Other liabilities	12,954	2,669,368	2,665,123	17,199
Total liabilities	<u>\$ 4,999,765</u>	<u>\$ 308,738,773</u>	<u>\$ 310,606,169</u>	<u>\$ 3,132,369</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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These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
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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,			
	2006	2007	2008	2009
Governmental activities				
Net investment in capital assets	\$ 107,826,375	\$ 114,134,870	\$ 117,712,886	\$ 122,778,610
Restricted	31,205,744	31,206,122	28,024,207	34,250,362
Unrestricted	50,220,578	52,858,376	55,653,280	42,313,022
Total net position	<u>\$ 189,252,697</u>	<u>\$ 198,199,368</u>	<u>\$ 201,390,373</u>	<u>\$ 199,341,994</u>
Business-type activities				
Net investment in capital assets	\$ 133,916,701	\$ 147,719,265	\$ 165,847,821	\$ 186,175,486
Restricted	17,366,288	23,528,470	24,264,408	17,411,175
Unrestricted	30,746,205	27,502,015	32,338,924	42,209,231
Total net position	<u>\$ 182,029,194</u>	<u>\$ 198,749,750</u>	<u>\$ 222,451,153</u>	<u>\$ 245,795,892</u>
Primary government in total				
Net investment in capital assets	\$ 241,743,076	\$ 261,854,135	\$ 283,560,707	\$ 308,954,096
Restricted	48,572,032	54,734,592	52,288,615	51,661,537
Unrestricted	80,966,783	80,360,391	87,992,204	84,522,253
Total net position	<u>\$ 371,281,891</u>	<u>\$ 396,949,118</u>	<u>\$ 423,841,526</u>	<u>\$ 445,137,886</u>

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

Fiscal Year Ended June 30,					
2010	2011	2012	2013	2014	2015
\$ 125,057,087	\$ 126,568,635	\$ 133,330,927	\$ 145,372,597	\$ 157,690,864	\$ 181,189,047
34,203,674	9,491,161	12,654,851	14,849,367	13,885,585	13,361,366
36,180,495	46,286,480	38,769,382	41,245,404	41,733,653	(14,703,939)
<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>	<u>\$ 179,846,474</u>
\$ 139,515,797	\$ 144,425,891	\$ 153,591,879	\$ 167,961,227	\$ 184,669,553	\$ 193,596,164
21,003,170	9,525,175	13,815,795	13,093,011	15,018,846	25,781,055
44,559,441	68,270,100	72,201,183	77,459,857	74,490,345	60,779,679
<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>	<u>\$ 280,156,898</u>
\$ 264,572,884	\$ 270,994,526	\$ 286,922,806	\$ 313,333,824	\$ 342,360,417	\$ 374,785,211
55,206,844	19,016,336	26,470,646	27,942,378	28,904,431	39,142,421
80,739,936	114,556,580	110,970,565	118,705,261	116,223,998	46,075,740
<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>	<u>\$ 460,003,372</u>

City of Dearborn, Michigan

	Fiscal Year Ended June 30,			
	2006	2007	2008	2009
Expenses				
General government	\$ 17,970,243	\$ 18,558,136	\$ 18,623,714	\$ 18,905,374
Public safety	53,815,679	49,236,224	53,534,358	56,413,381
Public works	15,735,740	17,551,174	18,240,387	17,062,196
Health and welfare	1,033,980	1,004,187	884,660	899,100
Recreation and culture	20,887,064	19,233,843	20,284,890	20,056,955
Community improvement	3,057,027	2,269,759	2,263,778	2,840,908
Interest on long-term debt	1,207,120	1,298,032	969,908	692,610
Total expenses	113,706,853	109,151,355	114,801,695	116,870,524
Program revenues				
Charges for services				
General government	3,688,843	4,014,763	3,987,138	4,060,655
Public safety	7,604,854	7,290,859	7,279,165	7,183,233
Public works	1,784,182	1,989,214	2,589,058	808,008
Health and welfare	182,536	176,345	170,208	187,589
Recreation and culture	6,138,877	6,373,706	6,459,188	6,198,247
Community improvement	7,692	14,000	139,747	41,900
Total charges for services	19,406,984	19,858,887	20,624,504	18,479,632
Operating grants and contributions	11,220,655	10,438,719	9,304,569	9,668,790
Capital grants and contributions	4,890,813	1,324,987	1,040,365	1,354,205
Total program revenues	35,518,452	31,622,593	30,969,438	29,502,627
Net (expense) revenue	(78,188,401)	(77,528,762)	(83,832,257)	(87,367,897)
General revenues				
Property taxes	72,786,959	73,631,345	74,411,232	74,177,428
Intergovernmental revenues	9,967,910	9,594,061	9,520,440	9,154,795
Investment earnings	3,761,071	4,442,283	4,484,831	2,800,349
Miscellaneous	127,871	341,677	120,281	339,860
Total general revenues	86,643,811	88,009,366	88,536,784	86,472,432
Gain (loss) on sale of capital assets	(215,000)	-	-	-
Transfers	(2,769,698)	(1,533,933)	(1,513,522)	(1,152,914)
Change in net position	\$ 5,470,712	\$ 8,946,671	\$ 3,191,005	\$ (2,048,379)

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

		Fiscal Year Ended June 30,									
		2010	2011	2012	2013	2014	2015				
\$	12,376,173	\$	12,225,979	\$	11,993,709	\$	13,049,241	\$	15,580,246	\$	16,125,892
	57,738,469		62,196,288		59,102,614		52,835,042		60,883,155		62,447,337
	18,683,274		18,119,188		17,494,663		19,718,230		19,658,290		22,756,920
	382,038		373,951		(2,766)		1,270		274		-
	21,540,832		22,010,768		20,718,911		20,761,965		19,580,632		23,646,790
	2,726,471		5,281,873		6,013,857		2,966,945		3,423,885		2,541,722
	575,506		436,484		252,423		188,610		66,307		-
	<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>		<u>127,518,661</u>
	3,433,331		3,568,250		3,890,329		4,109,909		4,682,807		4,640,656
	6,058,870		8,746,633		8,044,980		7,681,405		8,712,212		9,455,854
	240,855		192,735		81,308		228,766		389,269		704,128
	220,888		151,598		7,820		2,151		1,575		-
	6,228,878		6,178,886		6,227,984		6,154,944		7,476,466		7,958,928
	15,942		28,632		23,511		6,063		764,477		28,248
	<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>		<u>22,787,814</u>
	11,580,040		11,248,838		10,805,625		11,012,688		11,686,487		9,423,726
	3,054,980		3,605,055		10,211,453		11,552,900		14,350,620		13,129,607
	<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>45,341,147</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>		<u>(82,177,514)</u>
	70,861,323		65,008,877		64,815,389		77,177,876		75,003,853		78,864,715
	8,087,313		8,257,255		8,374,116		8,670,195		8,879,861		10,103,356
	825,396		252,343		75,276		93,240		35,566		44,036
	310,711		291,734		241,611		458,812		82,330		308,125
	<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>89,320,232</u>
	-		-		-		-		-		-
	(796,502)		18,715		5,182,893		(915,438)		(1,030,000)		14,540,831
\$	<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>	\$	<u>21,683,549</u>

