

CITY OF DEARBORN, MICHIGAN COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the
Year
Ending



June 30, 2010



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CITY OF DEARBORN, MICHIGAN

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2010

MAYOR

John B. O'Reilly, Jr.

CITY COUNCIL

Council President

Thomas P. Tafelski

Council President Pro-Tem

Suzanne Sareini

Council Members

Mark Shooshanian
Robert A. Abraham
George T. Darany
Nancy A. Hubbard
Brian O'Donnell

James J. O'Connor
Finance Director/Treasurer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Dearborn
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

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



President

Executive Director

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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 15, 2010

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, 2010, is submitted with this letter. The City's Finance Department prepared this report pursuant to requirements of both the City Charter and Michigan law, and also to comply with continuing disclosure requirements for outstanding bonds.

This letter is designed to complement the Management Discussion & Analysis (MD&A) as required by Generally Accepted Accounting Principles and the Governmental Accounting Standards Board (GASB) Statement No. 34. This letter should be read in conjunction with the complementary MD&A that can be found on pages 3-17 of the CAFR.

MANAGEMENT REPRESENTATIONS

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

We believe that the financial information, as presented:

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

ACCOUNTING SYSTEM INTERNAL CONTROL STRUCTURE

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding:

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

The concept of reasonable assurance recognizes that:

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

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

Transmittal Letter
November 15, 2010

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 2010.

FORM OF GOVERNMENT/CITY PROFILE

The City of Dearborn is located in southeast Michigan and borders the City of Detroit to the east. The 2000 census reported a population of 97,775, and current estimates indicate the population is 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, City Planner, City Librarian, and Curator of the Historical Museum who are appointed by their respective commissions. Corporation Counsel is appointed by the Mayor, subject to confirmation by the City Council. The Mayor is responsible for administration of all departments and functions of the City government not under the jurisdiction of any other elected official or the Civil Service Commission. The City Clerk has duties related to keeping the public records. City Council is headed by a Council President who is the member receiving the highest number of votes in the last general election. The Council is responsible for all legislative matters including adoption of the City budget.

Mayor John B. O'Reilly, Jr. and the Council of the City of Dearborn are responsive to the community. Challenges are identified, openly communicated and action is planned and taken. In February 2007, Mayor O'Reilly was elected to succeed Mayor Michael Guido who had passed away during a term of office. Mayor O'Reilly served as Council President and was on the City Council for seventeen years. He is very knowledgeable about the internal operations and the community in general. He was clearly the natural and best choice for the position and received 94% of the votes. The citizens showed a clear preference for continuity in leadership that enables Dearborn to build and maintain a level of public services second to none. Mayor O'Reilly was re-elected in November 2009 to serve a full four-year term.

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 public safety functions of building permit and inspection work in addition to other core duties. The City includes 19th District Court and the City serves as the funding unit for this State judicial operation. The Department of Public Works manages the sanitation division, infrastructure projects and general repair and maintenance of City property.

Culture and Recreation encompasses a main library and three branch libraries, a Historical Museum and a robust Recreation Department including neighborhood parks, several large community parks, a dual ice surface arena and the Ford Community & Performing Arts Center. The City also operates a part-time Health Department. The City has separate Planning, Economic & Community Development and Housing departments. Legal, Finance, Human Resources, Assessment, Management Information Systems and Public Information function as support-type departments. The City of Dearborn is a medium sized community, but in many respects operates like a large community due to the presence of Ford Motor Company and the corresponding business environment.

PROPRIETARY TYPE OPERATIONS

The City operates the water and sewer utilities. The City relies on and compensates the City of Detroit for providing clean water and for sewage treatment. The City is responsible for complying with the Federally 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.

The Recreation Department operates an 18-hole golf course and the Housing Department manages five retirement buildings within the City and one building in Clearwater, Florida. The November 2007 election included a ballot proposal and the voters authorized the sale of the building in Clearwater. The City has complied with the terms of the ballot proposal regarding appraisals and the property is currently available for sale with a pending offer. The Parking System Fund accounts for the construction, maintenance and operation of City-owned parking decks and lots. A group of internal service funds are operated to support the primary government.

FIDUCIARY FUND TYPE OPERATIONS

The City operates three pension trust funds, including two for police and fire personnel and a third for other full-time personnel. All three pension systems are now closed. The police and fire new hires have the option to participate in the Municipal Employees Retirement System (MERS) defined benefit 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 Economic Development Corporation (EDC) of Dearborn was created to encourage economic development primarily through the issuance of tax-exempt financing.

The Brownfield Redevelopment Authority (BRA) is a component unit established for the redevelopment of environmentally contaminated property. The State of Michigan provides grants and loans in support of approved projects. The BRA is actively involved in a \$38 million private development by constructing a \$10 million, 527 space parking deck. This project is in the East Dearborn downtown and the first phase involved the demolition of the vacant Montgomery Wards department store and the development of a medical facility. The second phase of the project includes additional office space and a senior housing component estimated at \$15 to \$20 million. The primary medical office building and the parking deck are constructed and are expected to be operational by the end of the calendar year.

BUDGET CONTROLS

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

ECONOMIC CONDITION AND OUTLOOK

The Michigan economy is slow to recover while the overall U.S. economy is demonstrating signs of stabilization. The sub-prime mortgage issues combined with the downsizing activities of the auto industry have impacted home values by creating excess supply in the market. The City has acquired many sub-standard homes for demolition. This strategy was employed to remove homes that have exceeded their useful life and to protect neighborhoods. The City is currently holding in excess of \$14 million of property in inventory. The available housing stock for sale peaked and the duration for homes to remain on the market is declining, but is still longer than traditional turn-over trends.

The State of Michigan continues to struggle with declining revenues which has resulted in the Governor and Legislature reducing state-shared revenue distributions to local governments, including the City of Dearborn. The City continues to look for ways to recover from the lost revenue while also maintaining the high level of services that Dearborn is known for. A new Governor will be elected in November and it is anticipated that he will be focused on positioning the State to have an attractive business climate.

Transmittal Letter
November 15, 2010

The automotive industry has a major effect on the economy of the State of Michigan and Dearborn is the home of Ford Motor Company. Alan Mullaly, President and Chief Executive Officer of Ford, has led the company from a weakened financial position to a high performer in the automotive sector in a relatively short time period. Today Ford appears to be in financially superior condition relative to the other U.S. auto manufacturers.

In 2004, Severstal North America, Inc. made a \$250 million investment in Dearborn when it purchased the assets of Rouge Steel from bankruptcy. Following the acquisition, Severstal invested \$580 million in rebuilding and upgrading steel producing facilities. The company plans to continue to invest additional capital in excess of \$500 million to make the facility a world-class steel manufacturing operation.

The City continues to experience declining revenues compounded by escalating legacy costs for pensions and retiree health care plus increases in other operating costs including health insurance and general inflation.

The City transfers delinquent real property tax receivables to Wayne County at the end of each tax collection cycle. The County operates a tax revolving fund and reimburses the City for the receivable balances. Typically, this reimbursement is processed in July or August, but this year was delayed until October 18 and a portion was withheld pending Court tax decisions and related anticipated refunds. The City's management position is that this delay could be the 'new normal' and so, for the first time, deferred the tax revenue at June 30, 2010 in the amount of \$3.7 million. This accounting treatment more than doubled the operating use of fund balance in the General Fund. While this approach is conservative, it was determined to be the prudent treatment given the economic environment and the City's current capacity to absorb the program timing change.

Although a structural budget deficit exists in the General Fund, the budgeted use of reserves in the fiscal year 2011 budget was limited to \$3.9 million. Other support-fund reserves are scheduled to be reduced and transferred to the General Fund as a one-time event. The prefunding of vehicle replacements, technology advancement, and tax liability has been discontinued. The City has reduced 168 full-time positions since fiscal year 2001. Dearborn must continue to reduce costs and will need to increase taxes in the coming years.

Dearborn is fortunate to have a superior program and service mix with good quality, quantity and levels of programs and services. A Community Task Force made up of diverse representatives from the City formed in December 2009 and is expected to release a recommendation report by the end of October 2010. A steering committee, inclusive of the City Council and the Chairpersons from each of the four task force subcommittees, intends to finalize a five-year plan by the end of the calendar year. This plan will be used to drive Charter, tax rate, staffing, and service/program mix changes. While the changes may involve some discomfort, the City of Dearborn will remain a great place to live, work, play and raise a family.

MASTER PLAN AND ZONING UPDATE

The Mayor assembled a group of residents and business owners from the community to participate in a review of the Master Plan and a zoning update. The goal is to update these documents so that Dearborn is positioned for the market demands of tomorrow and aligned with the expectations of the community. The intent is for Dearborn to be viewed favorably from a development and re-development standpoint and to make business experiences positive and rewarding. A consultant has been hired to work on this project and the same group that participated on the Community Task Force is expected to serve in the effort.

Transmittal Letter
November 15, 2010

NEIGHBORHOOD STABILIZATION PROGRAM

The City continues to take an active role to stem the negative impact of vacated homes due to the mortgage crisis. The City purchases low-cost homes from lenders, HUD and private owners. The focus is on removing housing stock that is deteriorating and past its useful life. The homes are demolished and the vacant property is sold to private developers that construct new modern homes. The result is an upgrade to the housing stock that protects City neighborhoods.

OTHER INITIATIVES

The Federally mandated Combined Sewer Overflow (CSO) project continues to be a major endeavor. A revised National Pollution Discharge Elimination System permit was negotiated with the Michigan Department of Environmental Quality (MDEQ) which provides for completion of all projects by 2030. Several retention caissons are being completed with two facilities scheduled for demolition. These locations resulted in lawsuits with one settled favorably for the City and the other currently pending. While there was recovery and additional recovery is expected, \$60 million of non-performing assets were removed from the utility balance sheet. Future projects mostly involve sewer separation and will be scheduled over the coming years. These will be financed by debt and capital infrastructure budgets.

AWARDS

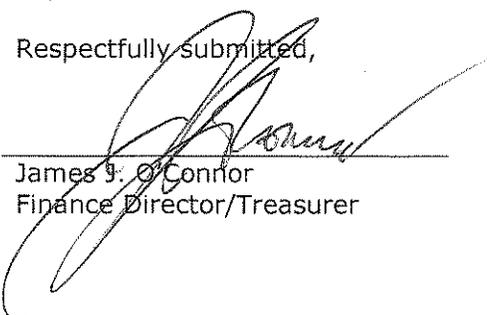
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Dearborn for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2009. This was the twelfth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized CAFR. This report satisfies both GAAP (Generally Accepted Accounting Principles) and applicable legal requirements.

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

ACKNOWLEDGEMENTS

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

Respectfully submitted,



James J. O'Connor
Finance Director/Treasurer

CITY OF DEARBORN MISSION STATEMENT

PREAMBLE

Dearborn has a reputation for providing outstanding public service. For over 80 years, Dearborn citizens have benefited from a public service philosophy that has placed their well-being ahead of all other priorities. Today, because of this philosophy, providing outstanding public service is no longer a goal; it's a standard. This standard makes Dearborn a unique and special place to live and work.

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

MISSION

Our mission is to deliver superior public service and earn the public's trust every day in everything we do.

GUIDING PRINCIPLES

Dearborn citizens can expect:

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

City employees can expect:

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

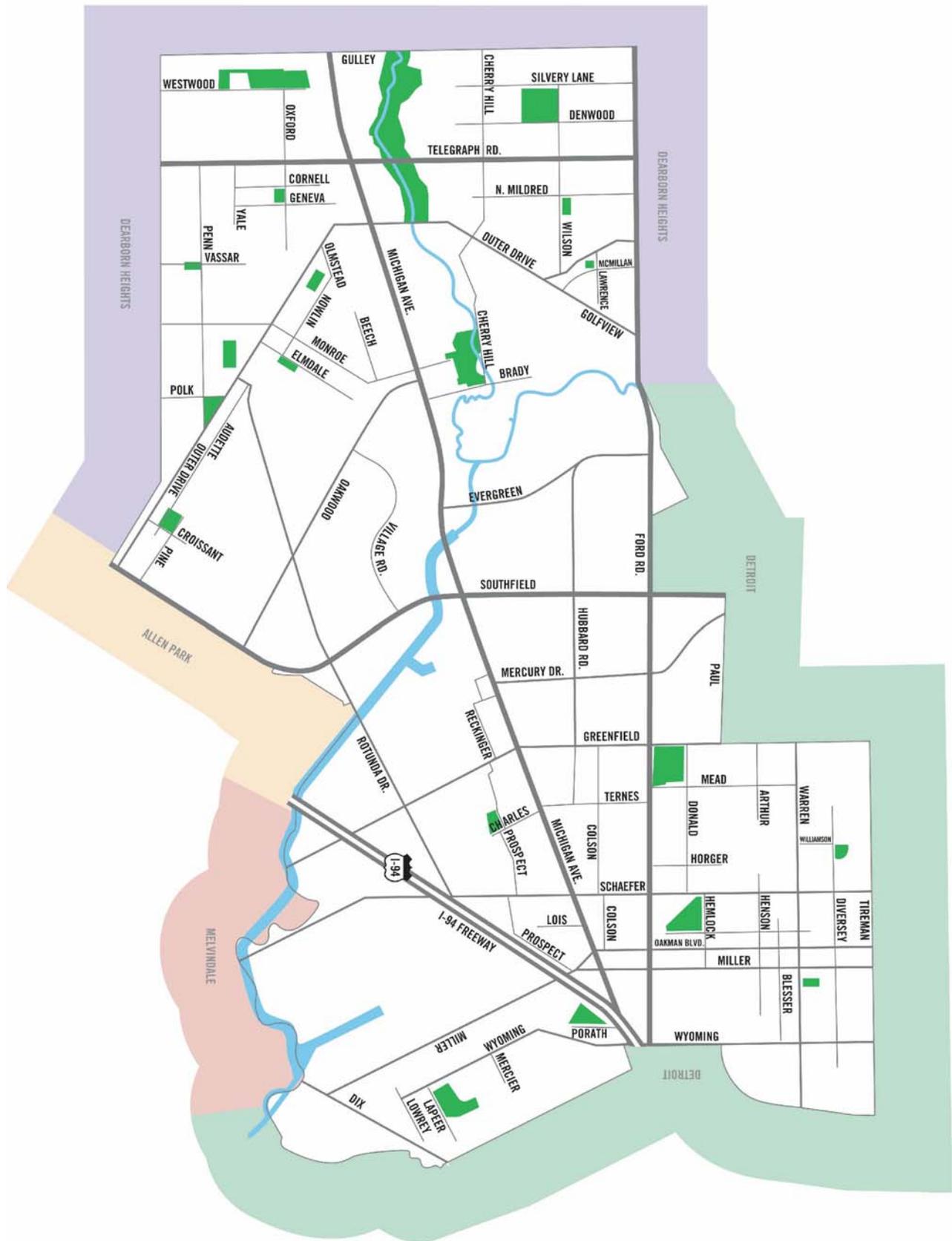
City employees are expected to:

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

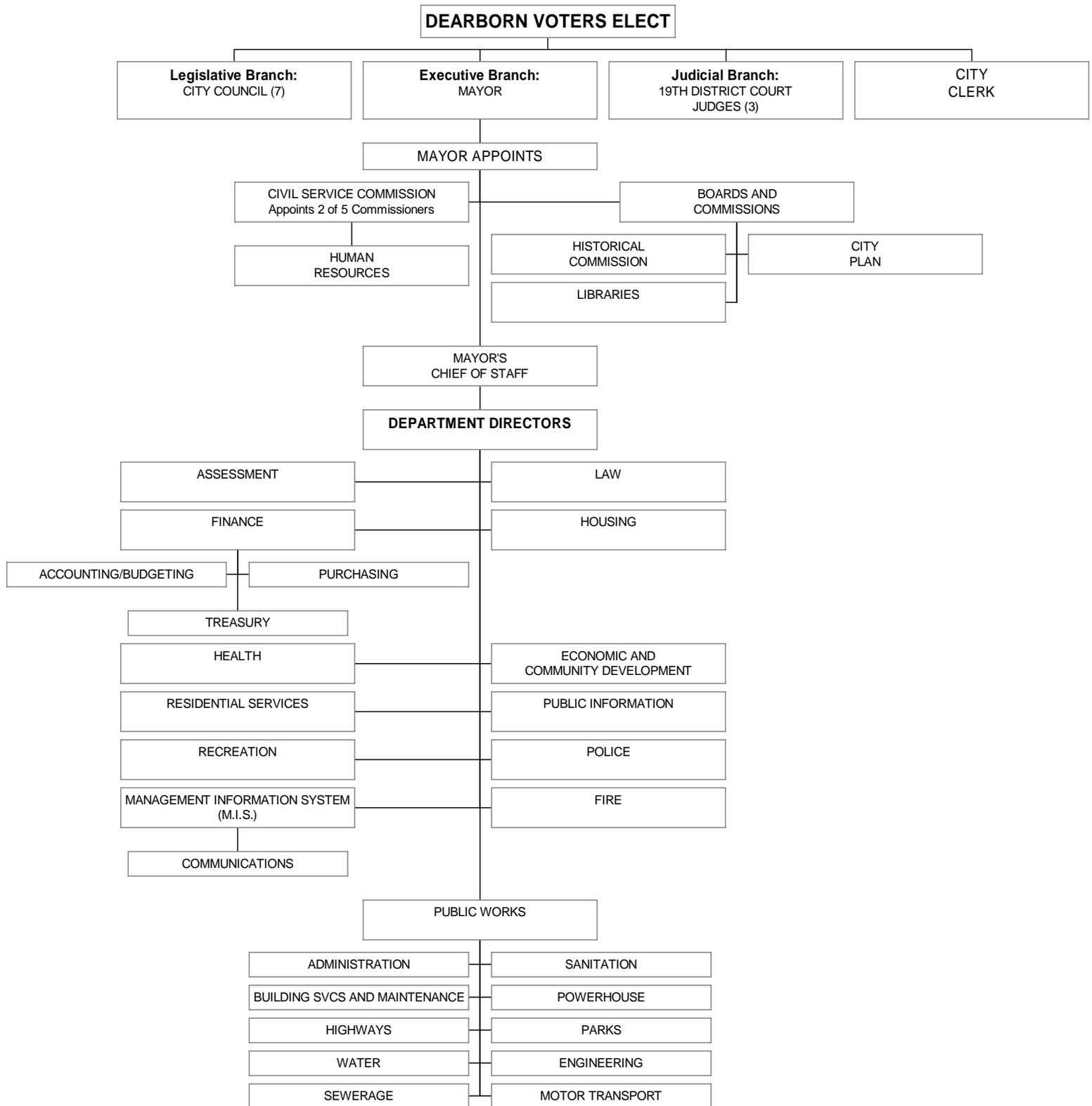
The City administration will:

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

CITY OF DEARBORN



DEARBORN'S ORGANIZATIONAL CHART



CITY OF DEARBORN, MICHIGAN

List of Principal Officials

June 30, 2010

<u>TITLE</u>	<u>NAME</u>
Mayor	John B. O'Reilly, Jr.
City Clerk	Kathleen Buda
City Council President	Thomas P. Tafelski
Council President Pro Tem	Suzanne Sareini
Council Members	Mark Shooshanian
	Robert A. Abraham
	George T. Darany
	Nancy A. Hubbard
	Brian O'Donnell
City Assessor	Gary Evanko
City Engineer	M. Yunus Patel
City Librarian	Maryanne Bartles
City Planner	John J. Nagy
Corporation Counsel	Debra A. Walling
Economic & Community Development Director	Barry Murray
Mayor's Chief of Staff	Mark G. Guido
Finance Director/Treasurer	James J. O'Connor
Human Resources Director	Valerie Murphy-Goodrich
Management Information Systems Director	Doug Feldkamp
Purchasing Agent	Vacant
Fire Chief	Vacant
Health Director	Joan Jones
Housing Director	Floyd Addison
Museum Chief Curator	Kirt Gross
Police Chief	Ronald Haddad
Public Works Director	James Murray
Public Information Director	Mary Laundroche
Recreation Director	Greg Orner
Residential Services Director	Nicholas Siroscopy

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Dearborn, Michigan (the "City") as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Dearborn, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Dearborn, Michigan as of June 30, 2010 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2010 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* and should be read in conjunction with this report in considering the results of our audit.

Plante & Moran, PLLC

November 15, 2010

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, 2010. It should be reviewed in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

Using this Annual Report

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

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

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

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

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

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

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

City of Dearborn, Michigan

Management's Discussion & Analysis June 30, 2010

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

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

The City as Trustee

Reporting the City's Fiduciary Responsibilities

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

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The City as a Whole

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

Table 1
Net Assets
(in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY2010	FY2009	FY2010	FY2009	FY2010	FY2009
Current and other assets	\$ 96.4	\$ 100.7	\$ 93.3	\$ 85.2	\$ 189.7	\$ 185.9
Capital assets	138.8	139.8	348.9	368.1	487.7	507.9
Total assets	<u>235.2</u>	<u>240.5</u>	<u>442.2</u>	<u>453.3</u>	<u>677.4</u>	<u>693.8</u>
Long-term liabilities	27.0	28.3	213.1	188.9	240.1	217.2
Other liabilities	12.8	12.9	24.0	18.6	36.8	31.5
Total liabilities	<u>39.8</u>	<u>41.2</u>	<u>237.1</u>	<u>207.5</u>	<u>276.9</u>	<u>248.7</u>
Net assets:						
Invested in capital assets, net of debt	125.1	122.8	139.5	186.2	264.6	309.0
Restricted	31.3	34.3	21.0	17.4	52.3	51.7
Unrestricted (deficit)	38.9	42.3	44.6	42.2	83.5	84.5
Total net assets	<u>\$ 195.3</u>	<u>\$ 199.4</u>	<u>\$ 205.1</u>	<u>\$ 245.8</u>	<u>\$ 400.4</u>	<u>\$ 445.2</u>

Net assets serve as an indicator of the City's financial position. The table above indicates that the City of Dearborn assets exceeds liabilities by \$400.5 million as of June 30, 2010. The largest category of net assets is represented by the investment in capital assets, net of outstanding debt. It is important to note that these assets are not available for future spending and although they are shown here net of related debt, other resources will be needed to make the debt payments in the future.

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

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

Table 1 Comments:

Total Primary Government net assets decreased 10.0% or \$44.8 million from \$445.2 million to \$400.4 million. Of this change (\$4.1) million is related to Governmental Activities and the remaining (\$40.7) million is included in the Business-type Activities. Specific information about these changes follows.

Governmental activities - Total assets decreased by 2.2% or \$5.3 million from \$240.5 million to \$235.2 million. Capital assets decreased \$1.0 million and other assets decreased by \$4.3 million due to a reduction in combined cash and investments offset in part by increases in receivables due from other governments. The decrease in total liabilities of \$1.4 million is the result of the decreases in the net OPEB liability for postemployment health insurance obligations and long-term debt.

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

The following table reflects the condensed Statement of Activities.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY2010	FY2009	FY2010	FY2009	FY2010	FY2009
Revenues						
Program revenues:						
Charges for services	\$ 16.2	\$ 18.5	\$ 44.7	\$ 50.3	\$ 60.9	\$ 68.8
Operating grants	11.6	9.7	-	-	11.6	9.7
Capital grants	3.1	1.3	-	1.3	3.1	2.6
General revenues:						
Taxes	70.9	74.2	9.8	7.4	80.7	81.6
Intergovernmental revenue	8.1	9.2	-	-	8.1	9.2
Investment earnings	0.8	2.8	0.8	2.0	1.6	4.8
Other general revenues	0.3	0.3	1.9	1.5	2.2	1.8
Total revenues	111.0	116.0	57.2	62.5	168.2	178.5
Program expenses						
General government	12.4	18.9	-	-	12.4	18.9
Public safety	57.8	56.4	-	-	57.8	56.4
Public works	18.9	17.1	-	-	18.9	17.1
Health & welfare	0.4	0.9	-	-	0.4	0.9
Recreation & culture	21.5	20.1	-	-	21.5	20.1
Community improvement	2.7	2.8	-	-	2.7	2.8
Interest on long-term debt	0.6	0.7	-	-	0.6	0.7
Housing	-	-	4.3	3.5	4.3	3.5
Golf course	-	-	1.4	1.5	1.4	1.5
Parking	-	-	2.2	2.2	2.2	2.2
Sewer	-	-	17.3	18.6	17.3	18.6
Water	-	-	13.5	14.5	13.5	14.5
Total expenses	114.3	116.9	38.7	40.3	153.0	157.2
Excess (deficiency) before special items & transfers	(3.3)	(0.9)	18.5	22.2	15.2	21.3
Special items	-	-	(60.0)	-	(60.0)	-
Transfers	(0.8)	(1.1)	0.8	1.1	-	-
Increase (decrease) in net assets	\$ (4.1)	\$ (2.0)	\$ (40.7)	\$ 23.3	\$ (44.8)	\$ 21.3

Table 2 Comments:

Governmental activities – Governmental activities decreased the City's net assets by \$4.1 million which represents about 9% of the total decrease in net assets for the year. Overall governmental revenues decreased \$5.0 million due primarily to decreases in charges for services and property tax collections. Total governmental expenses decreased 2.2% or \$2.6 million overall. The decrease is reported primarily in the general government function, driven largely by the allocation

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of insurance, facilities maintenance and fleet replacement costs directly to the user functions. Spending on capital outlay and capital projects decreased \$1.4 million from the prior year.

Business-type activities – Business-type activities decreased the City's net assets by \$40.7 million during the year due largely to the impairment of \$60 million of Combined Sewer Overflow (CSO) assets that were expensed during the year. Other business type net assets grew \$19.3 million. Revenue decreases of 8.5% were primarily due to reduced water and sewer commodity consumption by customers of the water and sewer funds.