City of Dearborn, Michigan

	Fiscal Year Ended June 30,			
	2006	2007	2008	2009
Expenses				
Housing	\$ 3,227,297	\$ 3,394,571	\$ 3,322,742	\$ 3,458,115
Golf course	1,563,400	1,557,375	1,588,253	1,453,587
Parking	608,254	1,934,091	2,360,226	2,176,678
Sewer	16,737,924	16,963,805	17,779,531	18,675,598
Water	10,717,015	11,518,094	11,525,968	14,551,370
Total expenses	<u>32,853,890</u>	<u>35,367,936</u>	<u>36,576,720</u>	<u>40,315,348</u>
Program revenues				
Charges for services				
Housing	3,370,818	3,311,667	3,424,466	3,280,655
Golf course	1,300,202	1,322,504	1,283,463	1,200,615
Parking	389,658	1,103,913	1,640,449	1,369,973
Sewer	19,660,321	20,252,157	22,867,177	26,435,810
Water	15,047,237	14,071,679	16,282,194	18,010,410
Total charges for services	<u>39,768,236</u>	<u>40,061,920</u>	<u>45,497,749</u>	<u>50,297,463</u>
Operating grants and contributions	-	-	-	-
Capital grants and contributions	7,084,833	3,720,899	1,641,423	1,295,426
Total program revenues	<u>46,853,069</u>	<u>43,782,819</u>	<u>47,139,172</u>	<u>51,592,889</u>
Net (expense) revenue	<u>13,999,179</u>	<u>8,414,883</u>	<u>10,562,452</u>	<u>11,277,541</u>
General revenues				
Property taxes	3,218,635	3,540,409	7,408,825	7,413,464
Intergovernmental revenues	-	10,950	503,887	-
Investment earnings	2,016,375	3,038,305	3,550,346	1,946,237
Miscellaneous	1,075,790	182,076	162,371	1,554,583
Total general revenues	<u>6,310,800</u>	<u>6,771,740</u>	<u>11,625,429</u>	<u>10,914,284</u>
Gain (loss) on sale of capital assets	-	-	-	-
Special items-loss on abandoned assets	-	-	-	-
Transfers	2,769,698	1,533,933	1,513,522	1,152,914
Change in net position	<u>\$ 23,079,677</u>	<u>\$ 16,720,556</u>	<u>\$ 23,701,403</u>	<u>\$ 23,344,739</u>
Change in Primary Government net position				
Change in Governmental net position	\$ 5,470,712	\$ 8,946,671	\$ 3,191,005	\$ (2,048,379)
Change in Business-type net position	23,079,677	16,720,556	23,701,403	23,344,739
Total Change in Primary Government net position	<u>\$ 28,550,389</u>	<u>\$ 25,667,227</u>	<u>\$ 26,892,408</u>	<u>\$ 21,296,360</u>

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

		Fiscal Year Ended June 30,									
		2010	2011	2012	2013	2014	2015				
\$	4,325,517	\$	3,300,533	\$	2,990,211	\$	2,495,464	\$	3,617,191	\$	2,834,958
	1,400,042		1,372,503		1,259,035		1,060,839		964,229		450,449
	2,163,670		2,111,898		2,084,662		2,032,506		2,075,909		989,904
	17,339,277		23,319,895		30,328,151		35,166,346		34,387,772		38,884,885
	13,489,834		15,331,842		15,398,293		16,084,791		16,293,822		14,887,593
	38,718,340		45,436,671		52,060,352		56,839,946		57,338,923		58,047,789
	2,986,372		3,099,199		3,151,693		2,547,145		2,576,516		2,685,340
	1,180,309		1,049,788		1,008,256		773,775		809,909		474,448
	1,212,763		1,257,440		1,579,888		1,586,944		1,516,758		844,313
	23,143,181		25,420,282		27,025,311		29,703,949		29,303,558		29,350,068
	16,161,503		16,348,307		17,532,486		19,304,119		19,215,410		18,902,308
	44,684,128		47,175,016		50,297,634		53,915,932		53,422,151		52,256,477
	-		-		-		-		-		-
	-		4,840,836		1,176,183		3,270,702		719,455		15,426,763
	44,684,128		52,015,852		51,473,817		57,186,634		54,141,606		67,683,240
	5,965,788		6,579,181		(586,535)		346,688		(3,197,317)		9,635,451
	9,834,080		15,647,451		16,147,491		16,398,838		15,333,304		14,820,721
	-		-		-		-		-		-
	841,748		292,533		103,383		124,935		48,487		64,528
	1,168,875		127,128		1,492,129		1,125,983		2,450,175		1,057,749
	11,844,703		16,067,112		17,743,003		17,649,756		17,831,966		15,942,998
	675,523		(18,977)		5,414,116		(6,644)		-		-
	(60,000,000)		(5,465,843)		-		-		-		-
	796,502		(18,715)		(5,182,893)		915,438		1,030,000		(14,540,831)
\$	(40,717,484)	\$	17,142,758	\$	17,387,691	\$	18,905,238	\$	15,664,649	\$	11,037,618
\$	(3,900,738)	\$	(13,094,980)	\$	2,408,884	\$	16,712,208	\$	11,842,734	\$	21,683,549
	(40,717,484)		17,142,758		17,387,691		18,905,238		15,664,649		11,037,618
\$	(44,618,222)	\$	4,047,778	\$	19,796,575	\$	35,617,446	\$	27,507,383	\$	32,721,167

City of Dearborn, Michigan

	As of June 30,			
	2006	2007	2008	2009
General fund				
Reserved	\$ 11,631,922	\$ 8,057,877	\$ 2,903,603	\$ 4,565,604
Unreserved	24,705,707	27,656,144	27,091,088	23,822,046
Nonspendable	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total general fund	<u>\$ 36,337,629</u>	<u>\$ 35,714,021</u>	<u>\$ 29,994,691</u>	<u>\$ 28,387,650</u>
All other governmental funds				
Reserved	\$ 35,197,980	\$ 36,093,486	\$ 36,269,424	\$ 34,249,675
Unreserved, reported in:				
Special revenue funds	2,182,390	2,820,754	4,246,060	3,434,493
Debt service fund	-	-	-	-
Capital projects fund	-	98,378	2,864,333	5,060,572
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Total all other governmental funds	<u>\$ 37,380,370</u>	<u>\$ 39,012,618</u>	<u>\$ 43,379,817</u>	<u>\$ 42,744,740</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,					
2010	2011 (1)	2012	2013	2014	2015
\$ 2,773,477	\$ -	\$ -	\$ -	\$ -	\$ -
19,649,622	-	-	-	-	-
-	203,754	247,488	234,932	252,586	512,981
-	5,707,125	5,075,442	-	435,600	1,417,297
-	15,657,636	14,483,393	18,962,626	22,934,549	30,392,398
<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>	<u>\$ 32,322,676</u>
\$ 33,578,417	\$ -	\$ -	\$ -	\$ -	\$ -
1,359,711	-	-	-	-	-
-	-	-	-	-	-
3,118,999	-	-	-	-	-
-	13,282,980	6,449,092	6,740,441	7,347,232	7,216,969
-	9,491,161	12,654,851	14,015,744	13,148,516	12,802,976
-	3,180,165	2,889,803	3,170,572	3,392,589	3,195,036
-	8,419,529	6,847,754	7,645,525	3,682,673	6,238,449
<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>	<u>\$ 29,453,430</u>

City of Dearborn, Michigan

	Fiscal Year Ended June 30,			
	2006	2007	2008	2009
Revenues				
Taxes, assessments and penalties on taxes	\$ 73,074,475	\$ 73,956,411	\$ 74,864,544	\$ 74,417,614
Licenses and permits	2,211,330	2,354,012	2,103,672	1,629,179
Intergovernmental revenues:				
State sources	18,724,037	17,019,551	16,890,767	16,144,911
Federal sources	5,792,025	3,019,962	1,839,525	2,477,958
Local sources	-	-	-	-
Other sources	116,796	120,626	232,307	234,800
Charges for services	9,789,794	9,763,643	10,517,161	8,581,834
Fines and forfeits	4,480,045	4,591,880	4,734,867	5,088,268
Rents and royalties	5,206,021	5,216,764	5,598,596	5,756,594
Miscellaneous revenue	2,537,007	1,251,339	1,211,475	796,671
Private source contributions	257,048	159,203	179,747	251,375
Investment income	3,761,071	4,442,283	4,484,831	2,800,349
Total revenues	125,949,649	121,895,674	122,657,492	118,179,553
Expenditures				
General government	17,625,581	16,592,671	17,243,638	16,600,757
Public safety	50,596,105	47,815,559	50,531,877	51,391,481
Public works	20,545,286	23,264,645	22,205,870	19,685,018
Health and welfare	1,015,112	1,017,025	918,983	899,511
Recreation and culture	17,158,608	15,991,058	16,742,339	16,068,221
Community improvement	2,214,272	1,944,888	1,988,312	2,061,008
Utilities	4,464,391	4,302,158	4,607,915	4,320,227
Capital outlay	5,687,117	3,816,566	4,009,106	5,872,343
Debt service - principal	2,765,000	3,040,000	3,025,000	3,165,000
Debt service - interest and fiscal charges	1,229,742	1,242,580	989,061	755,191
Loss on land held for resale	-	-	-	-
Total expenditures	123,301,214	119,027,150	122,262,101	120,818,757
Revenues Over (Under) Expenditures	2,648,435	2,868,524	395,391	(2,639,204)
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	13,105,908	11,823,416	14,584,454	12,380,950
Transfers out	(16,303,606)	(13,683,300)	(16,347,976)	(11,983,864)
Contribution to component units	(536,079)	-	-	-
Total other financing sources (uses)	(3,733,777)	(1,859,884)	(1,747,522)	397,086
Net Change in Fund Balances	(1,085,342)	1,008,640	(1,352,131)	(2,242,118)
Fund Balances - Beginning of year	74,803,341	73,717,999	74,726,639	73,374,508
Fund Balances - End of year	\$ 73,717,999	\$ 74,726,639	\$ 73,374,508	\$ 71,132,390
Debt service as a percentage of noncapital expenditures	3.60%	3.97%	3.47%	3.48%