General Fund Budgetary Highlights

Over the course of the year, the Mayor and City Council revised the City budget. The budget is automatically amended with the carry-forward of project-life budgets and for encumbrances rolling to the following fiscal year. The budget is also amended by resolution for specific requests, generally for items that were intended to be completed or expended in the previous fiscal year but for some extenuating circumstance were postponed. During the fiscal year, the budget is amended for unanticipated events that could not be foreseen and for opportunities that arose and weren't known previously. Even with these adjustments, the actual charges to appropriations (expenditures) were approximately \$6.9 million below the final budget amount. This can be attributed primarily to savings in personnel costs and reductions in General Fund support of the Capital Project and Major and Local Street funds, as well as the departments' efforts to be conscientious of all costs incurred and to look for ways to save the City money.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2010, the City had approximately \$488 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	
	FY2010	FY2009	FY2010	FY2009	FY2010	FY2009
Land	\$ 4,167,781	\$ 4,162,703	\$ 5,139,592	\$ 5,139,592	\$ 9,307,373	\$ 9,302,295
Right-of-ways	37,818	37,818	-	-	37,818	37,818
Construction in progress	668,382	949,826	240,285,509	261,475,641	240,953,891	262,425,467
Infrastructure assets	51,709,769	49,935,409	-	-	51,709,769	49,935,409
Buildings & improvement	69,164,500	71,622,685	29,589,457	30,834,533	98,753,957	102,457,218
Equipment	13,012,509	13,094,589	1,469,575	1,767,099	14,482,084	14,861,688
Water system	-	-	45,297,532	43,661,528	45,297,532	43,661,528
Sewer system	-	-	27,069,957	25,184,365	27,069,957	25,184,365
Total	\$ 138,760,759	\$ 139,803,030	\$ 348,851,622	\$ 368,062,758	\$ 487,612,381	\$ 507,865,788

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Table 3 Comments:

Machinery & Equipment:	
Vehicles	\$ 1,793,415
Construction in progress:	
Crowley Pool filtration renovation (complete)	\$ (164,633)
Whitmore Bolles Pool filtration renovation (complete)	(137,551)
Hemlock Pool filtration renovation (complete)	(137,551)
Fire Station #1 - A/C replacement (complete)	(152,000)
Crowley Park expansion	121,400
Buffer Zone Protection Program	225,329
Police range round containment system	188,397
	<u>\$ (56,609)</u>
Infrastructure assets, net increase due to cost less depreciation	\$ 1,774,360
Buildings and improvements, net change due to completed projects less depreciation	\$ (2,458,185)
<u>Business-type activities</u>	
Construction in progress (net change)	
Sewer Fund	(21,515,506)
Water Fund	325,374
	<u>\$ (21,190,132)</u>
Buildings and improvements, net change due to completed projects less depreciation	\$ (568,356)

Additional information on the City of Dearborn's capital assets can be found in Note 3 on pages 55-57 of this report.

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Debt

At fiscal 2010 year-end, the City had approximately \$223.0 million in bonds and notes outstanding versus \$198.9 last fiscal year – an increase of 12.1% - as shown in Table 4.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY2010	FY2009	FY2010	FY2009	FY2010	FY2009
General obligation bonds (backed by City)	\$ 13,703,672	\$ 17,024,420	\$194,324,037	\$164,795,188	\$ 208,027,709	\$181,819,608
Revenue bonds and notes (backed by specific tax and fee revenue)	-	-	15,011,788	17,092,084	15,011,788	17,092,084
Total	<u>\$ 13,703,672</u>	<u>\$ 17,024,420</u>	<u>\$209,335,825</u>	<u>\$181,887,272</u>	<u>\$ 223,039,497</u>	<u>\$198,911,692</u>

The City continues to draw State Revolving Fund (SRF) funds authorized in prior years for construction of the CSO project resulting in increased debt in the Sewer fund.

Additional information on the City of Dearborn's long-term debt can be found in Note 4 on pages 58-66 of this report.

Fiscal Year 2011 Budgets & Rates

All fund budgets, as submitted, are balanced and financed by either current estimated revenues or fund equity. The total of the General Fund expenditure budget is \$99,912,508 and the combined expenditure budget for all funds, before the elimination of inter-fund duplicating transfers, is \$246,589,653.

The net increase in the operating and the garbage and rubbish millage combined rates is 20 mills. The Ford Community and Performing Arts Center November 1996 voted debt millage rate increased from .47 mills to .53 mills and the August 2004 Combined Sewer Overflow (CSO) voted debt millage rate increased from 2.23 mills to 4.05 mills. Additional debt principal payments are required to be paid in the coming fiscal year for the CSO project financing. The net total millage rate is 2.08 mills higher than the last fiscal year at 19.58 mills which is driven by the taxpayer voted debt millages.

The City of Dearborn combined water and sewer rate increased 4.36% for the average residential consumer. Increasing rates from the City of Detroit and capital infrastructure projects are the primary drivers of the increase. The CSO projects and the continued replacement of aging systems may influence rates in the future.

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Table of Major Revenue Rates

Description	Fiscal Year 2009-2010	Fiscal Year 2010-2011	Difference
Tax Millage Rate:			
City Operating	13.6200	13.6200	.0000
Garbage & Rubbish	1.1800	1.3800	.2000
Debt Service	2.7000	4.5800	1.8800
Total Millage Rate	17.5000	19.5800	2.0800
Water Rate (commodity only)	16.07	16.32	0.25/mcf
Sewer Rate (commodity only)	28.61	30.38	1.77/mcf

Major Capital Initiatives

The 2010-2011 funding of the Capital Improvement Plan is \$26,183,437. The City is reinvesting in infrastructure and public assets. A classification breakdown follows with some notable projects specifically identified. The projects are supported by various funds including the General Fund via the General Capital Improvement Fund, Community Development Block Grant Fund, Major Street & Trunkline Fund, Local Street Fund, East Dearborn Parking System Fund and the Water and Sewer Funds and by anticipated issuance of bonds, private donations, grants and the Wayne County Parks Millage allocation.

Property - \$360,000

- ◆ Operation Eyesore \$ 180,000
- ◆ Neighborhood Stabilization Program 180,000

Infrastructure - \$13,954,813

- ◆ Streets 5,023,693
- ◆ Water 4,355,957
- ◆ Sewer 3,495,000
- ◆ Sidewalks, Alleys, Streetscape 1,080,163

Facilities - \$11,764,624

- ◆ Baseball Stadium Complex 8,645,505
- ◆ New Aquatic Facility 2,000,000
- ◆ Camp Dearborn 309,870
- ◆ Parks 150,563
- ◆ Libraries 173,000
- ◆ Police Headquarters 12,500
- ◆ City Hall 30,000
- ◆ Recreation Facilities 103,500
- ◆ Fire Stations 44,250
- ◆ Museum Facilities 202,440
- ◆ District Court 21,000
- ◆ Public Works Facilities 71,996

Development - \$85,000

- ◆ Essex Place Parking Lot 85,000

Other - \$19,000

- ◆ Document Automation 19,000

Redevelopment

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

General Fund - Estimated Revenues

The General Fund \$99,912,508 expenditure budget is financed by income of \$95,974,683 and fund balance of \$3,937,825. The use of fund balance is directly related to the current economy and the municipal finance model not producing revenue increases that keep pace with personnel benefit cost increases and inflation. Many efforts have been made to control costs and will continue. The Mayor and Council agree that they will take the time needed to make wise decisions. A consultant was hired to facilitate a community-based process to identify cost saving opportunities and revenue enhancements in order of priority.

Property taxes and related sources total \$63,168,490, a decrease of \$5,363,794 or 7.8% less than the previous year's budget. Property taxes and related sources account for 66% of total General Fund revenues. Ad valorem real property values in comparison to ad valorem personal property values have shifted from a 70/30 mix in the early 1990s to a current 85/15 mix. Prior to fiscal year 2004 (tax year 2003), personal property was the second largest tax base and now it is third of four. Residential property is the largest taxable property value and has produced the greatest return, however all property values decreased for this budget. Residential property equates to 48% of the ad valorem property value which is the highest percentage of any single property classification and up from 39% in 1995 with the implementation of Proposal "A". The following paragraphs will cover the State mandated changes that have reduced or limited property tax revenues.

This is the eleventh year of the State Tax Commission revised depreciation personal property multiplier tables and again, personal property taxes decreased. Personal property taxable values correspondingly have decreased the past eleven years as follows: 2.48% for fiscal year 2011, 12.49% for fiscal year 2010, 10.9% for fiscal year 2009, .85% for fiscal year 2008, 11.14% for fiscal year 2007, 2.88% for fiscal year 2006, 5.38% for fiscal year 2005, 3.91% for fiscal year 2004, 6.26% for fiscal year 2003, 8.9% for fiscal year 2002, and 3.76% for fiscal year 2001. These depreciation tables continue to decrease taxable personal property value in a more rapid fashion than the tables previously used. In other words, this revenue source has experienced large reductions and will continue to decline. The revenue could stabilize if businesses invest in new personal property that offsets the faster depreciation amounts; however tax abatements are expected by businesses for retention. A good economy hides some of the impact of the new tables but in a slow economy, the effect of new tables is even more evident. The City Assessor continues contracting for the audit of personal property returns for oversight of the reporting entities and there are many Tax Tribunal and State Tax Commission cases filed. More aggressive depreciation tables have been proposed by the auto industry and the Courts that may be applied in fiscal year 2011 resulting in a greater decline in personal property values.

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The negative 0.3% real property growth inflation factor for tax year 2010 set by Proposal "A" of 1994 controls the growth or decline of the largest property classification. This cap is virtually irrelevant given the status of declining home values. The housing loan promotions of \$0 down, interest-only and variable interest rate mortgage gimmicks combined with a difficult economy and market have produced a large number of walk-away homeowners and foreclosures. The City is working to minimize the impact on the neighborhoods and property values, but the market has declined and the pricing is buyer-favorable. A decline in property values overall is anticipated to continue in the coming year, which is similar to many markets in the country.

State Shared Revenue is the next largest single revenue for the General Fund and is estimated at \$8,018,590 which is \$1,135,455 less than the previous year's budget. State Shared Revenue is exclusively funded by sales tax. Income tax, single business tax and inventory reimbursements were legislatively discontinued from distribution to local units of government after fiscal years 1997, 1996, and 1999 respectively. The State Constitution limits the sales tax rate to 6% and dedicates taxes levied at the rate of 2% to the State School Aid Fund. The State Constitution mandates that 15% of total revenues collected from sales taxes levied at a rate of 4% be distributed to townships, cities, and villages. In addition to the constitutional distribution, there is a statutory distribution of sales tax. The State has not fully funded, by appropriation, the statutory distribution formula and has used these reductions to help balance the State's budget. The continued slow economy and the State's decision not to fund distributions per the formula are significant concerns.

Property taxes and Intergovernmental Revenues (mostly State Shared Revenue) account for 81% of the General Fund operating revenues budget. The remaining revenues are important but not of the same magnitude.

Charges for services are estimated at \$8,407,237, which is an increase of \$206,168.

Licenses and permits are estimated at \$1,652,825, which is a decrease of \$365,606 that reflects a slower economy and fewer construction permits.

Fines and forfeits are estimated at \$3,140,300, which is a decrease of \$346,600 in the revenues generated by the 19th District Court.

Interest income from investments is estimated at \$308,393, which is a decrease of \$353,721 or 53% from the previous year due to very low short-term interest rates and use of working capital.

The following funds are contributing resources to the General Fund: \$2,000,000 from the Workers Compensation Fund, \$1,250,000 each from the Employees Insurance Fund and the Retiree Death Benefit Fund, \$880,000 from the General Capital Improvement Fund, \$750,000 from the Camp Dearborn Fund, and \$700,000 from the Parking System Fund. The original source for funding these funds was the General Fund. These contributions are classified as "one-time" transfers and have provided time for the elected officials to determine how much additional tax should be proposed and/or to determine the changes to the level of services.

General Fund - Expenditure Appropriations

The adopted expenditure appropriation for fiscal year 2009-2010 was \$102,069,932 and in fiscal year 2010-2011 it is \$99,912,508. The net decrease is \$2,157,424 for all operating costs. The following explains the major changes.

Personnel costs are \$76,684,916 or 77% of the expenditure budget. Benefits are 56% or \$27,664,205 of Salaries and Wages which total \$49,020,711. Benefit costs are driven by pension and health care legacy costs. The cost for active employee health care continues to increase at an unsustainable rate. All of the internally administered, traditional defined benefit pension plans have been closed for several years. Police and Fire new hires can choose between a defined contribution program or a revised defined benefit program. All new hire general employees are offered a defined contribution program only. Retiree health care is being phased out for the new hire general employees and is being replaced with a retiree medical savings account program. Non-public safety groups have converted from traditional leave time programs to single-bank paid time off programs. Many other adjustments have occurred over the past five years. For the most part, the general employees' compensation has remained flat or had modest 1% increases for several years. The public safety groups' compensation has increased 2% to 3% annually, except each group took one year of no pay increase. Another 28 full-time positions were reduced city-wide resulting in 168 full-time position reductions since fiscal year 2001. The percentage-of-payroll contribution rate for post-employment health care funding was decreased from 20% to 18.5% which is close to pay-as-you-go funding. The actuarially calculated funding level is just under 27%. The overall compensation package cost for fiscal year 2011 is close to that of the previous fiscal year.

The majority of the savings produced for fiscal year 2011 budget comes from deferring capital purchases, discontinuing the annual funding of capital replacement programs and discontinuing the annual funding of liability reserves such as the tax refund reserves. While the City's current reserves are sufficient, claims applied against these reserves will deplete the resources and eventually funding will be on a pay-as-you-go basis unless the ongoing funding can be reinstated in the future.

General Fund - Equity

The fund balance of the General Fund is budgeted to absorb \$3,937,825 per the 2010-2011 adopted budget. Bond rating agencies consider the fund balance as a component in establishing a rating. The City of Dearborn has received good ratings in part due to a healthy balance sheet. The 2010-2011 budget reflects planned use of the fund balance to provide the time needed to adjust operations in the best possible manner. The City will continue its historical commitment to good financial management. The previous year budget included funding for hiring a consultant to facilitate a community-based committee. The consultant was hired and the committee is in the process of developing a multi-year strategic plan that will be presented to the City Council for consideration. The intent is to provide the elected officials with a guide of acceptable actions from a community sounding board. The results of the committee's efforts are expected to be available for the 2011-2012 budget cycle. The Mayor is proposing to budget for two years in the next budget cycle or for fiscal years 2012 to 2013.

The City's last audited financial report dated June 30, 2009 includes a General Fund fund balance of \$28.4 million. The June 30, 2010 estimated use of fund balance is approximately \$2.1 million.

The General Capital Improvement Fund has accumulated a land inventory in excess of \$13 million as the City has acquired unoccupied low-value homes for demolition as part of the neighborhood stabilization strategy. This property is sold for development or to increase lot sizes as market conditions permit. The funding for the acquisition of this property has primarily come from the General Fund fund balance.

As a mature community, Dearborn must reinvest and promote the City as an attractive place to live and work for a wide mix of people from various socio-economic and ethnic groups. As previously mentioned, there are projects planned that will have a long-term beneficial effect on the future well-being of the community. A City marketing initiative in the previous year marketed Dearborn's positive attributes to potential home buyers. Outside marketing experts were hired for this initiative and the City committed over \$500,000 in resources to the effort. The inventory of homes on the market has declined but is still greater than the historical average, although substantially down from the high point caused by the mortgage foreclosure crisis.

Future Financial Challenges

Vision and good planning are necessary to position the City for the future. Proposal "A" of 1994, the Headlee Tax Millage Rollback Amendment, and the "built-out" land status all contribute to limiting tax revenue growth. The credit crisis and the poor U.S. economic conditions have produced foreclosure in both the residential and commercial real estate markets. The over-supply of property and the low availability of capital has also negatively impacted property values. It is important to note that Proposal A of 1994 limits the amount that tax values can be increased in any given year, but does not limit the amount that values can fall in any given year. The result is a substantially reduced taxable value in a poor market such as this one and the tax value/revenue recovery to break even could take 5 to 10 years. Forecasts estimate additional reductions in property values in the coming year with commercial properties driving the reductions. It is anticipated that the values will be close to the bottom by the end of the coming year and that markets will then stabilize. Residential properties appear to be stabilizing now.

The State's reduction in revenue sharing to municipalities has been most unfavorable and the continued reductions are a concern. On the expenditure side, health care costs and legacy costs for retirees continue to be high and increasing at greater than inflationary trend. Costs saving efforts to date have produced annual savings in excess of \$10 million per year; however the continued challenging economic environment requires continued downsizing for future budgets.

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

The Other Governmental Fund Types

This section addresses issues concerning other fund types and is not intended to be a detailed review of all these funds. Major Street & Trunkline and Local Street Funds rely on State Gas & Weight Tax revenue. The FY2011 estimated Gas & Weight Tax revenue budget for both funds combined decreased another \$103,000 from FY2010. The demands for street projects are exceeding the resources available and the need for local funding for roads is anticipated to increase in the coming years.

The Camp Dearborn Operating Fund is currently self-sufficient and is budgeted to use \$745,149 of fund balance. The fund is able to operate at a self-sufficient level due to the non-operating revenues from oil royalties and the land lease of the 27-hole golf course to Mystic Creek. A contribution of \$750,000 to the General Fund is included in the budget and represents a return of resources that were designated for capital reinvestment. The working capital of this fund will be tight and the equity position will be low.

The grant revenue from the Community Development Block Grant Fund is projected to be \$2,204,750 which is \$27,747 more than in FY2010.

The November 1996 voted Civic Center Unlimited Tax General Obligation Bonds for \$23,860,000 were issued June 11, 1998. These bonds were refinanced in 2007 producing savings of approximately \$323,000 over the life of the bonds. The tax millage rate for fiscal year 2010-2011 is .53 mills for debt service to pay the principal and interest payments on these bonds. Resources raised by this millage can only be used to pay the bond debt and every effort is made to keep this rate stable or declining.

The 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. Several projects were cancelled resulting in the transfer back to the General Fund of \$880,000.

The Proprietary Fund Types

Parking System

The East and West Parking System Funds are merged and reported as a single fund for financial reporting. The City maintains separate funds for management purposes. These funds account for the operations and capital projects of the parking systems. These funds are budgeted to be self-supporting in all respects with the West Parking System primarily supported by user paid parking. The \$10,645,801 projected retained earnings is the result of debt-financed parking improvements including two decks that will be depreciated over time. This fund returned \$700,000 to the General Fund and the fund working capital will be low.

Housing

The Seniors Apartment Operating Fund is budgeted to use \$168,957 of retained earnings to fund operations. The working capital and equity of the fund are both financially healthy. The Dearborn Towers Fund is budgeted to use \$314,380 of retained earnings to fund operations. This fund has sufficient operating working capital but lacks resources for major capital re-investment in the facility.

Golf Course

The operation has struggled due to previous year major roadway construction in the vicinity of the entrance to the course and the poor economic conditions that are impacting the golf business. All debt payments and liabilities are paid by the income from operations. A consultant is working with the manager and the preliminary assessment has determined that the course expenditures are well controlled. They are focusing on opportunities to grow the business from the revenue side which may include marketing and a proposal to add a driving range to the product mix.

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 Combined Sewer Overflow (CSO) project. Some of the projects are nearing completion, but three are on hold. A series of lawsuits have been settled related to one of the locations with favorable outcomes for the City. This location will not be completed and an alternative approach will be used to meet regulatory requirements. The two other locations have been evaluated by engineers and it is likely that alternative approaches will be used for these as well, but one of the locations will likely be used as part of the new designs. Investigations and legal cases are pending. Sewer separation will be used for all the areas in which a project has not been started.

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 2010-2011 is 4.05 mills for debt service to pay the principal and interest payments on these bonds. Each CSO facility is large and involves a major construction site. The final phase of the project may require additional revenue bonds, but the pending litigation is a challenge for financial planning.

Insurance Funds

These funds are all in good financial condition in relation to their purpose. There is some intentional spend-down or return of excess reserves. Several of the funds returned monies to the General Fund to help support the City's operations while changes are being made.

The City has been funding for post-employment health care for more than 16 years. Annual contribution rates were reduced to 18.5% of payroll from 20% except for the proprietary funds that are continuing to pay the full actuarial contribution that is just under 27%. Health care cost increases are unsustainable and the City's consultant is developing more health care strategies to address this challenge.

Contacting the City's Financial Management

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

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City of Dearborn, Michigan

Government Wide Statement of Net Assets June 30, 2010

	Primary Government			Component Units (See page 37)
	Governmental Activities	Business-type Activities	Total	
Assets				
Current assets:				
Cash and cash equivalents (Note 2)	\$ 43,429,157	\$ 28,069,005	\$ 71,498,162	\$ 2,892,601
Accounts receivable (Net)	2,488,784	9,495,340	11,984,124	-
Accounts receivable (Other)	114,471	-	114,471	-
Unbilled accounts receivable	-	4,184,203	4,184,203	-
Property taxes receivable	552,191	36,590	588,781	3,655
Interest and penalties on taxes	1,048	-	1,048	-
Accrued interest receivable	341,457	371,206	712,663	20,475
Special assessments receivable	-	-	-	-
Internal balances	34,036	(34,036)	-	-
Due from component units	4,565	-	4,565	-
Due from primary government	-	-	-	4,097
Due from other governments	8,658,501	1,397,904	10,056,405	-
Prepaid items	1,451,218	108,233	1,559,451	-
Inventories	14,580,998	1,017,451	15,598,449	-
Total current assets	<u>71,656,426</u>	<u>44,645,896</u>	<u>116,302,322</u>	<u>2,920,828</u>
Noncurrent assets:				
Restricted cash and investments	-	26,637,993	26,637,993	2,082,655
Investments, long-term	24,732,249	22,070,947	46,803,196	1,201,655
Capital assets, not being depreciated (Note 3)	4,873,981	245,425,101	250,299,082	-
Capital assets, net of depreciation (Note 3)	133,886,778	103,426,521	237,313,299	-
Total noncurrent assets	<u>163,493,008</u>	<u>397,560,562</u>	<u>561,053,570</u>	<u>3,284,310</u>
Total assets	<u>235,149,434</u>	<u>442,206,458</u>	<u>677,355,892</u>	<u>6,205,138</u>
Liabilities				
Current liabilities:				
Accounts payable	4,761,298	7,369,029	12,130,327	201,766
Accrued interest payable	53,784	1,111,920	1,165,704	-
Accrued liabilities	2,577,678	471,816	3,049,494	2,381
Deposits/refunds payable	1,867,643	244,384	2,112,027	-
Due to other governments	2,066	737,258	739,324	-
Due to primary government	-	-	-	4,565
Deferred revenue	-	36,601	36,601	-
Current portion of long-term debt (Note 4)	3,540,897	14,061,217	17,602,114	-
Total current liabilities	<u>12,803,366</u>	<u>24,032,225</u>	<u>36,835,591</u>	<u>208,712</u>
Noncurrent liabilities:				
Claims payable	4,143,271	-	4,143,271	-
Other liabilities	119,355	11,600,000	11,719,355	-
Liabilities payable from restricted assets	-	5,634,823	5,634,823	-
Other liabilities - Other postemployment benefits (Note 7)	5,740,660	-	5,740,660	-
Long-term debt, net of current portion (Note 4)	16,901,526	195,861,002	212,762,528	11,701,136
Total noncurrent liabilities	<u>26,904,812</u>	<u>213,095,825</u>	<u>240,000,637</u>	<u>11,701,136</u>
Total liabilities	<u>39,708,178</u>	<u>237,128,050</u>	<u>276,836,228</u>	<u>11,909,848</u>
Net Assets				
Invested in capital assets, net of related debt	125,057,087	139,515,797	264,572,884	-
Restricted for:				
Capital projects	22,685,103	11,386,485	34,071,588	-
Debt service	37,387	9,616,685	9,654,072	-
Projects, roads and other	11,481,184	-	11,481,184	-
Unrestricted	36,180,495	44,559,441	80,739,936	(5,704,710)
Total net assets	<u>\$ 195,441,256</u>	<u>\$ 205,078,408</u>	<u>\$ 400,519,664</u>	<u>\$ (5,704,710)</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	\$ 12,376,173	\$ 3,433,331	\$ 850,964	\$ 369,146
Public safety	57,738,469	6,058,870	587,250	14,962
Public works	18,683,274	240,855	6,115,409	861,532
Health and welfare	382,038	220,888	-	-
Recreation and culture	21,540,832	6,228,878	1,410,169	18,971
Community improvement	2,726,471	15,942	2,616,248	1,790,369
Interest on long-term debt	575,506	-	-	-
Total governmental activities	<u>114,022,763</u>	<u>16,198,764</u>	<u>11,580,040</u>	<u>3,054,980</u>
Business-type activities:				
Housing	4,325,517	2,986,372	-	-
Golf Course	1,400,042	1,180,309	-	-
Parking	2,163,670	1,212,763	-	-
Sewer	17,339,277	23,143,181	-	-
Water	13,489,834	16,161,503	-	-
Total business-type activities	<u>38,718,340</u>	<u>44,684,128</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 152,741,103</u>	<u>\$ 60,882,892</u>	<u>\$ 11,580,040</u>	<u>\$ 3,054,980</u>
Component units:				
West Dearborn Downtown Development Authority	\$ 718,480	\$ -	\$ -	\$ -
East Dearborn Downtown Development Authority	738,975	-	-	-
Brownfield Redevelopment Authority	8,850,113	-	-	-
Economic Development Corporation	50,430	-	-	-
Total component units	<u>\$ 10,357,998</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:
 Property Taxes
 Intergovernmental revenues - Unrestricted
 Investment earnings
 Gain (loss) on sale of capital assets
 Miscellaneous
 Special items - loss on abandoned assets
 Transfers
 Total general revenues, special items and transfers
 Change in net assets
 Net assets - beginning
 Net assets - ending

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

Government Wide Statement of Activities
Year Ended June 30, 2010

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (7,722,732)	\$ -	\$ (7,722,732)	\$ -
(51,077,387)	-	(51,077,387)	-
(11,465,478)	-	(11,465,478)	-
(161,150)	-	(161,150)	-
(13,882,814)	-	(13,882,814)	-
1,696,088	-	1,696,088	-
(575,506)	-	(575,506)	-
<u>(83,188,979)</u>	<u>-</u>	<u>(83,188,979)</u>	<u>-</u>
-	(1,339,145)	(1,339,145)	-
-	(219,733)	(219,733)	-
-	(950,907)	(950,907)	-
-	5,803,904	5,803,904	-
-	2,671,669	2,671,669	-
<u>-</u>	<u>5,965,788</u>	<u>5,965,788</u>	<u>-</u>
<u>(83,188,979)</u>	<u>5,965,788</u>	<u>(77,223,191)</u>	<u>-</u>
-	-	-	(718,480)
-	-	-	(738,975)
-	-	-	(8,850,113)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(50,430)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,357,998)</u>
70,861,323	9,834,080	80,695,403	1,741,283
8,087,313	-	8,087,313	-
825,396	841,748	1,667,144	51,822
-	675,523	675,523	-
310,711	1,168,875	1,479,586	46,912
-	(60,000,000)	(60,000,000)	-
(796,502)	796,502	-	-
<u>79,288,241</u>	<u>(46,683,272)</u>	<u>32,604,969</u>	<u>1,840,017</u>
<u>(3,900,738)</u>	<u>(40,717,484)</u>	<u>(44,618,222)</u>	<u>(8,517,981)</u>
199,341,994	245,795,892	445,137,886	2,813,271
<u>\$ 195,441,256</u>	<u>\$ 205,078,408</u>	<u>\$ 400,519,664</u>	<u>\$ (5,704,710)</u>