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

Fiscal Year Ended June 30,						
2010	2011	2012	2013	2014	2015	
\$ 66,898,007	\$ 68,634,837	\$ 65,586,461	\$ 78,061,215	\$ 75,146,320	\$ 79,071,900	
1,456,321	2,606,186	2,164,269	2,002,495	1,607,365	2,015,394	
14,994,366	15,174,605	15,645,123	15,883,980	16,805,010	17,248,743	
5,554,459	6,344,198	12,117,043	10,987,722	11,862,765	9,039,418	
-	25,000	90,000	828,235	714,299	861,492	
205,886	181,390	772,087	-	-	-	
8,112,023	8,919,439	8,543,324	9,046,524	11,393,096	12,246,098	
3,907,176	4,150,768	4,338,557	4,167,059	4,757,661	4,843,476	
5,621,711	5,869,862	4,785,360	4,606,920	5,048,921	5,468,228	
806,946	700,242	700,511	2,482,511	3,605,457	5,345,015	
245,192	48,882	68,372	41,023	37,398	101,193	
825,396	252,343	75,276	95,057	36,925	45,136	
<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>	<u>136,286,093</u>	
13,266,973	12,742,209	12,147,029	14,697,735	15,669,944	15,715,360	
53,784,103	54,255,155	55,340,145	56,702,499	55,474,235	57,726,769	
18,925,016	18,958,399	18,658,991	17,620,568	21,413,107	24,223,671	
394,537	345,274	10,427	194	-	-	
18,877,609	18,533,939	16,430,423	18,803,949	19,772,959	20,317,658	
2,235,666	2,038,767	2,035,755	2,476,715	2,683,368	2,400,773	
323,085	305,438	281,736	374,885	393,639	250,020	
4,855,404	2,938,196	7,770,659	10,356,592	12,360,720	6,069,029	
3,296,683	3,294,095	3,381,696	3,450,598	1,432,650	-	
610,853	473,257	361,520	230,051	102,911	-	
-	2,500,000	5,739,000	451,500	251,778	607,726	
<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>	<u>127,311,006</u>	
(7,942,446)	(3,476,977)	(7,270,998)	3,037,455	1,459,906	8,975,087	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
8,682,846	12,901,955	14,048,394	7,373,659	8,695,075	5,863,854	
(11,392,564)	(13,962,854)	(14,071,923)	(8,289,097)	(9,731,076)	(4,256,580)	
-	-	-	-	-	-	
<u>(2,709,718)</u>	<u>(1,060,899)</u>	<u>(23,529)</u>	<u>(915,438)</u>	<u>(1,036,001)</u>	<u>1,607,274</u>	
(10,652,164)	(4,537,876)	(7,294,527)	2,122,017	423,905	10,582,361	
71,132,390	60,480,226	55,942,350	48,647,823	50,769,840	51,193,745	
<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>	<u>\$ 61,776,106</u>	
3.54%	3.45%	3.41%	3.26%	1.37%	0.00%	

City of Dearborn, Michigan

	Fiscal Year Ended June 30,			
	2006	2007	2008	2009
Assets				
Current assets:				
Cash and cash equivalents	\$ 5,763,479	\$ 6,467,790	\$ 7,922,004	\$ 9,070,122
Accounts Receivable (Net)	253,969	132,941	717,338	180,871
Property taxes receivable	26,824	25,745	14,856	8,100
Unbilled accounts receivable	1,397,962	1,431,730	1,710,865	3,452,578
Accrued interest receivable	260,629	242,064	317,667	257,238
Due from other governments	80,365	117,150	379,451	150,000
Due from other funds	27,881	525,383	621,599	2,573
Prepaid items	18,463	21,360	-	-
Inventories	-	-	-	410,288
Total current assets	<u>7,829,572</u>	<u>8,964,163</u>	<u>11,683,780</u>	<u>13,531,770</u>
Noncurrent assets:				
Restricted cash and investments:				
Construction	16,716,242	17,383,758	16,094,615	11,082,093
Debt service	4,634,356	5,899,117	7,917,774	6,071,919
Investments, long-term	8,876,728	10,104,111	12,488,858	19,784,972
Capital assets (Net)	<u>150,864,429</u>	<u>194,582,424</u>	<u>238,826,150</u>	<u>288,342,896</u>
Total noncurrent assets	<u>181,091,755</u>	<u>227,969,410</u>	<u>275,327,397</u>	<u>325,281,880</u>
Total assets	<u>188,921,327</u>	<u>236,933,573</u>	<u>287,011,177</u>	<u>338,813,650</u>
Deferred Outflows of Resources - Pensions				
	-	-	-	-
Liabilities				
Current liabilities:				
Accounts payable	3,353,758	2,982,256	13,872,347	4,139,459
Accrued interest payable	600,494	725,490	845,248	969,634
Accrued liabilities	19,774	17,008	20,824	17,482
Due to other governments	421,876	182,071	208,085	158,973
Due to other funds	-	21,360	45,124	237
Liabilities payable from restricted assets	6,239,006	7,276,307	8,550,000	7,424,423
Current portion of long-term debt	<u>2,465,000</u>	<u>5,330,000</u>	<u>-</u>	<u>8,710,000</u>
Total current liabilities	<u>13,099,908</u>	<u>16,534,492</u>	<u>23,541,628</u>	<u>21,420,208</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	75,606,634	104,126,803	130,489,516	162,048,508
Net Pension Liability	25,636	4,084,562	4,589,810	8,635,684
Other liabilities	<u>75,632,270</u>	<u>108,211,365</u>	<u>135,079,326</u>	<u>170,684,192</u>
Total noncurrent liabilities	<u>75,632,270</u>	<u>108,211,365</u>	<u>135,079,326</u>	<u>170,684,192</u>
Total liabilities	<u>88,732,178</u>	<u>124,745,857</u>	<u>158,620,954</u>	<u>192,104,400</u>
Deferred Inflows of Resources - Pensions				
	-	-	-	-
Net Position				
Net investment in capital assets	72,792,795	85,125,621	99,786,634	117,584,388
Restricted for:				
Construction	10,477,235	17,383,758	16,094,615	11,082,093
Debt service	6,156,096	5,899,117	7,917,774	6,071,919
Unrestricted	<u>10,763,023</u>	<u>3,779,220</u>	<u>4,591,200</u>	<u>11,970,850</u>
Total net position	<u>\$ 100,189,149</u>	<u>\$ 112,187,716</u>	<u>\$ 128,390,223</u>	<u>\$ 146,709,250</u>

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

Fiscal Year Ended June 30,					
2010	2011	2012	2013	2014	2015
\$ 12,964,653	\$ 55,444,100	\$ 56,444,046	\$ 58,221,954	\$ 57,200,895	\$ 55,955,900
217,236	311,122	310,900	4,449,552	4,298,326	4,157,926
36,590	96,464	25,662	52,325	44,847	15,571
2,721,972	2,388,135	2,573,752	2,659,408	2,415,116	2,668,870
257,998	266,843	141,090	81,851	28,542	20,864
412,328	-	48,637	1,040,689	297,410	797,354
-	2,550	-	1,235	-	-
-	-	-	-	-	-
410,287	185,287	185,960	185,960	185,960	185,960
<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>	<u>63,802,445</u>
17,021,308	3,760,211	6,290,064	5,189,520	7,082,451	19,690,371
9,354,234	2,100,296	1,901,803	1,702,056	1,494,425	1,267,931
14,749,500	7,188,882	2,953,337	2,208,641	3,262,168	-
<u>268,356,736</u>	<u>294,927,700</u>	<u>294,869,058</u>	<u>294,709,088</u>	<u>298,712,306</u>	<u>306,227,602</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>327,185,904</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>	<u>390,988,349</u>
-	-	-	-	-	396,887
4,161,371	5,847,106	5,088,290	6,780,371	6,094,726	7,412,269
1,071,114	1,052,796	1,037,490	1,010,803	989,484	898,834
215,481	326,681	646,900	403,440	356,867	461,731
731,868	101,641	273,850	145,365	222,435	128,149
2,274	-	21,540	27,858	-	-
5,634,823	-	-	-	-	-
<u>13,125,000</u>	<u>12,859,403</u>	<u>13,123,403</u>	<u>13,390,903</u>	<u>14,327,471</u>	<u>13,322,612</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>	<u>22,223,595</u>
-	1,760,211	-	-	-	-
-	476,546	491,546	509,046	545,000	550,000
-	110,750	93,553	75,379	55,426	35,431
185,962,103	208,397,658	202,297,273	193,395,991	184,895,846	177,308,944
					1,613,478
<u>11,671,986</u>	<u>7,565,882</u>	<u>86,793</u>	<u>96,217</u>	<u>120,266</u>	<u>2,132,396</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>181,640,249</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>	<u>203,863,844</u>
-	-	-	-	-	29,573
69,269,633	73,670,639	79,448,382	87,922,193	99,488,989	115,596,046
11,386,485	2,000,000	6,290,064	5,189,520	7,082,451	19,690,371
9,354,234	7,525,175	7,525,731	7,903,491	7,936,395	6,090,684
<u>13,916,470</u>	<u>44,977,102</u>	<u>49,319,494</u>	<u>53,651,702</u>	<u>52,907,090</u>	<u>46,114,718</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>	<u>\$ 187,491,819</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>
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	8,954,051
2016	9,029,475 (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
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
2016	2015	38.80	35.12	21,072.00