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

City of Dearborn, Michigan

Balance Sheet Governmental Funds June 30, 2010

	General	Capital Projects	Other Governmental Funds (See page 101)	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 12,052,359	\$ 7,494,372	\$ 10,088,951	\$ 29,635,682
Accounts Receivable (Net)	1,893,541	121,222	456,713	2,471,476
Accounts Receivable (Other)	112,916	1,555	-	114,471
Property taxes receivable	534,374	-	17,817	552,191
Interest and penalties on taxes	1,048	-	-	1,048
Accrued interest receivable	123,085	55,752	60,727	239,564
Due from other funds (Note 5)	1,763,408	11,348	304,932	2,079,688
Due from component units	4,565	-	-	4,565
Due from other governments	6,693,967	14,913	1,949,621	8,658,501
Inventories	199,147	13,095,664	1,106,931	14,401,742
Advance to other funds (Note 5)	171,801	-	-	171,801
Investments, long-term	10,185,621	3,653,035	4,217,259	18,055,915
Total assets	<u>\$ 33,735,832</u>	<u>\$ 24,447,861</u>	<u>\$ 18,202,951</u>	<u>\$ 76,386,644</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 1,784,595	\$ 1,584,427	\$ 807,299	\$ 4,176,321
Accrued liabilities	2,589,044	-	103,166	2,692,210
Deposits/refunds payable	1,398,370	-	469,273	1,867,643
Due to other governments	222	-	1,838	2,060
Due to other funds	112,149	6,530	1,187,155	1,305,834
Debt obligations	-	-	119,355	119,355
Deferred revenue	5,428,353	-	105,341	5,533,694
Claims payable	-	-	37,500	37,500
Advance from other funds	-	171,801	-	171,801
Total liabilities	<u>11,312,733</u>	<u>1,762,758</u>	<u>2,830,927</u>	<u>15,906,418</u>
Fund balances:				
Reserve for encumbrances	798,164	1,460,391	7,119,151	9,377,706
Reserve for debt service	-	-	37,387	37,387
Reserve for inventory	199,147	13,095,664	1,106,931	14,401,742
Reserve for noncurrent collection of advances to other funds	171,801	-	-	171,801
Unreserved, designated for budgeted appropriations:				
General fund	1,604,365	-	-	1,604,365
Special revenue funds	-	-	6,775,902	6,775,902
Capital projects fund	-	5,010,049	-	5,010,049
Unreserved, reported in:				
General fund	19,649,622	-	-	19,649,622
Special revenue funds	-	-	332,653	332,653
Capital projects fund	-	3,118,999	-	3,118,999
Total fund balances	<u>22,423,099</u>	<u>22,685,103</u>	<u>15,372,024</u>	<u>60,480,226</u>
Total liabilities and fund balances	<u>\$ 33,735,832</u>	<u>\$ 24,447,861</u>	<u>\$ 18,202,951</u>	<u>\$ 76,386,644</u>

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

City of Dearborn, Michigan

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets June 30, 2010

Total fund balance for governmental funds		\$ 60,480,226
Amounts reported for governmental activities in the statement of net assets are different because:		
1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds		
Cost of assets, not depreciated	\$ 4,835,865	
Cost of assets, depreciated	120,963,234	
Accumulated depreciation	<u>(57,023,344)</u>	
Total adjustment due to capital assets		68,775,755
2. Some receivables are expected to be collected over several years and are not available to pay for current year expenditures		5,533,694
3. Other assets used in governmental activities are financial resources and therefore are not reported in the governmental funds - inventory		179,256
4. Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds		
Accrued interest payable	(53,784)	
Noncurrent liabilities, due in one year	(3,393,783)	
Noncurrent liabilities, due in more than one year	(16,762,312)	
Noncurrent liabilities, other postemployment benefits	<u>(5,740,660)</u>	
Total adjustment due to long-term liabilities		(25,950,539)
5. Internal service funds are included as part of governmental activities		<u>86,422,864</u>
Net assets of governmental activities		<u>\$ 195,441,256</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, 2010

	General	Capital Projects	Other Governmental Funds (See page 103)	Total Governmental Funds
Revenues	-			
Taxes, assessments and penalties on taxes	\$ 64,924,742	\$ -	\$ 1,973,265	\$ 66,898,007
Licenses and permits	1,456,321	-	-	1,456,321
Intergovernmental revenues:				
State sources	8,696,417	145,219	6,152,730	14,994,366
Federal sources	273,431	660,293	4,620,735	5,554,459
Other sources	205,886	-	-	205,886
Charges for services	7,508,662	134,360	469,001	8,112,023
Fines and forfeits	3,153,763	10,798	742,615	3,907,176
Rents and royalties	3,153,364	-	2,468,347	5,621,711
Miscellaneous revenue	496,239	9,405	301,302	806,946
Private source contributions	-	159,316	85,876	245,192
Investment income	518,024	152,982	154,390	825,396
Total revenues	90,386,849	1,272,373	16,968,261	108,627,483
Expenditures				
General government	12,637,789	-	629,184	13,266,973
Public safety	53,200,561	-	583,542	53,784,103
Public works	10,369,503	-	8,555,513	18,925,016
Health and welfare	394,537	-	-	394,537
Recreation and culture	16,408,623	-	2,468,986	18,877,609
Community improvement	1,197,032	-	1,038,634	2,235,666
Utilities	-	-	323,085	323,085
Capital outlay	618,819	3,971,587	264,998	4,855,404
Debt service - principal	-	-	3,296,683	3,296,683
Debt service - interest and fiscal charges	-	-	610,853	610,853
Total expenditures	94,826,864	3,971,587	17,771,478	116,569,929
Revenues Over (Under) Expenditures	(4,440,015)	(2,699,214)	(803,217)	(7,942,446)
Other Financing Sources (Uses)				
Transfers in	2,025,000	579,263	6,078,583	8,682,846
Transfers out	(3,549,536)	(3,019,939)	(4,823,089)	(11,392,564)
Total other financing sources (uses)	(1,524,536)	(2,440,676)	1,255,494	(2,709,718)
Net Change in Fund Balances	(5,964,551)	(5,139,890)	452,277	(10,652,164)
Fund Balances - Beginning of Year	28,387,650	27,824,993	14,919,747	71,132,390
Fund Balances - End of Year	\$ 22,423,099	\$ 22,685,103	\$ 15,372,024	\$ 60,480,226

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, 2010

Net change in fund balance - Total Governmental Funds \$ (10,652,164)

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

1. Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and recorded as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense.		
Capital outlay	\$ 6,031,725	
Net book value of assets disposed	(73,156)	
Depreciation	<u>(4,542,839)</u>	
Total excess capital outlay		1,415,730
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.		4,689,208
3. Governmental funds report inventories as expenditures when purchased; however in the statement of activities, the cost of those assets is expensed when used.		82,056
4. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets:		
Bonds payable	3,296,683	
Interest payable	<u>35,347</u>	
Total reduction of long-term liabilities		3,332,030
5. Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Compensated absences	(2,396,651)	
Other postemployment benefits	<u>985,449</u>	
Total expenses not reported in governmental funds		(1,411,202)
6. Internal service funds are included as part of governmental activities.		<u>(1,356,396)</u>
Change in net assets of governmental activities		<u>\$ (3,900,738)</u>

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

City of Dearborn, Michigan

	Business-type Activities			
	Enterprise Funds			
	Parking System Funds	Sewer	Water	Other Enterprise Funds (See page 114)
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,529,330	\$ 12,964,653	\$ 7,503,696	\$ 6,071,326
Accounts receivable (Net)	51,683	217,236	9,224,102	2,319
Property taxes receivable	-	36,590	-	-
Unbilled accounts receivable	-	2,721,972	1,462,231	-
Accrued interest receivable	11,751	257,998	55,819	45,638
Due from other governments	71,380	412,328	850,351	63,845
Due from other funds	-	-	2,745	-
Prepaid items	-	-	-	108,233
Inventories	-	410,287	542,045	65,119
Total current assets	<u>1,664,144</u>	<u>17,021,064</u>	<u>19,640,989</u>	<u>6,356,480</u>
Noncurrent assets:				
Restricted cash and investments:				
Construction and equipment	-	17,021,308	-	-
Debt service	91,499	9,354,234	-	170,952
Investments, long-term	769,939	14,749,500	3,657,434	2,894,074
Capital assets (Net)	<u>17,968,603</u>	<u>268,356,736</u>	<u>55,946,387</u>	<u>6,579,896</u>
Total noncurrent assets	<u>18,830,041</u>	<u>309,481,778</u>	<u>59,603,821</u>	<u>9,644,922</u>
Total assets	<u>20,494,185</u>	<u>326,502,842</u>	<u>79,244,810</u>	<u>16,001,402</u>
Liabilities				
Current liabilities:				
Accounts payable	22,621	4,161,371	3,080,512	104,525
Accrued interest payable	33,999	1,071,114	-	6,807
Accrued liabilities	4,073	215,481	168,752	83,510
Deposits/refunds payable	-	-	12,892	231,492
Accrued vacation and sick	-	-	-	-
Due to other governments	-	731,868	-	5,390
Due to other funds	28,281	2,274	6,162	64
Deferred revenue	-	-	-	36,601
Liabilities payable from restricted assets	-	5,634,823	-	-
Current portion of long-term debt	<u>690,000</u>	<u>13,125,000</u>	<u>-</u>	<u>246,217</u>
Total current liabilities	<u>778,974</u>	<u>24,941,931</u>	<u>3,268,318</u>	<u>714,606</u>
Noncurrent liabilities:				
Long-term debt, net of current portion	7,796,991	185,962,103	-	1,515,514
Other liabilities	-	11,671,986	310,186	204,222
Claims payable	-	-	-	-
Total noncurrent liabilities	<u>7,796,991</u>	<u>197,634,089</u>	<u>310,186</u>	<u>1,719,736</u>
Total liabilities	<u>8,575,965</u>	<u>222,576,020</u>	<u>3,578,504</u>	<u>2,434,342</u>
Net Assets				
Invested in capital assets, net of debt	9,481,612	69,269,633	55,946,387	4,818,165
Restricted for:				
Construction	-	11,386,485	-	-
Debt service	91,499	9,354,234	-	170,952
Unrestricted	<u>2,345,109</u>	<u>13,916,470</u>	<u>19,719,919</u>	<u>8,577,943</u>
Total net assets	<u>\$ 11,918,220</u>	<u>\$ 103,926,822</u>	<u>\$ 75,666,306</u>	<u>\$ 13,567,060</u>

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

**Statement of Net Assets
Proprietary Funds
June 30, 2010**

Total	Governmental Activities - Internal Service Funds (See page 119)
\$ 28,069,005	\$ 13,793,475
9,495,340	17,308
36,590	-
4,184,203	-
371,206	101,893
1,397,904	-
2,745	-
108,233	1,451,218
1,017,451	-
44,682,677	15,363,894
17,021,308	-
9,616,685	-
22,070,947	6,676,334
348,851,622	69,985,004
397,560,562	76,661,338
442,243,239	92,025,232
7,369,029	577,213
1,111,920	-
471,816	32,582
244,384	-
-	139,214
737,258	6
36,781	747,582
36,601	-
5,634,823	-
14,061,217	-
29,703,829	1,496,597
195,274,608	-
12,186,394	-
-	4,105,771
207,461,002	4,105,771
237,164,831	5,602,368
139,515,797	69,985,004
11,386,485	-
9,616,685	-
44,559,441	16,437,860
\$ 205,078,408	\$ 86,422,864

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 115)
	Parking System Funds	Sewer	Water	
Operating Revenues				
Taxes, assessments and penalties on taxes	\$ -	\$ 9,834,080	\$ -	\$ -
Sales	-	16,608,822	9,400,519	561,006
Charges for services	923,328	5,761,531	6,007,970	1,175,496
Fines	288,658	-	-	-
Penalties	777	772,459	753,014	-
Rents and royalties	-	369	-	2,430,179
Insurance premiums	-	-	-	-
Miscellaneous	4,768	1,060,522	3,294	104,568
Total operating revenues	<u>1,217,531</u>	<u>34,037,783</u>	<u>16,164,797</u>	<u>4,271,249</u>
Operating Expenses				
Personnel services	206,821	1,100,866	4,141,257	2,213,882
Contractual services	597,769	1,360,893	1,467,951	376,003
Insurance and bonds	38,771	106,172	64,944	208,349
Insurance benefits	-	-	-	-
Claims and judgments	-	-	-	-
Utilities	124,699	246,098	10,603	572,114
Repair and maintenance	76,760	278,422	17,463	1,205,014
Supplies	53,529	98,199	477,379	169,086
Cost of sales	-	12,602,245	5,830,321	178,603
Cost of rentals	43,442	216,656	-	36,729
Taxes	-	-	-	131,845
Depreciation	569,075	975,489	1,179,118	527,943
Other	12,808	237,124	300,798	63,952
Total operating expenses	<u>1,723,674</u>	<u>17,222,164</u>	<u>13,489,834</u>	<u>5,683,520</u>
Operating Income (Loss)	(506,143)	16,815,619	2,674,963	(1,412,271)
Nonoperating Revenues (Expenses)				
Investment income	36,134	525,279	165,724	114,611
Contributions	531,668	-	143,855	-
Gain/(loss) on disposal of assets	-	(78)	(4,199)	-
Other interest	(439,996)	(117,113)	-	(42,039)
Total nonoperating revenues (expenses)	<u>127,806</u>	<u>408,088</u>	<u>305,380</u>	<u>72,572</u>
Income (Loss) before Capital Contributions & Transfers	(378,337)	17,223,707	2,980,343	(1,339,699)
Capital contributed from grants, developers & other	-	-	-	-
Income (Loss) before Transfers	(378,337)	17,223,707	2,980,343	(1,339,699)
Transfers				
Transfers in	-	-	1,133,238	175,534
Transfers out	(500,000)	(6,135)	(6,135)	-
Net transfers	<u>(500,000)</u>	<u>(6,135)</u>	<u>1,127,103</u>	<u>175,534</u>
Net Income (Loss)	(878,337)	17,217,572	4,107,446	(1,164,165)
Loss on abandoned assets (Note 11)	-	(60,000,000)	-	-
Change in net assets	(878,337)	(42,782,428)	4,107,446	(1,164,165)
Net Assets - Beginning of Year	12,796,557	146,709,250	71,558,860	14,731,225
Net Assets - End of Year	<u>\$11,918,220</u>	<u>\$ 103,926,822</u>	<u>\$ 75,666,306</u>	<u>\$ 13,567,060</u>

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

City of Dearborn, Michigan

	<u>Parking System Funds</u>
Cash Flows from Operating Activities	
Receipts from customers	\$ 1,236,619
Payments to suppliers	(930,943)
Payments to employees	(206,821)
Internal activity	29,824
Claims paid	-
Other receipts (payments)	(12,808)
Net cash provided (used) by operating activities	<u>115,871</u>
Cash Flows from Noncapital Financing Activities	
Advance from (to) other funds	-
Transfers in	-
Transfers out	(500,000)
Net cash provided (used) by noncapital financing activities	<u>(500,000)</u>
Cash Flows from Capital and Related Financing Activities	
Grants and contributions received	531,668
Proceeds on the issuance of long term debt	-
Principal paid on debt	(640,221)
Acquisition and construction of capital assets	-
Contribution of capital assets	-
Interest paid on debt	(442,017)
Net cash provided (used) by capital and related financing activities	<u>(550,570)</u>
Cash Flows from Investing Activities	
Net sale (purchase) of investments	822,556
Investment income	43,605
Net cash provided (used) by investing activities	<u>866,161</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(68,538)
Cash and Cash Equivalents - Beginning of Year	1,689,367
Cash and Cash Equivalents - End of Year	<u>\$ 1,620,829</u>
Cash and Cash Equivalents - Unrestricted	\$ 1,529,330
Cash and Cash Equivalents - Restricted	91,499
Cash and Cash Equivalents - End of Year	<u>\$ 1,620,829</u>

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

**Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2010**

Business-type Activities Enterprise Funds				Governmental Activities - Internal Service Funds
Sewer	Water	Other Enterprise Funds (See page 116)	Total	(See page 123)
\$ 39,015,138	\$ 14,500,118	\$ 4,177,607	\$ 58,929,482	\$ 25,250,442
(21,540,301)	(7,770,653)	(2,905,797)	(33,147,694)	(4,604,926)
1,935,436	(4,171,764)	(2,212,141)	(4,655,290)	-
4,610	9,706	60,007	104,147	868,004
-	-	-	-	(19,534,506)
823,767	(297,504)	40,616	554,071	642,040
<u>20,238,650</u>	<u>2,269,903</u>	<u>(839,708)</u>	<u>21,784,716</u>	<u>2,621,054</u>
-	-	(103,534)	(103,534)	-
-	1,133,238	175,534	1,308,772	2,413,216
(6,135)	(6,135)	-	(512,270)	(500,000)
<u>(6,135)</u>	<u>1,127,103</u>	<u>72,000</u>	<u>692,968</u>	<u>1,913,216</u>
-	126,839	-	658,507	-
37,008,544	-	-	37,008,544	-
(8,679,949)	-	(239,821)	(9,559,991)	-
(40,989,407)	(3,055,359)	-	(44,044,766)	(1,896,781)
-	17,016	-	17,016	-
(15,633)	-	(43,330)	(500,980)	-
<u>(12,676,445)</u>	<u>(2,911,504)</u>	<u>(283,151)</u>	<u>(16,421,670)</u>	<u>(1,896,781)</u>
5,035,472	1,510,865	1,967,021	9,335,914	1,934,628
524,519	172,289	128,657	869,070	235,667
<u>5,559,991</u>	<u>1,683,154</u>	<u>2,095,678</u>	<u>10,204,984</u>	<u>2,170,295</u>
13,116,061	2,168,656	1,044,819	16,260,998	4,807,784
26,224,134	5,335,040	5,197,459	38,446,000	8,985,691
<u>\$ 39,340,195</u>	<u>\$ 7,503,696</u>	<u>\$ 6,242,278</u>	<u>\$ 54,706,998</u>	<u>\$ 13,793,475</u>
\$ 12,964,653	\$ 7,503,696	\$ 6,071,326	\$ 28,069,005	\$ 13,793,475
26,375,542	-	170,952	26,637,993	-
<u>\$ 39,340,195</u>	<u>\$ 7,503,696</u>	<u>\$ 6,242,278</u>	<u>\$ 54,706,998</u>	<u>\$ 13,793,475</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)	\$ (506,143)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	569,075
Change in assets and liabilities:	
Accounts receivable	90,468
Due from other funds	1,699
Due from other governments	(71,380)
Prepaid items	-
Inventories	-
Accounts payable	3,990
Accrued liabilities	37
Customer deposits	-
Accrued vacation and sick leave	-
Due to other funds	28,125
Due to other governments	-
Claims payable	-
Deferred revenue	-
Net cash provided (used) by operating activities	\$ 115,871
Noncash investing activities:	

There was a noncash transfer of capital assets with a net book value of \$64,551,460 from other Governmental Activities to the Facilities fund during the year.

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

**Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2010**

Business-type Activities Enterprise Funds		Other Enterprise Funds (See page 117)	Total	Governmental Activities - Internal Service Funds (See page 125)
Sewer	Water			
\$ 16,815,619	\$ 2,674,963	\$ (1,412,271)	\$ 17,572,168	\$ (3,361,582)
975,489	1,179,118	527,943	3,251,625	4,213,130
665,751	(804,534)	65,867	17,552	(3,678)
2,573	4,182	60,000	68,454	500,000
(262,328)	(850,351)	(63,226)	(1,247,285)	-
-	-	(5,078)	(5,078)	833,216
1	35,535	(5,705)	29,831	-
(7,402,511)	42,766	(29,754)	(7,385,509)	(522,131)
197,999	19,707	11,797	229,540	171,802
-	(6,500)	(2,293)	(8,793)	-
3,036,302	(30,507)	1,741	3,007,536	-
2,037	5,524	7	35,693	368,004
572,895	-	686	573,581	1,200,014
-	-	-	-	(777,721)
5,634,823	-	10,578	5,645,401	-
<u>\$ 20,238,650</u>	<u>\$ 2,269,903</u>	<u>\$ (839,708)</u>	<u>\$ 21,784,716</u>	<u>\$ 2,621,054</u>

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

City of Dearborn, Michigan

Statement of Net Assets Fiduciary Funds June 30, 2010

	Pension & Other Employee Benefits	Agency Funds
	<u> </u>	<u> </u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,012,032	\$ 11,873,052
Investments - short-term	32,401,792	-
Accounts receivable (Net)	745,099	187,907
Accrued interest receivable	705,929	-
Due from other funds	-	7,764
Due from other governments	-	6,762
Total current assets	<u>35,864,852</u>	<u>12,075,485</u>
Noncurrent assets - Investments:		
Corporate bonds (long-term)	166,756,757	-
Common stock	84,953,683	-
Collateral pledged on securities loaned	7,692,317	-
Real estate properties	13,842,754	-
Commingled and mutual funds	127,750,578	-
Total noncurrent assets	<u>400,996,089</u>	<u>-</u>
Total assets	<u>436,860,941</u>	<u>\$ 12,075,485</u>
Liabilities		
Accounts payable	16,617,444	\$ 432,884
Accrued liabilities	-	29,698
Deposits/refunds payable	-	10,998,699
Due to component units	-	4,097
Due to other governments	-	594,604
Deferred revenue	23,485	-
Amounts due to broker under securities lending agreement	7,692,317	-
Other liabilities	2,422,266	15,503
Total liabilities	<u>26,755,512</u>	<u>\$ 12,075,485</u>
Net Assets		
Held in trust for pension benefits and other purposes	<u>\$ 410,105,429</u>	

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

City of Dearborn, Michigan

Statement of Changes in Fiduciary Net Assets Fiduciary Funds Year Ended June 30, 2010

	<u>Pension & Other Employee Benefits</u>
Additions	
Investment income:	
Interest and dividends	\$ 9,305,460
Net increase in value of investments	<u>38,325,239</u>
	<u>47,630,699</u>
Contributions:	
Employer	18,863,657
Employee	1,088,588
Reimbursements	338,788
Total contributions	<u>20,291,033</u>
Total additions	<u>67,921,732</u>
Deductions	
Benefit payments	33,580,520
Refunds of contributions	963,659
Administrative expenses	1,301,673
Total deductions	<u>35,845,852</u>
Change in Net Assets	32,075,880
Net Assets - Beginning of Year	378,029,549
Net Assets - End of Year	<u><u>\$ 410,105,429</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	\$ 539,602	\$ 1,708,955	\$ 427,186
Property taxes receivable	2,804	851	-
Accrued interest receivable	4,014	12,713	2,136
Due from primary government	-	-	4,097
Investments - long-term	263,022	833,008	-
Restricted cash and investments	-	-	2,082,655
Total assets	<u>809,442</u>	<u>2,555,527</u>	<u>2,516,074</u>
Liabilities			
Accounts payable	3,901	21,832	176,033
Due to primary government	3,517	1,048	-
Accrued liabilities	-	2,381	-
Noncurrent liabilities:			
Due in more than one year	-	132	1,017,930
Bonds payable	-	-	10,683,074
Total liabilities	<u>7,418</u>	<u>25,393</u>	<u>11,877,037</u>
Net Assets - Unrestricted	<u>\$ 802,024</u>	<u>\$ 2,530,134</u>	<u>\$ (9,360,963) (1)</u>

(1) See Note 13

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

**Statement of Net Assets
Component Units
June 30, 2010**

Economic Development Corporation	Total
\$ 216,858	\$ 2,892,601
-	3,655
1,612	20,475
-	4,097
105,625	1,201,655
-	2,082,655
<u>324,095</u>	<u>6,205,138</u>
-	201,766
-	4,565
-	2,381
-	1,018,062
-	10,683,074
<u>-</u>	<u>11,909,848</u>
<u>\$ 324,095</u>	<u>\$ (5,704,710)</u>

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

City of Dearborn, Michigan

	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
West Dearborn Development Authority - Community improvement	\$ 718,480	\$ -	\$ -
East Dearborn Development Authority - Community improvement	738,975	-	-
Brownfield Redevelopment Authority - Community improvement	8,850,113	-	-
Economic Development Corporation - Community improvement	50,430	-	-
Total component units	<u>\$ 10,357,998</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

**Statement of Activities
Component Units
Year Ended June 30, 2010**

Net (Expense) Revenue and Changes in Net Assets				
West Dearborn Downtown Development Authority	East Dearborn Downtown Development Authority	Brownfield Redevelopment Authority	Economic Development Corporation	Total
\$ (718,480)	\$ -	\$ -	\$ -	\$ (718,480)
-	(738,975)	-	-	(738,975)
-	-	(8,850,113)	-	(8,850,113)
-	-	-	(50,430)	(50,430)
<u>(718,480)</u>	<u>(738,975)</u>	<u>(8,850,113)</u>	<u>(50,430)</u>	<u>(10,357,998)</u>
748,429	531,227	461,627	-	1,741,283
8,991	31,684	6,717	4,430	51,822
333	2,159	44,420	-	46,912
<u>757,753</u>	<u>565,070</u>	<u>512,764</u>	<u>4,430</u>	<u>1,840,017</u>
39,273	(173,905)	(8,337,349)	(46,000)	(8,517,981)
762,751	2,704,039	(1,023,614)	370,095	2,813,271
<u>\$ 802,024</u>	<u>\$ 2,530,134</u>	<u>\$ (9,360,963)</u>	<u>\$ 324,095</u>	<u>\$ (5,704,710)</u>

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

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Note 1 – Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

Discretely Presented Component Units

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

Brownfield Redevelopment Authority (BRA)

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

The Economic Development Corporation of Dearborn (EDC)

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

East Dearborn Downtown Development Authority (EDDDA)

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

Note 1 – Summary of Significant Accounting Policies (Continued)

Discretely Presented Component Units (continued)

West Dearborn Downtown Development Authority (WDDDA)

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

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

B. Basic Financial Statements

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

Government-wide Financial Statements

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

The City first utilizes restricted resources to finance qualifying activities.

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

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

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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

Fund Financial Statements

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

The following fund types are used by the City:

Governmental Funds

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

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

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

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

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

Note 1 – Summary of Significant Accounting Policies (Continued)

Proprietary Funds

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

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of proprietary funds relate to charges to customers for sales and service and property taxes collected for the payment of Combined Sewer Overflow (CSO) debt. The water and sewer funds also recognize the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

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

Enterprise Funds

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

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

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

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

Internal Service Funds

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

Note 1 – Summary of Significant Accounting Policies (Continued)

Fiduciary Funds

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

Accrual

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

Note 1 – Summary of Significant Accounting Policies (Continued)

Modified Accrual

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

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

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

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

D. Financial Statement Amounts

Cash and Investments

The City of Dearborn's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with maturities of one year or less from the fiscal year end.