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
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
2015	2016	1,554,402,595	744,087,986	356,541,464	58,977,450	2,714,009,495

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 2015 (fiscal year 2016) taxable valuation is as follows:

By Class	Taxable Valuation	Percent of total
Real Property	\$ 2,714,009,495	71.79%
Personal Property	1,066,359,450	28.21%
Total	\$ 3,780,368,945	100.00%

By Use	Taxable Valuation	Percent of total
Commercial	\$ 744,087,986	19.68%
Industrial	356,541,464	9.43%
Residential	1,554,402,595	41.12%
Personal	1,125,336,900	29.77%
Total	\$ 3,780,368,945	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				Direct Tax Rate (mills)	Tax Increment Financing Total Captured Valuation	Assessed Value	Taxable as a % of Assessed Value
Personal	Industrial Facilities Tax (IFT)	Total Personal	Total Taxable Value				
\$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%
601,898,700	464,460,750	1,066,359,450	3,780,368,945	26.45	199,814,464	3,984,927,350	94.87%

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								
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	9.3366	4.0000
2015	2016	18.5000	4.2500	2.1600	1.5400	26.4500	6.6244*	4.0000

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

Westwood School District

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	9.3366	3.2408
2015	2016	18.5000	4.2500	2.1600	1.5400	26.4500	6.6244*	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
2014	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) 2014 General operating millage rate of 18.5000 is made up of 15 mills of general operating under Dearborn charter and an additional 3.500 mills of voted operating as approved by voters on November 8, 2011.
- (2) County rate includes all Wayne County, Huron Clinton Metropolitan Park Authority and Wayne County Transit Authority (Smart) tax rates.
- (3) Henry Ford Community College is part of the Dearborn school system. Westwood school taxpayers pay a Wayne County Community College rate.
- (4) A homeowner's Principal Residence Exemption (P.R.E.) grants up to 18 mills of school tax relief to qualified homeowners (Public Act 105 of 2003, MCL 211.7cc). It is administered by the local assessor and affects the local tax bill. An independent state homestead property tax credit (MCL 206.508 et seq.) to qualified homeowners and renters is administered directly by the Michigan Department of Treasury as additional tax relief.
- (5) Dearborn School's P.R.E rate includes a "Homestead Supplemental" rate. This is applied to P.R.E. tax parcels only.

Direct and Overlapping Property Tax Rates Last Ten Fiscal Years

Overlapping Taxes				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	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	49.4009	11.5200	60.9209	23.3500	72.7509
3.4643	6.0000	TBD *	11.1700	TBD *	23.3500	TBD *
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	48.6417	-	48.6417	18.0000	66.6417
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	2015			2014			2005		
	Taxable Value	Rank	Percent of total	Taxable Value	Rank	Percent of total	Taxable Value	Rank	Percent of total
Ford Motor Company	\$ 916,904,795	1	24.30%	\$ 875,191,480	1	23.54%	\$ 1,101,083,960	1	22.83%
AK Steel Corporation (Severstal Steel)	309,785,950	2	8.21%	323,296,250	2	8.70%	128,420,625	2	2.66%
Dearborn Industrial Generation	56,912,500	3	1.51%	60,420,550	3	1.62%	89,662,325	3	1.86%
DTE Energy Company *	51,806,319	4	1.37%	51,118,401	4	1.37%	48,729,046	6	1.01%
Ford Motor Land Development Corp	34,113,079	5	0.90%	33,638,713	6	0.90%	-	-	-
Fairlane Town Center	33,873,000	6	0.90%	34,760,550	5	0.94%	48,922,600	5	1.01%
The ACG (AAA of Michigan)	21,709,450	7	0.57%	21,580,550	7	0.58%	38,362,271	7	0.80%
Urbcam Michigan LLC	12,850,850	8	0.34%	15,451,650	8	0.42%	-	-	-
Dearborn Schaefer Office Co LLC	12,334,000	9	0.33%	12,334,000	9	0.33%	-	-	-
Dell Equipment Co.	11,889,850	10	0.32%	11,023,800	10	0.30%	-	-	-
Visteon	-	-	-	-	-	-	57,524,241	4	1.19%
HRP NOM LP (Hallwood Mgmt Co)	-	-	-	-	-	-	38,198,194	8	0.79%
IBM Corporation	-	-	-	-	-	-	25,737,950	9	0.53%
The Hyatt Regency	-	-	-	-	-	-	24,581,928	10	0.51%
Total - ten largest taxpayers	1,462,179,793		38.75%	1,438,815,944		38.70%	1,601,223,140		33.19%
Total - all other taxpayers	<u>2,311,355,122</u>		<u>61.25%</u>	<u>2,278,877,330</u>		<u>61.30%</u>	<u>3,222,952,126</u>		<u>66.81%</u>
Total - all taxpayers	<u><u>\$3,773,534,915</u></u>		<u><u>100.00%</u></u>	<u><u>\$3,717,693,274</u></u>		<u><u>100.00%</u></u>	<u><u>\$ 4,824,175,266</u></u>		<u><u>100.00%</u></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 2005 tax year applicable to Ford Motor Company was \$63,853,800 Real and \$298,852,500 Personal Property; Severstal Steel Company was \$3,608,000 Real and \$6,267,750 Personal Property; and Dearborn Industrial Generation (DIG) was \$6,025,300 Real and \$109,921,200 Personal Property.

Abated Industrial Facilities Taxable Value for the 2014 tax year applicable to Ford Motor Company was \$45,285,250 Real and \$211,340,350 Personal Property; AK Steel Company was \$9,300,000 Real and \$212,859,700 Personal Property.

Abated Industrial Facilities Taxable Value for the 2015 tax year applicable to Ford Motor Company was \$36,232,600 Real and \$268,971,400 Personal Property; AK Steel Company was \$9,300,000 Real and \$192,347,100 Personal Property.

Total Abated OPRA (Obsolete Property Rehabilitation Act) value for 2015 taxable year applicable to Urbcam Michigan LLC was \$10,944,800.

* Detroit Edison and Michigan Consolidated Gas are reported as one combined taxpayer DTE Energy Company.

City of Dearborn, Michigan

Principal Sewage Utility Customers

Taxpayer	Fiscal Year Ended June 30, 2015		
	Estimated Sewage Volumes (in cubic feet) (1)	Estimated Sewage Disposal Charges Billed (2)	
Severstal NA	70,958,000	1	\$ 2,668,021
Ford Rouge Plant	34,906,600	2	1,312,488
Oakwood Health Care	12,987,900	3	488,345
Dearborn Schools	6,467,400	4	243,174
Ford Motor Co. & Headquarters	6,244,800	5	234,804
DWSD	3,923,200	6	147,512
U of M Dearborn	3,512,100	7	132,055
Fairlane Town Ctr w/Movies	3,262,900	8	122,685
The Adoba (formerly Hyatt Regency)	3,119,500	9	117,293
Henry Ford Village	<u>2,674,800</u>	10	<u>100,572</u>
Total - ten largest sewage customers	<u><u>148,057,200</u></u>		<u><u>\$ 5,566,949</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
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	71,605,915	71,512,013	99.9%	93,902
2014-2016	2016	72,552,260	in process of collection		

Tax Year	Delinquent Tax	Collections		
		Fiscal Year 2014-2015	Prior Fiscal Years	Total
2005	\$ 2,120,203	\$ 252	\$ 1,898,258	\$ 1,898,510
2006	2,203,911	190	2,430,080	2,430,270
2007	2,566,053	150	2,670,224	2,670,374
2008	3,100,117	93	3,170,046	3,170,139
2009	2,825,257	532	2,896,901	2,897,433
2010	1,229,004	3,108	326,232	329,340
2011	116,788	1,090	95,295	96,385
2012	115,325	47,166	41,833	88,999
2013	128,852	83,449	14,838	98,287
2014	93,902	39,033	-	39,033

Property Taxes Levied, Collected and Outstanding Last Ten Fiscal Years

Delinquent Tax Collections/Adj.	Delinquent Balance as of June 30, 2015	Cumulative Collections & Adj. (Current and Delinquent)	Percent Collected
\$ 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%
2,820,657	4,600	65,090,001	100.0%
1,219,422	9,582	59,291,303	100.0%
87,840	28,948	60,442,637	100.0%
85,080	30,245	69,863,758	100.0%
98,305	30,547	69,427,196	100.0%
39,041	54,861	71,551,054	99.9%

Adjustments	Delinquent Balance as of June 30, 2015
\$ (221,693)	\$ -
226,359	-
104,321	-
71,400	1,378
76,776	4,600
(890,082)	9,582
8,545	28,948
3,919	30,245
(18)	30,547
(8)	54,861

City of Dearborn, Michigan

	Fiscal Year Ended June 30,			
	2006	2007	2008	2009
Governmental activities:				
General obligation bonds	\$ 27,217,946	\$ 23,744,725	\$ 20,217,780	\$ 17,024,420
Business type activities:				
General obligation bonds	68,401,337	100,993,381	131,853,146	164,795,189
Revenue bonds	23,052,972	21,107,676	19,122,380	17,092,083
Total business type activities	91,454,309	122,101,057	150,975,526	181,887,272
Total debt of the government	\$ 118,672,255	\$ 145,845,782	\$ 171,193,306	\$ 198,911,692
Total residential personal income	\$ 2,067,333,614	\$ 2,167,472,786	\$ 2,292,093,612	\$ 2,254,828,035
Ratio of total debt to personal income	5.74%	6.73%	7.47%	8.82%
Total population*	99,909	99,089	101,223	101,665
Total debt per capita	\$ 1,188	\$ 1,472	\$ 1,691	\$ 1,957

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 Government's "Population and Households in Southeast Michigan, July, 2015" except the 2010 population is from the US Census Bureau.

Ratios of Outstanding Debt Last Ten Fiscal Years

Fiscal Year Ended June 30,						
2010	2011	2012	2013	2014	2015	
\$ 13,703,672	\$ 10,277,268	\$ 6,765,244	\$ 3,180,981	\$ 1,626,558	\$ 5,773,651	
194,324,037	218,182,845	213,248,466	205,531,240	198,808,356	186,498,731	
15,011,788	13,589,363	11,665,007	9,584,711	7,549,455	5,276,637	
<u>209,335,825</u>	<u>231,772,208</u>	<u>224,913,473</u>	<u>215,115,951</u>	<u>206,357,811</u>	<u>191,775,368</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>	<u>\$ 197,549,019</u>	
\$2,295,862,702	\$2,252,509,776	\$ 2,308,132,976	\$ 2,330,397,184	\$ 2,009,473,072	\$ 2,150,226,060	
9.71%	10.75%	10.04%	9.37%	10.35%	9.19%	
98,146	98,604	100,249	101,216	102,566	101,130	
\$ 2,273	\$ 2,455	\$ 2,311	\$ 2,157	\$ 2,028	\$ 1,953	

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
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
2015	5,773,651	186,498,731	5,408,184	186,864,198	3,706,669,474

* 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, 2015" 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
1.94%	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
5.04%	101,130	1,848

City of Dearborn, Michigan

	Fiscal Year Ended June 30,			
	2006	2007	2008	2009
Valuation base				
State equalized valuation - excluding IFT values	\$ 5,085,594,564	\$ 5,009,821,466	\$ 5,029,644,744	\$ 4,506,733,763
Plus: equivalent valuation of Act 198 exemptions	560,064,200	454,363,700	424,934,650	531,658,100
Total valuation	<u>\$ 5,645,658,764</u>	<u>\$ 5,464,185,166</u>	<u>\$ 5,454,579,394</u>	<u>\$ 5,038,391,863</u>
Legal Debt limitation - 10% of total valuation	\$ 564,565,876	\$ 546,418,517	\$ 545,457,939	\$ 503,839,186
Calculation of debt subject to limit:				
Total debt	118,672,255	145,845,782	171,193,306	198,911,692
Less: Revenue Bonds not subject to limit	(23,052,972)	(21,107,676)	(19,122,380)	(17,092,083)
Less: Amount available for repayment of general obligation bonds	(159,246)	(110,036)	(321,850)	(285,649)
Net debt subject to limit	<u>95,460,037</u>	<u>124,628,070</u>	<u>151,749,076</u>	<u>181,533,960</u>
Legal debt margin	<u>\$ 469,105,839</u>	<u>\$ 421,790,447</u>	<u>\$ 393,708,863</u>	<u>\$ 322,305,226</u>
Net debt subject to limit as % of debt limit	16.91%	22.81%	27.82%	36.03%

Computation of Legal Debt Margin Last Ten Fiscal Years

Fiscal Year Ended June 30,					
2010	2011	2012	2013	2014	2015
\$ 4,324,230,997	\$ 3,910,703,378	\$ 3,472,254,144	\$ 3,240,541,555	\$ 3,220,940,300	\$ 3,275,537,502
568,894,850	527,237,801	458,649,808	509,444,690	465,931,100	497,252,648
<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>	<u>\$ 3,772,790,150</u>
\$ 489,312,585	\$ 443,794,118	\$ 393,090,395	\$ 374,998,625	\$ 368,687,140	\$ 377,279,015
223,039,498	242,049,476	231,678,717	218,296,932	207,869,331	197,549,019
(15,011,788)	(13,589,363)	(11,665,007)	(9,584,711)	(7,434,416)	(5,276,637)
(37,387)	(383)	(83,453)	(207,390)	(13,002)	-
<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>192,272,382</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>	<u>\$ 185,006,633</u>
42.51%	51.48%	55.95%	55.60%	54.36%	50.96%

City of Dearborn, Michigan

Computation of Direct and Overlapping Bonded Debt General Obligation Bonds Year Ended June 30, 2015

Government Unit	Net Bonded Debt Outstanding	Percentage Applicable to Government	Amount Applicable to Government	Per Capita (2)
Direct - City of Dearborn	\$ 5,773,651	100.00%	\$ 5,773,651	\$ 57
Overlapping (1):				
Dearborn School District	192,192,000	95.19%	182,947,565	1,809
Westwood School District	1,000,000	7.14%	71,400	1
Wayne County at large	<u>315,148,111</u>	8.19%	<u>25,876,805</u>	<u>256</u>
Total Overlapping Debt	<u>508,340,111</u>	41.09%	<u>208,895,770</u>	<u>2,066</u>
Grand Total	<u>\$ 514,113,762</u>	41.76%	<u>\$ 214,669,421</u>	<u>\$ 2,123</u>

Sources:

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

(2) Population of 101,130 as estimated in the Southeast Michigan Council of Governments' "Population and Household estimates in Southeast Michigan," July, 2015.

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	
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%
2015	29,717,431	26,176,943	3,540,488	2,180,000	221,700	2,401,700	147%

(1) Total operating expenses exclusive of depreciation.