Investments are reported at fair value, based on quoted market prices. Investments and certificates of deposit are purchased with pooled cash and are generally held to maturity. Interest is allocated on the basis of time-and-dollar-weighted participation.

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

Note 1 – Summary of Significant Accounting Policies (Continued)

Accounts Receivable

Receivables as of June 30, 2010 for the City's individual governmental funds and the nonmajor governmental funds in the aggregate are as follows:

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Receivables:				
Intergovernmental	\$ 6,693,967	\$ 14,913	\$ 1,949,621	\$ 8,658,501
Accounts	<u>2,006,457</u>	<u>122,777</u>	<u>456,713</u>	<u>2,585,947</u>
Net receivables	<u>\$ 8,700,424</u>	<u>\$ 137,690</u>	<u>\$ 2,406,334</u>	<u>\$ 11,244,448</u>

Revenues are reported net of uncollectible amounts. The amount in the allowance for uncollectibles in the General fund at June 30, 2010 is \$295,000 and represents potentially uncollectible ambulance billings. Most City service billings, if not paid, are assessed as a lien against the serviced property.

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

	<u>Unavailable</u>
Deferred revenue:	
Property taxes	\$ 4,351,219
SMART	677,803
Other	<u>504,672</u>
Total deferred revenue	<u>\$ 5,533,694</u>

The unbilled accounts receivable in the Enterprise funds were for unbilled consumption of water and sewer as of June 30, 2010.

Note 1 – Summary of Significant Accounting Policies (Continued)

Inventories

Inventories are recorded at the lower of cost or market, cost being the weighted average method with the exception of the following: (1) Enterprise funds' inventories, which are recorded on the first-in, first-out basis; and (2) Capital Projects fund inventories, which are recorded at actual cost. The Capital Projects fund has approximately \$13.1 million and the Community Development fund has approximately \$1.1 million invested in land inventory at June 30, 2010.

Restricted Assets

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

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more and a useful life of greater than one year are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received.

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

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

- | | |
|--|-------------|
| • Equipment | 3-15 years |
| • Land improvements | 15 years |
| • Infrastructure assets (Roads, bridges and sidewalks) | 15-40 years |
| • Buildings and improvements | 25-50 years |
| • Water system | 75 years |
| • Sewer system | 75 years |

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

Note 1 – Summary of Significant Accounting Policies (Continued)

Prepays

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

Deferred Revenue

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

Compensated Absences

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

Property Taxes

Properties are assessed as of December 31 and the related property taxes become a lien on December 31 and are billed in two separate billings, July 1 and December 1 of the following year. Taxable valuations are established annually by the City Assessor and are based on assessed valuations (established at 50 percent of true cash value), with the annual growth of each property's taxable value limited by inflation. Real and personal property in the City subject to the 2009 levy that financed operations for the fiscal year ended June 30, 2010 had a taxable value of \$4,677,895,899. The City millage for the fiscal year ended June 30, 2010 was 17.50 mills, consisting of 13.62 mills operating, 1.18 mills for garbage and rubbish and 2.70 mills for debt service. The City was legally empowered, by Section 13.2 of the City Charter and P.A. 298 maximum limit of 18.00 mills for each fiscal year. The rollbacks required by Michigan law are of maximum limit of 18.00 mills for each fiscal year. The rollbacks required by Michigan law are 1917, as amended, for 19.00 mills of authorization with an annual maximum limit of 18.00 mills for each fiscal year. The rollbacks required by Michigan law are applied to the authorized 19.00 mills. The maximum potential millage for the fiscal year ended June 30, 2010 was 18.7254 mills after applicable rollbacks.

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

Note 1 – Summary of Significant Accounting Policies (Continued)

Expenditures

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

Pension and Other Postemployment Benefit Costs

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

Interfund Activity

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

Use of Estimates

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

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

Note 2 –Deposits and Investments

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

The pension trust fund is authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate, debt or equity of certain small businesses, certain state and local government obligations and certain other specified investment vehicles. In addition, the City created a retiree healthcare trust fund under Public Act 149 of 1999 which allows the funds to be invested in the same investments noted in Public Act 314.

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

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

Note 2 –Deposits and Investments (Continued)

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. At year end, the City had \$8,911,962 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments

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

Interest Rate Risk

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

<u>Primary Government Investment Types</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Federal Agency/Instrumentality	\$14,265,555	1.72 years
U.S. Government Obligations	119,452,634	.86 years

<u>Fiduciary Investment Types</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Corporate Bonds	\$34,106,294	12.32 years
Federal Agency/Instrumentality	21,445,983	18.87 years
U.S. Government Obligations	11,920,679	6.58 years

Note 2 –Deposits and Investments (Continued)

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations at the time of purchase. The City's investment policy limits investments to the safest types of securities. Financial institutions, broker/dealers, intermediaries and advisers need to be pre-qualified to do business with the City. The policy also states that the investment portfolio will be diversified to minimize potential losses on individual securities. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Primary Government Investment Types</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Bank Investment Pool	\$7,177,132	N/R	
Bank Investment Pool	1,207,705	A-1	S & P
Federal Agency/Instrumentality	13,687,635	AAA	S & P
Federal Agency/Instrumentality	577,920	N/R	
<u>Fiduciary Investment Types</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Bank Investment Pool	\$32,401,792	N/R	
Securities Lending Short-term Collateral Investment Pool	7,692,317	N/R	
Corporate Bonds	9,276,994	AAA	S & P
Corporate Bonds	2,235,415	AA+	S & P
Corporate Bonds	1,537,538	AA	S & P
Corporate Bonds	3,375,748	A+	S & P
Corporate Bonds	6,615,648	A	S & P
Corporate Bonds	3,345,643	A-	S & P
Corporate Bonds	983,702	BBB+	S & P
Corporate Bonds	2,694,179	BBB	S & P
Corporate Bonds	1,288,046	BBB-	S & P
Corporate Bonds	2,753,381	N/R	
Federal Agency/Instrumentality	1,087,110	AAA	S & P
Federal Agency/Instrumentality	20,358,873	N/R	

Note 2 –Deposits and Investments (Continued)

Concentration of Credit Risk:

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City places no limit on the amount that may be invested in any one issuer. At June 30, 2010, the City had more than 5% of its investments in the following:

Governmental Funds

Federal National Loan Mortgage	5.81%
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Business-Type Funds

Federal National Loan Mortgage	5.61%
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General Fund

Federal National Loan Mortgage	5.81%
--------------------------------	-------

Capital Projects Funds

Federal National Loan Mortgage	5.81%
--------------------------------	-------

Parking System Funds

Federal National Loan Mortgage	5.81%
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Aggregate Funds

Federal National Loan Mortgage	5.45%
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Water Funds

Federal National Loan Mortgage	5.81%
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Note 2 – Deposits and Investments (Continued)

Component Units

The component units had bank deposits subject to custodial credit risk (uninsured and uncollateralized) of \$22,110. No investment securities were held by the counterparty (or the counterparty's trust department), but not in the component unit's name. Federal Agency/Instrumentality and Governmental Obligations totaling \$4,094,185 had a weighted average maturity in years of .54. The component units' securities included \$2,082,825 of bank investment pool with a rating of A-1 and \$1,201,655 of Federal Agency/Instrumentality rated AAA by Standard & Poors. The component units had a concentration of credit risk of 29.35% for Federal National Mortgage.

Note 3 – Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

Governmental Activities

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Assets not being depreciated:					
Land	\$ 4,162,703	\$ -	\$ -	\$ 5,078	\$ 4,167,781
Right of ways	37,818	-	-	-	37,818
Construction in progress	949,826	640,961	-	(922,405)	668,382
Total capital assets not being depreciated	5,150,347	640,961	-	(917,327)	4,873,981
Other capital assets:					
Buildings & improvements	114,287,304	-	-	357,749	114,645,053
Equipment	40,004,469	2,475,454	(2,034,177)	559,578	41,005,324
Infrastructure assets	79,156,897	4,832,558	-	-	83,989,455
Subtotal	233,448,670	7,308,012	(2,034,177)	917,327	239,639,832
Accumulated depreciation:					
Buildings & improvements	42,664,619	2,815,934	-	-	45,480,553
Equipment	26,909,880	2,881,833	(1,798,898)	-	27,992,815
Infrastructure assets	29,221,488	3,058,198	-	-	32,279,686
Subtotal	98,795,987	8,755,965	(1,798,898)	-	105,753,054
Net other capital assets	134,652,683	(1,447,953)	(235,279)	917,327	133,886,778
Net capital assets	\$ 139,803,030	\$ (806,992)	\$ (235,279)	\$ -	\$ 138,760,759

Note 3 – Capital Assets (Continued)

Depreciation was charged to functions as follows:

Governmental activities:	
General government	\$ 627,827
Public safety	1,760,584
Public works	4,164,424
Health & welfare	1,834
Recreation & culture	2,195,536
Community improvement	<u>5,760</u>
Total governmental activities depreciation expense	<u>\$ 8,755,965</u>

In fiscal year 2010, the City established the Facilities fund to report activities associated with the repair and maintenance of City facilities. The capital contribution in the Facilities fund of \$64,551,460 is the net book value of building related assets that were transferred from other Governmental Activities. The Facilities fund is an internal service fund that is classified as a governmental activity on the Government Wide statements, therefore there is no effect on the capital asset tables.

Note 3 – Capital Assets (Continued)

Business-type Activities

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Assets not being depreciated:					
Land	\$ 5,139,592	\$ -	\$ -	\$ -	\$ 5,139,592
Construction in progress	261,475,641	53,234,154	(74,424,286)	-	240,285,509
Total capital assets not being depreciated	<u>266,615,233</u>	<u>53,234,154</u>	<u>(74,424,286)</u>	<u>-</u>	<u>245,425,101</u>
Other capital assets:					
Land improvements	20,578,621	-	-	-	20,578,621
Buildings	25,730,114	-	-	-	25,730,114
Equipment	4,641,080	14,450	(62,836)	-	4,592,694
Water system	80,909,604	2,729,985	(166,885)	-	83,472,704
Sewer system	50,770,087	2,494,562	(38,543)	-	53,226,106
Subtotal	<u>182,629,506</u>	<u>5,238,997</u>	<u>(268,264)</u>	<u>-</u>	<u>187,600,239</u>
Accumulated depreciation:					
Land improvements	4,704,874	676,720	-	-	5,381,594
Buildings	10,769,328	568,356	-	-	11,337,684
Equipment	2,873,981	307,875	(58,737)	-	3,123,119
Water system	37,248,076	1,089,782	(162,686)	-	38,175,172
Sewer system	25,585,722	608,891	(38,464)	-	26,156,149
Subtotal	<u>81,181,981</u>	<u>3,251,624</u>	<u>(259,887)</u>	<u>-</u>	<u>84,173,718</u>
Net other capital assets	<u>101,447,525</u>	<u>1,987,373</u>	<u>(8,377)</u>	<u>-</u>	<u>103,426,521</u>
Net capital assets	<u>\$ 368,062,758</u>	<u>\$ 55,221,527</u>	<u>\$ (74,432,663)</u>	<u>\$ -</u>	<u>\$ 348,851,622</u>

Depreciation was charged to functions as follows:

Business-type activities:

Parking System	\$ 569,074
Housing	269,035
Golf Course	258,908
Sewer	975,489
Water	<u>1,179,118</u>

Total business-type activities depreciation expense \$ 3,251,624

Note 4 – Long-term Debt

Outstanding Debt

The following is a summary of the debt outstanding of the City as of June 30, 2010:

	Principal Outstanding	
	Governmental Activities	Business-type Activities
2007 General Obligation Unlimited Tax Refunding Bonds, 3.5% to 4.0%, dated April 5, 2007	\$ 6,102,361	\$ -
2004 General Obligation Limited Tax Refunding Bonds, 2.00% to 4.00%, dated April 23, 2004	4,709,673	
2008 General Obligation Limited Tax Refunding Bonds, 3.25% to 3.75%, dated February 7, 2008	2,891,638	
2004 Capital Improvement General Obligation Limited Tax Bonds, Series A (Non-taxable), 2.75% to 4.55%, dated June 24, 2004		5,334,787
2004 Capital Improvement General Obligation Limited Tax Bonds, Series B (Taxable), 5.90% to 6.00%, dated June 24, 2004		694,434
2006 General Obligation Limited Tax Refunding Bonds, (Taxable), 5.5% to 5.8%, dated April 25, 2006		2,457,769
2008 General Obligation Limited Tax Refunding Bonds, 3.25% to 3.75% dated February 7, 2008		1,761,731
Sewage Disposal System Revenue Bonds, 2%, dated February 9, 1990		235,000
Sewage Disposal System Revenue Bonds, 2%, dated September 29, 1994		705,000
Sewage Disposal System Revenue Refunding Bonds, 2.0% to 4.0%, dated February 17, 2004		9,796,788
Sewage Disposal System Revenue Bonds, 2.25%, dated September 28, 1995		45,000
Sewage Disposal System Revenue Bonds, 2.5%, dated March 28, 2002		4,230,000

Note 4 – Long-term Debt (continued)

Outstanding Debt

The following is a summary of the debt outstanding of the City as of June 30, 2010:

	Principal Outstanding	
	Governmental Activities	Business-type Activities
2004 Sewage Disposal System General Obligation Unlimited Tax Bonds, 3.0% to 5.0%, dated October 1, 2004		21,762,010
2004 Sewage Disposal System General Obligation Unlimited Tax Bonds, 2.125%, dated September 23, 2004		36,424,705
2005 Sewage Disposal System General Obligation Unlimited Tax Bonds, 1.625% dated September 12, 2005		50,445,940
2006 Sewage Disposal System General Obligation Unlimited Tax Bonds, 1.625%, dated June 22, 2006		6,072,836
2007 Sewage Disposal System General Obligation Unlimited Tax Bonds, 1.625% dated September 20, 2007		69,369,825
Subtotal	13,703,672	209,335,825
Accumulated sick, vacation and PTO benefits	6,738,751	586,394
Total	<u>\$ 20,442,423</u>	<u>\$ 209,922,219</u>

City of Dearborn, Michigan

Notes to Financial Statements June 30, 2010

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, 2010 the City's general obligation debt margin amounted to approximately \$281,000,000.