City of Dearborn, Michigan

Water Supply System Limited Tax Revenue Bonds Revenue Bond Coverage Last Five 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%
2015	18,585,514	15,078,170	3,507,344	55,000	15,877	70,877	4,948%

(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)
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%
2015	101,130	2,150,226,060	21,262	5.6%

- (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, 2015" 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

	2014 (1)			2005 (2)		
	Employees	Rank	Percentage of Total	Employees	Rank	Percentage of Total
Ford Motor Company	44,000 (3)	1	52.25%	47,091 (4)	1	64.77%
ADP	10,000	2	11.88%	-	-	-
Automotive Componensts Holdings LLC	7,000	3	8.31%	-	-	-
Oakwood Hospital Corporation	6,167	4	7.32%	7,515	2	10.33%
Severstal (Including Severstal International)	4,900	5	5.82%	2,096	6	2.88%
Percepta	4,450	6	5.28%	-	-	-
School District of the City of Dearborn	3,339	7	3.97%	2,129	5	2.93%
AAA Michigan	1,752	8	2.08%	2,000	7	2.75%
EP Management Corp.	1,400	9	1.66%	-	-	-
United Technologies Auto	1,200	10	1.43%	-	-	-
Visteon	-	-	-	6,800	3	9.35%
Plastech Engineered Products	-	-	-	2,302	4	3.17%
Dearborn Stamping Plant	-	-	-	1,000	8	1.38%
UM Child Development Center	-	-	-	954	9	1.31%
City of Dearborn	-	-	-	822	10	1.13%
	<u>84,208</u>		<u>100.00%</u>	<u>72,709</u>		<u>100.00%</u>

Sources:

(1) 2014 Michigan Manufacturers Directory, 2014 Crain's Book of Lists and Manta Company Intelligence Website.

(2) 2005 Michigan Manufacturers Directory, Michigan Community Economic Profiles, and Dearborn Economic Development Corporation.

(3) 2014 Crain's Book of Lists: Wayne County's Largest Employers. Full-time employees only.

(4) Wayne County Totals from 2005 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,		
	2006	2007	2008
Primary government			
Governmental activities:			
General government	190.15	180.12	177.70
Public safety	459.38	446.38	442.63
Public works	90.30	84.20	61.66
Health and welfare	23.44	23.05	19.23
Recreation and culture	287.38	284.95	278.92
Community improvement	14.43	13.23	16.03
Total governmental activities	<u>1,065.08</u>	<u>1,031.93</u>	<u>996.17</u>
Business-type activities:			
Housing	24.69	24.69	25.86
Golf course	26.22	25.56	24.36
Parking	5.08	5.08	5.08
Sewer	12.00	14.68	17.09
Water	37.82	34.97	55.73
Total business-type activities	<u>105.81</u>	<u>104.98</u>	<u>128.12</u>
Total primary government	<u>1,170.89</u>	<u>1,136.91</u>	<u>1,124.29</u>
Component unit			
East Dearborn Downtown Development Authority	1.00	1.00	1.00
Total employees	<u>1,171.89</u>	<u>1,137.91</u>	<u>1,125.29</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.

(1) The Golf Course and Parking funds were consolidated into the General fund in 2015.

**Full-Time-Equivalent Government Employees
Last Ten Fiscal Years**

Full-time-Equivalent Employees						
as of July 1,						
2009	2010	2011	2012	2013	2014	2015 (1)
183.59	180.81	182.37	171.31	165.19	165.09	167.16
442.57	433.20	432.60	428.42	433.06	417.22	438.82
58.67	60.73	54.91	48.13	43.14	42.85	46.80
19.39	4.72	3.72	1.00	1.00	1.00	1.00
282.61	288.04	278.80	242.50	238.46	267.31	279.01
17.03	18.00	14.75	13.40	11.10	7.50	8.53
<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>	<u>941.32</u>
24.51	24.51	23.51	23.00	21.00	21.00	21.54
24.20	23.30	20.39	20.02	13.36	12.99	-
6.43	6.43	6.43	6.43	6.43	6.43	-
17.44	17.44	16.53	17.00	18.20	18.20	23.06
53.72	52.72	51.31	52.97	49.09	48.59	47.12
<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>91.72</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>	<u>1,033.04</u>
1.00	1.00	2.00	1.50	1.50	1.50	1.50
<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>	<u>1,034.54</u>

City of Dearborn, Michigan

Functions/programs	Fiscal Year Ended June 30,			
	2006	2007	2008	2009
Public safety				
Police patrol units	49	49	50	51
Fire stations	4	4	4	4
Emergency response vehicles	6	6	6	6
Fire suppression vehicles	9	9	9	10
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	302,154	308,988	306,916	299,265
Utilities				
Water				
Miles of water mains	372.50	372.67	388.00	387.93
Fire hydrants	2,822	2,824	2,822	2,834
Sewer				
Miles of sanitary sewers	79.14	72.82	72.00	72.76
Miles of storm sewers	144.27	162.26	144.00	144.56
Miles of combined sewers	404.35	378.16	404.00	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,					
2010	2011	2012	2013	2014	2015
51	58	61	51	58	58
4	4	4	4	5	5
6	6	6	6	7	7
10	10	10	11	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	310.00	310.00	310.00	310.00	310.00
42	42	42	42	42	42
626	626	626	626	626	626
1	1	1	1	2	2
1	1	1	2	2	2
2	2	2	2	2	2
4	4	4	3	3	3
293,888	276,590	228,162	223,220	223,511	221,316
387.93	387.93	387.93	387.93	371.07	370.34
2,834	2,834	2,838	2,838	2,858	2,886
72.76	72.76	72.76	72.76	73.63	73.98
144.56	144.56	144.56	144.56	210.16	189.34
404.00	404.00	404.00	404.00	348.52	348.37

City of Dearborn, Michigan

Functions/programs	Fiscal Year Ended June 30,		
	2006	2007	2008
Election data			
Registered voters	54,882	57,427	57,128
District court			
Number of court cases	63,735	68,577	71,052
Building and safety			
Permits issued	9,096	8,173	8,326
Permit inspections conducted	17,165	19,367	20,452
Police			
Calls for service	56,467	58,356	58,723
Traffic citations	22,458	21,477	16,784
Parking citations	11,727	20,191	26,967
Fire			
Fire incidents	2,320	2,032	2,083
Emergency medical services incidents	7,475	7,471	7,382
Public works			
Miles of street resurfaced	3.09	1.57	1.28
Curbside refuse collected (tons)	44,400	39,043	38,202
Curbside compost collected (tons)	10,800	8,072	7,588
Curbside recyclables collected (tons)	4,200	3,912	3,824
Leaf collection (cubic yards)	19,762	19,888	20,323
Recreation			
Passholder visits	209,443	203,637	200,779
Library			
Collection - number of volumes	302,154	308,988	306,916
Circulation - number of transactions	1,034,882	918,886	860,642
Number of visitors	520,973	489,984	491,259
Water			
Number of customers billed	32,860	32,818	32,927
Total consumption (100 cubic feet)	7,532,607	6,820,710	7,277,128
Sewer			
Sewer water conveyed to Detroit (100 cubic feet)	11,561,647	11,392,378	11,615,212

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

Operating Indicators Last Ten Fiscal Years

Fiscal Year Ended June 30,						
2009	2010	2011	2012	2013	2014 (1)	2015
58,245	58,147	58,156	59,032	60,117	60,275	58,219
80,189	73,079	79,779	77,805	77,020	79,406	70,279
6,525	6,769	6,769	7,009	6,344	5,729	6,324
17,186	15,223	15,301	14,741	13,689	12,520	13,612
56,591	62,162	62,624	54,164	66,668	71,194	71,790
14,961	14,403	18,873	21,509	18,045	18,652	26,382
38,732	34,061	34,639	29,022	31,476	35,001	18,424
2,081	2,107	2,221	2,942	3,099	2,799	2,927
7,184	7,502	7,768	7,901	7,942	10,301	11,674
5.03	2.60	7.09	2.60	3.99	5.74	7.50
39,043	35,884	27,510	34,962	31,226	31,255	33,940
8,072	7,881	7,653	7,631	6,258	7,232	6,550
3,912	3,642	4,989	3,889	5,671	6,281	5,161
20,325	28,209	18,268	18,943	20,450	21,134	22,526
206,035	218,405	211,738	285,055	180,520	193,059	215,461
299,265	293,888	276,590	228,162	223,220	223,511	221,316
870,252	907,385	874,771	751,668	662,312	610,229	537,739
511,809	511,737	477,827	420,271	402,934	385,723	406,885
32,826	32,696	32,662	32,826	32,396	32,568	32,567
6,676,634	6,278,524	6,298,102	6,993,560	6,197,018	6,337,347	6,022,481
12,193,727	10,352,858	9,745,433	11,331,781	9,614,895	10,775,389	10,697,630

(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, 2015**

City of Dearborn, Michigan

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Dearborn, Michigan (the "City") as of and for the year ended June 30, 2015 and related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 24, 2015.

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.

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2015-001, that we consider to be a significant deficiency.

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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

November 24, 2015

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, 2015. 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, 2015.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as Finding 2015-002. Our opinion on each major federal program is not modified with respect to these matters.

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

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.

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. 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 of those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2015-002 to be a material weakness.

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

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, 2015

City of Dearborn, Michigan

Schedule of Expenditures of Federal Awards Year Ended June 30, 2015

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity/Grant Number	Federal Expenditures
U.S. Department of Housing and Urban Development:			
Direct programs - CDBG Entitlement Grant Cluster:			
Community Development Block Grant	14.218	N/A	\$ 1,043,503
Neighborhood Stabilization Program	14.218	N/A	67,470
Total CDBG Entitlement Grant Cluster			1,110,973
Passed through the Michigan State Housing Development Authority -			
Home Investment Partnerships Program - Home Resource Fund:			
Grant Year 2011	14.239	M-11-DC-26-0213	361,845
Grant Year 2013	14.239	M-13-DC-26-0213	268,450
Grant Year 2014	14.239	M-14-DC-26-0213	250,000
Total Home Investment Partnerships Program			880,295
Total U.S. Department of Housing and Urban Development			1,991,268
U.S. Department of Agriculture - Emergency Food Assistance Cluster -			
Passed through County of Wayne, Michigan - Emergency			
Food Distribution Program	10.569	N/A	17,182
U.S. Department of Justice:			
JAG Program Cluster - Passed through the Wayne County Sheriff's Department:			
2011 Edward Byrne Memorial Justice Assistance Grant Program	16.738	2011-DJ-BX-2481	5,704
2012 Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012-DJ-BX-0730	10,468
Total JAG Program Cluster			16,172
Direct programs:			
Bullet Proof Vest Program	16.607	N/A	13,833
Equitable Sharing of Federally Forfeited Property	16.922	N/A	728,882
2012 COPS Hiring Program	16.710	N/A	256,473
Passed through Detroit Community Justice Partnership - Project Safe			
Neighborhoods Anti-Gang Initiative	16.744	2012-GP-BX-0011	51,886
Total U.S. Department of Justice			1,067,246
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	PT-15-24	21,991
Passed through Michigan Department of Transportation -			
ARRA Intermodal Rail Passenger Facility	20.319	FR-HSR-0060-11-01-01	3,792,501
Total U.S. Department of Transportation			3,814,492
National Endowment for the Arts - Direct Program - The Big Reading Program	45.024	FY14 - 19177	10,000

See Notes to Schedule of Expenditures
of Federal Awards.

City of Dearborn, Michigan

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2015

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity/Grant Number	Federal Expenditures
U.S. Environmental Protection Agency:			
Passed through the Michigan Department of Environmental Quality - State Revolving Fund Loan - Combined Sewer Overflow Phase II	66.458	CS-26000111 CS-26000112 CS-26000113	\$ 3,780,082
Passed through the Downriver Community Conference Brownfield Consortium - Hazardous Substances Grant	66.818	BF-00E93501-4	<u>159,032</u>
Total U.S. Environmental Protection Agency			3,939,114
U.S. Department of Homeland Security - Federal Emergency Management Agency:			
Direct programs - 2013 Assistance to Firefighters Grant	97.044	N/A	341,577
Passed through the City of Dearborn Heights, MI - 2013 Assistance to Firefighters Grant	97.044	EMW-2013-FR-00328	<u>44,640</u>
Total 2013 Assistance to Firefighters Grant			386,217
Passed through the Michigan Department of State Police:			
Civil Preparedness Program	97.042	EMW-2014-EP-00023-S01	60,864
FEMA Disaster 4195-DR Public Assistance Grant	97.036	FEMA-4195-DR-MI	<u>1,157,227</u>
Total Federal Emergency Management Agency			1,604,308
Passed through Wayne County Department of Homeland Security and Emergency Management:			
FY2011 and 2012 Homeland Security Grant Program		EMW-2011-SS-00103	
Urban Areas Security Initiative (UASI)	97.067	EMW-2012-SS-00055	<u>114,485</u>
Total U.S. Department of Homeland Security			<u>1,718,793</u>
Total federal awards			<u>\$ 12,558,095</u>

City of Dearborn, Michigan

Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended June 30, 2015

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 9,424,055
Add noncash assistance not reported as federal revenue	17,182
Add federal money recorded as a liability (combined sewer overflow projects)	3,780,082
Add federal money classified as forfeited revenue when received	728,882
Add federal revenue classified as miscellaneous revenue on financial statements	113,523
Less federal grants received not administered by the City	(132,799)
Add unexpended proceeds on sale of HUD NSP land	183,522
Add grant receivable not recorded under modified accrual accounting	1,115
Less revenue for prior year expenditures received in current year	<u>(1,557,467)</u>
Federal expenditures per the schedule of expenditures of federal awards	<u>\$ 12,558,095</u>

City of Dearborn, Michigan

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2015

Note 1 - Basis of Presentation

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, 2015. 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*.

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

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Note 3 - 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, 2015 that is included on the schedule of expenditures of federal awards:

Federal Program	CFDA Number	Description	Amount
U.S. Department of Agriculture	10.569	Emergency Food Distribution Program	\$ 17,182
U.S. Department of Homeland Security	97.067	Homeland Security Grant Program Urban Areas Security Initiative	114,485
Federal Emergency Management Agency	97.044	2013 Assistance to Firefighters Grant	44,640
		Total	<u>\$ 176,307</u>

City of Dearborn, Michigan

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2015

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 for fiscal year 2014. Under the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, an entity that has had findings reported cannot qualify as a low-risk auditee for two subsequent periods after the finding.

Note 5 - 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	\$ 39,606
Home Investment Partnerships Program	14.239	<u>250,000</u>
	Total	<u>\$ 289,606</u>

City of Dearborn, Michigan

Schedule of Findings and Questioned Costs Year Ended June 30, 2015

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
97.036	Federal Emergency Management Agency - Disaster 2195-DR Public Assistance Grant
14.239	U.S. Department of Housing and Urban Development - Home Investment Partnerships Program

Dollar threshold used to distinguish between type A and type B programs: \$376,743

Auditee qualified as low-risk auditee? Yes No

City of Dearborn, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2015

Section II - Financial Statement Audit Findings

Reference Number	Finding
2015-001	<p>Finding Type - Significant deficiency</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 four items that were not properly calculated and/or presented in accordance with GAAP: (1) water and sewer funds receivable and revenue balances were understated due to some errors in the calculation of unbilled receivables, (2) General Fund revenue is overstated as the City did not receive the FEMA grant reimbursement within the period of availability, (3) the City improperly expensed technology equipment instead of capitalizing it, and (4) certain governmental and business-type fixed assets required adjustments to agree to the capital asset software.</p>

City of Dearborn, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2015

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2015-001 (Cont.)	<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 four exceptions.</p> <p>The City's unbilled water and sewer calculation is estimated using an Excel spreadsheet that contained an error in one of the formulas. It also included the wrong read date for the two largest billing cycles. These errors led to the water and sewer revenue and receivable being understated.</p> <p>The City received the final reimbursement related to the August 2014 flood from the State of Michigan after the period of availability. The City understands the revenue recognition rules but elected to record the amount as fiscal year 2015 revenue to match the expenditures.</p> <p>The Information Systems Fund purchased numerous computers that while individually were under the capitalization policy, in aggregate they were over the threshold and should have been capitalized. There were also some MIS servers and equipment that were left off of the listing provided to the finance department that included items that should have been capitalized. This led to assets being understated and expenditures being overstated.</p> <p>The City's finance department found various capital assets in both governmental and business-type activities that had been entered into the capital asset software incorrectly. In the Water Fund, the City found assets that had been over-depreciated as the depreciable base had been overstated in the capital asset system which caused Water Fund depreciation to be negative for the year. The City believes the error occurred in 1999 when they installed new fixed asset software. The errors were identified by the City and corrected in the current year.</p> <p>Cause - The City has the resources to determine the proper GAAP accounting for these and other items but, for various reasons, did not properly calculate or report the transactions.</p>

City of Dearborn, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2015

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2015-001 (Cont.)	<p>Effect - The noted miscalculations and/or decisions made by management had the following results: water and sewer revenue and receivables were understated by \$327,850 and \$602,871, respectively. An adjusting entry was made to correct the understatement. The City has not recorded a deferred inflow for the FEMA grant reimbursement received after the period of availability for \$971,836 as of June 30, 2015. The City improperly expensed \$403,000 of Information Systems Fund capital assets. The City has elected not to make the adjustment for this error. Capital assets were overstated by \$1,820,439 and \$313,626 for governmental activities and business-type activities, respectively. An adjusting entry was made to correct the overstatement.</p> <p>Recommendation - We recommend the City implement additional review procedures to verify significant amounts are accurately reported before the financial statement audit begins.</p>

City of Dearborn, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2015

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2015-001 (Cont.)	<p>Views of Responsible Officials and Planned Corrective Actions -</p> <p>(1) Water and Sewer Fund receivable and revenue understated Response: This item relates to accruing the water/sewer services provided to residents that had not yet been billed as of the June 30 year end. This is referred to as the unbilled receivables. The schedule used for calculating this was altered with the utility system software change and had a calculation error that was not identified. This has since been modified and an adjustment processed.</p> <p>(2) General Fund revenue overstatement Response: The flood damage from the August 2014 rain storm was submitted to FEMA for reimbursement and recorded in fiscal year 2015 to match the same fiscal year as the recorded costs. It was anticipated that the money would be received within the standard 60-day rule for recording the income for financial reporting. The actual check was not deposited until September 15, 2015, which is 15 days past the recognition standard. While technically this conflicts with the GAAP standard, recording in alignment with the costs is favorable and the City accepted the 15-day variance.</p> <p>(3) Information Systems Fund equipment expensed instead of capitalized Response: The City uses an internal service fund for technology activities and asset life funding and planning. The Information Systems Fund accumulated the funding resources from various other funds over several years and then purchased a group of computer servers and hardware components during the year that could have been recorded as assets and then depreciated over their useful lives. Some of the individual items exceeded the \$5,000 capitalization threshold, but not every item. Therefore, some items could have been capitalized and others expensed. Given that this was a combination and the life of technology equipment in general can be less than expected, all of the items were expensed. This situation was identified late in the financial reporting process post-balancing of the subsidiary asset system. To clarify, the purchase was recorded in the financial records as expenses, but reclassifying as assets did not occur. The accounting rules for proprietary-internal service funds provide for capitalizing to spread this cost as depreciation over time; however, fully expensing when purchased actually impacts the financial statements and position directly and promptly. The fixed asset year-end accounting involved newer staff who have learned from this situation. The finance director made the decision to expense because of the dollar amount, asset type, and the timing in the process during which the situation was identified.</p>

City of Dearborn, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2015

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2015-001 (Cont.)	(4) Fixed assets adjustments Response: The staff accountant was assigned to balance and reconcile any variance between the fixed assets subsidiary system and the general ledger. For many years this was balanced to the current year's activity only. Variances were identified and adjustments processed to correct. When the financial systems were migrated in the 1990's, the fixed asset system did not match the general ledger. There was also a set-up issue that produced an ongoing over-depreciation issue and some assets were classified as land improvements that were actually buildings. The accountant processed the corrections to align the accounting. This action was an initiative by the City and as a consequence there is a finding. This one-time adjustment has cleared the problem and the process now includes an overall balancing.

Section III - Federal Program Audit Findings

Reference Number	Finding
2015-002	Program Name - U.S. Department of Housing and Urban Development - Community Development Block Grant Cluster - CFDA No. 14.218 and U.S. Department of Housing and Urban Development - Home Investment Partnerships Program - CFDA No. 14.239. Pass-through Entity - Community Development Block Grant Cluster is direct funded. Home Investment Partnerships Program is passed through the Michigan State Housing Development Authority. Finding Type - Material weakness and material noncompliance with laws and regulations

City of Dearborn, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2015

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2015-002 (Cont.)	<p>Criteria - On December 19, 2014, within 79 FR 76078 (the "Joint Interim Final Rule"), HUD amended Title 24, Subtitle A, Part 84, §84.1 that deals with the applicability of 2 CFR Part 200. Subparagraph (b) of this section says, "Federal awards made prior to December 26, 2014 will continue to be governed by the regulations in effect and codified in 24 CFR part 84 (2013 edition) or as provided under the terms of the Federal award. Where the terms of a Federal award made prior to December 26, 2014 state that the award will be subject to regulations as may be amended, the Federal award shall be subject to 2 CFR Part 200."</p>

In accordance with Notice SD-2015-01 issued on February 26, 2015 by HUD, which provides transition guidance to 2 CFR Part 200, the grant agreements for some HUD programs (e.g., Community Development Block Grant, HOME Investment Partnerships, Emergency Solutions Grants, Indian Housing Block Grants, Native Hawaiian Block Grants, Indian Community Development Block Grants) incorporate the regulations "as now in effect and as may be amended from time to time" and, therefore, 2 CFR part 200 will be applicable to these grants on December 26, 2014.

Condition - The City received Community Development Grant Award # B-14-MC-26-0004 and three Home Investment Grant awards on July 1, 2014 and included in the award documents were references to regulations "as now in effect and as may be amended from time to time".

The City administered the awards under Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, and Circular A-102, *Administrative Requirements for Grants and Cooperative Agreements With State and Local Governments* rather than applying the provisions of 2 CFR Part 200 subsequent to December 26, 2014. The City was unaware of HUD's intent per both 79 FR 76078 and HUD's Notice SD-2015-01 related to applicability of 2 CFR Part 200 to these grants as of December 26, 2014.

Questioned Costs - Unknown

City of Dearborn, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2015

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2015-002 (Cont.)	<p>Context - The City expended \$498,100 after December 26, 2014 and Community Development Block Grant award makes up 45 percent of total Community Development Block Grant Cluster expenditures reported for fiscal year 2015. The City expended \$582,508 after December 26, 2014 and Home Investment Grant makes up 66 percent of total Home Investment Grant expenditures reported for fiscal year 2015. These amounts should have been subject to 2 CFR Part 200.</p> <p>Subsequent to December 26, 2014, although these dollars were to be administered under 2 CFR Part 200, the City continued to administer these award dollars under A-87 and A-102; as a result, the City did not materially comply with the requirements specified under 2 CFR Part 200 for both federal awards (Community Development Block Grant and Home Investment Partnership) for the following compliance requirements as described below:</p> <ol style="list-style-type: none">1. Activities Allowed or Unallowed and Allowable Costs/Costs Principles - Required policies surrounding how allowable costs are determined were not maintained.2. Cash Management - Required policies surrounding cash management procedures and required certifications were not maintained. <p>The City did not materially comply with the requirements specified under 2 CFR Part 200 for the Home Investment Partnership program for the following compliance requirement as described below:</p> <ol style="list-style-type: none">1. Subrecipient Monitoring - Required policies surrounding subrecipient risk assessment and monitoring were not maintained and the required elements were not included in the subrecipient contract. <p>This noncompliance is not pervasive to the entire entity but limited to these particular HUD awards given the unique nature of the transition guidance provided by HUD.</p> <p>Cause and Effect - HUD's intent regarding the applicability of 2 CFR Part 200 was not clear. As a result, related to these grants, the City did not comply with 2 CFR 200 subsequent to December 26, 2014 as required by the Joint Interim Final Rule and by HUD's Notice SD-2015-01.</p>

City of Dearborn, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2015

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2015-002 (Cont.)	<p>Recommendation - We recommend that the City seek HUD's advice on how to handle this noncompliance condition given that the implementation of 2 CFR Part 200 did not occur as required.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The federal government has issued new grant regulations that are intended to focus on internal controls, performance, and outcomes. This grant reform is changing administration, cost principles, and audit requirements.</p> <p>Conflicting communications have been issued and the local HUD office has just recently provided direction that in part relates to this audit finding. Some policies have been updated but there are several others that must be updated or completed as required by the new regulations. There are no issues with how the monies were expended and this matter is exclusively related to procedural documentation.</p> <p>The staff members are working on the procedures and some are expected to require Council action to complete. For example, new certification language is required for processes such as financial draw requests and grant reporting and there must be a designated authorized signer. Appropriate staff members have always signed forms and documents, but the new requirements include additional language that must be added to forms and signatory authority. Certification language is being added to the process and a Council item prepared to approve a policy designating the department director or grant administrator designee with the signing authority for grant-related filings. The City staff will continue to participate in training and collaborate with the auditors to transition and comply with all new grant reform regulations.</p>

City of Dearborn, Michigan

Summary Schedule of Prior Audit Findings Year Ended June 30, 2015

<u>Prior year Finding Number</u>	<u>Federal Program</u>	<u>Original Finding Description</u>	<u>Status</u>	<u>Planned Corrective Action</u>
2014-001	N/A	The City has contributed above the actuarially required amounts for the defined benefit pension funds without recognizing it in the financial statements.	Corrected	N/A