Changes in Long-term Debt

The following is a summary of long-term debt transactions of the City for the year ended June 30, 2010:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Bonds & notes payable - General obligation bonds	\$ 17,024,420	\$ -	\$ (3,320,748)	\$ 13,703,672	\$ 3,393,783
Other liabilities - Compensated absences	4,191,443	2,631,782	(84,474)	6,738,751	147,114
Total governmental activities	<u>\$ 21,215,863</u>	<u>\$ 2,631,782</u>	<u>\$ (3,405,222)</u>	<u>\$ 20,442,423</u>	<u>\$ 3,540,897</u>

Business-type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Bonds & notes payable - General obligation bonds	\$ 164,795,188	\$ 37,008,544	\$ (7,479,695)	\$ 194,324,037	\$ 11,901,217
Revenue bonds	17,092,084	-	(2,080,296)	15,011,788	2,160,000
Subtotal	181,887,272	37,008,544	(9,559,991)	209,335,825	14,061,217
Other liabilities - Compensated absences	614,938	39,760	(68,304)	586,394	-
Total business-type activities	<u>\$ 182,502,210</u>	<u>\$ 37,048,304</u>	<u>\$ (9,628,295)</u>	<u>\$ 209,922,219</u>	<u>\$ 14,061,217</u>

Compensated absences have historically been liquidated through the General fund.

Note 4 – Long-term Debt (Continued)

Debt Service Requirements

The annual requirements to service all debt outstanding as of June 30, 2010 (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
2011	\$ 3,426,404	\$ 519,965	\$ 14,022,941	\$ 4,731,943
2012	3,512,024	400,839	14,208,240	4,446,508
2013	3,584,263	266,416	14,526,190	4,124,236
2014	1,554,423	118,712	14,855,465	3,797,452
2015	818,279	64,400	15,156,716	3,461,082
2016-2020	808,279	32,000	70,792,487	12,290,050
2021-2025	-	-	54,078,735	5,464,024
2026-2030	-	-	6,076,101	2,175,467
2031-2035	-	-	5,618,950	695,975
Total	<u>\$ 13,703,672</u>	<u>\$ 1,402,332</u>	<u>\$ 209,335,825</u>	<u>\$ 41,186,737</u>

Description of Long-term Debt

Primary Government

On March 18, 1998, the City of Dearborn Municipal Building Authority issued \$11,975,000 of General Obligation Limited Tax Bonds. A total of \$8,500,000 of the bond proceeds was used to finance the cost of expansion and renovation of Adray Ice Arena, Ford Woods Park and the Cultural Center HVAC Powerhouse. The remaining \$3,475,000 was used to refund \$3,140,000 of the \$3,653,100 outstanding City of Dearborn Municipal Building Authority Golf Course Limited Tax General Obligation Bonds. Those proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Golf Course Limited Tax General Obligation Bonds. As a result, at June 30, 2010, \$1,950,000 of bonds are considered to be defeased and the liability for the bonds has been removed from the Enterprise Funds balance sheet.

On February 7, 2008, the City of Dearborn issued \$5,525,000 in General Obligation Unlimited Tax Bonds with interest rates that range from 3.25% to 3.75%. The proceeds from these bonds along with an additional contribution from the Building Authority Funds, were used to advance refund \$5,500,000 of the General Obligation Unlimited Tax Bonds that were issued March 18, 1998. The net proceeds of \$5,607,390 (net of underwriting fees, insurance and issuance costs) were used to purchase U.S. Certificates of Indebtedness – State and Local Government Securities (SLGS). Those securities were deposited into an irrevocable trust with an escrow agent and subsequently used to pay off the bonds on May 1, 2008. The advance refunding reduces total debt service payments over the next 12 years by approximately \$423,000 which represents an economic gain of approximately \$288,000.

Note 4 – Long-term Debt (Continued)

On June 11, 1998, the City of Dearborn issued \$23,860,000 of General Obligation Unlimited Tax Bonds to finance the expansion and renovation of the Civic Center.

On April 5, 2007, the City of Dearborn issued \$9,840,000 in General Obligation Unlimited Tax Bonds with interest rates that range from 3.5% to 4.0%. The proceeds from these bonds along with an additional contribution from the General Debt Service Fund, were used to advance refund \$9,975,000 of the General Obligation Unlimited Tax Bonds that were issued June 11, 1998. The net proceeds of \$10,125,831 (net of underwriting fees, insurance and issuance costs) were used to purchase U.S. Certificates of Indebtedness – State and Local Government Securities (SLGS). Those securities were deposited into an irrevocable trust with an escrow agent and subsequently used to pay off the bonds on June 1, 2007. The advance refunding reduces total debt service payments over the next 12 years by approximately \$650,000 which represents an economic gain of approximately \$323,000.

On November 15, 1995, the City of Dearborn Municipal Building Authority issued \$12,000,000 of General Obligation Limited Tax Bonds to finance the cost of expansion and renovation of the police station and court facility.

On April 23, 2004 the City of Dearborn issued \$8,630,000 in General Obligation Limited Tax Bonds with interest rates that range from 2.0% to 4.0%. The proceeds from these bonds were used to advance refund \$8,475,000 of the outstanding Municipal Building Authority General Obligation Unlimited Tax Bonds that were issued November 15, 1995. The net proceeds of \$8,766,702 (net of underwriting fees, insurance and issuance costs) were used to purchase U.S. Treasury Securities. Those securities were deposited into an irrevocable trust with an escrow agent and subsequently used to pay off the bonds, including a call premium, on June 1, 2004. The advance refunding reduces total debt service payments over the next 12 years by approximately \$512,500 which represents an economic gain of approximately \$435,000.

On June 24, 2004 the City of Dearborn issued \$13,260,000 of Limited Tax General Obligation Bonds, Series A and \$930,000 in Limited Tax General Obligation Bonds, Series B (Taxable) for the purpose of paying for the cost of acquiring, constructing, installing and equipping certain capital and technology improvements. \$11,260,000 of the Series A (non-taxable) as well as all \$930,000 of the Series B (taxable) bonds was used to construct parking decks, renovate existing lots and implement a paid parking system. The remaining \$2,000,000 of Series A (nontaxable) bonds was used for technology upgrades to various City facilities. These 15-year bonds have interest rates that range from 2.75% to 4.55% for the non taxable and 5.9% to 6.00% for the taxable bonds. The City is obligated to pay interest commencing December 1, 2004 and semiannually thereafter. The first principal payment is due on June 1, 2005 and will continue through June 2019.

Note 4 – Long-term Debt (Continued)

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

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

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

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

On February 17, 2004 the City of Dearborn issued \$18,230,000 in Sewage Disposal System Revenue Refunding Bonds, Series 2004 with interest rates that range from 2.0% to 4.0%. The proceeds from these bonds were used to refund \$18,270,000 of outstanding Sewage Disposal System Revenue Bonds, Series 1995A. The proceeds were used to purchase U.S. Certificates of Indebtedness – State and Local Government Securities (SLGS). Those securities were deposited into an irrevocable trust with an escrow agent and subsequently used to pay off the bonds, including a call premium, on April 1, 2004. The advance refunding reduces total debt service payments over the next 13 years by approximately \$1,927,000 which represents an economic gain of approximately \$1,580,000.

Note 4 – Long-term Debt (Continued)

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 \$11,312,600. During the current year, net revenues of the system were \$4,563,399 compared to the annual debt requirements of \$1,906,900 for these bonds.

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

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

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

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

Note 4 – Long-term Debt (Continued)

continue to be due April 1 through 2027. As of June 30, 2010 the City has drawn down \$44,104,705 of the total authorized amount.

On September 12, 2005, the City of Dearborn and the Michigan Municipal Bond Authority entered into an agreement whereby the City of Dearborn would issue, and the Michigan Municipal Bond Authority would purchase, up to \$72,895,000 in principal of General Obligation Sewer Bonds, Series 2005 (Unlimited Tax General Obligation) for the construction of the Combined Sewer Overflow project. The City is obligated to pay interest at 1.625 percent per annum commencing April 1, 2006 and semiannually thereafter. The first principal payment is due April 1, 2009 and will continue to be due April 1 through 2028. As of June 30, 2010 the City has drawn down \$56,725,940 of the total authorized amount.

On June 22, 2006, the City of Dearborn and the Michigan Municipal Bond Authority entered into an agreement whereby the City of Dearborn would issue, and the Michigan Municipal Bond Authority would purchase, up to \$7,450,000 in principal of General Obligation Sewer Bonds, Series 2006 (Unlimited Tax General Obligation) for the construction of the Combined Sewer Overflow project. The City is obligated to pay interest at 1.625% per annum commencing October 1, 2006 and semiannually thereafter. The first principal payment is due April 1, 2008 and will continue to be due April 1 through 2027. As of June 30, 2010 the City has drawn down \$7,047,836 of the total authorized amount.

On September 20, 2007, the City of Dearborn and the Michigan Municipal Bond Authority entered into an agreement whereby the City of Dearborn would issue, and the Michigan Municipal Bond Authority would purchase, up to \$99,360,000 in principal of General Obligation Sewer Bonds, Series 2007 (Unlimited Tax General Obligation) for the construction of the Combined Sewer Overflow project. The City is obligated to pay interest at 1.625% per annum commencing October 1, 2007 and semiannually thereafter. The first principal payment is due April 1, 2011 and will continue to be due April 1 through 2030. As of June 30, 2010 the City has drawn down \$69,369,825 of the total authorized amount.

Note 4 – Long-term Debt (Continued)

Changes in Long-term Debt - Component Units

The following is a summary of long-term debt transactions of the component units for the year ended June 30, 2010:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
2009 General Obligation Limited Tax Redevelopment Bonds, Series A (Non-taxable) 5.00% to 5.50%, dated November 10, 2009	\$ -	\$ 9,678,074	-	\$ 9,678,074	-
2009 General Obligation Limited Tax Redevelopment Bonds, Series B (Taxable) 3.10% to 4.75%, dated November 12, 2009	-	1,005,000	-	1,005,000	-
Loan due to DCC (see Note 13)	900,000	117,930	-	1,017,930	-
Subtotal	\$ 900,000	\$ 10,801,004	\$ -	\$ 11,701,004	\$ -
Other Liabilities - Compensated Absences	11,471	-	(11,339)	132	-
Total Component Unit Activities	<u>\$ 911,471</u>	<u>\$ 10,801,004</u>	<u>\$ (11,339)</u>	<u>\$ 11,701,136</u>	<u>\$ -</u>

Debt Service Requirements – Component Units

The annual requirements to service all component unit debt outstanding as of June 30, 2010 (excluding sick, vacation and PTO benefits), including both principal and interest, are as follows:

Year Ending June 30	Component Units	
	Principal	Interest
2011	\$ -	\$ 565,603
2012	165,121	565,603
2013	185,446	559,868
2014	292,512	552,848
2015	302,801	544,848
2016-2020	1,653,919	2,567,963
2021-2025	1,810,355	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>\$ 11,701,004</u>	<u>\$ 10,956,558</u>

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, 2010 represent interfund receivables and payables:

Receivable Fund	Payable Fund	Amount
Due from/to Other Funds		
General	Parking System	\$ 28,281
	Sewer	224
	Water	607
	Nonmajor governmental funds	986,650
	Nonmajor enterprise funds	64
	Internal service funds	747,582
	Total General Fund	<u>1,763,408</u>
Capital Projects	General	7,640
	Water	3,708
	Total Capital Projects	<u>11,348</u>
Nonmajor governmental funds	General	101,764
	Capital Projects	310
	Sewer	506
	Water	1,847
	Nonmajor governmental funds	200,505
	Total Nonmajor governmental funds	<u>304,932</u>
Water	General	2,745
Fiduciary agency funds	Capital Projects	6,220
	Sewer	1,544
	Total Fiduciary agency funds	<u>7,764</u>
Total		<u><u>\$ 2,090,197</u></u>
Due from/to Component Units		
General	Component units	\$ 4,565
Component units	Fiduciary agency funds	4,097
Total		<u><u>\$ 8,662</u></u>
Advances from/to Other Funds		
General	Capital Projects	<u><u>\$ 171,801</u></u>

The advances to other funds include the following:

- The balance of \$171,801 due to the General fund from the Capital Projects fund resulted from a loan to establish working capital for the passenger rail station project; the balance will be collected as grant monies are received.

Note 5 - Interfund Receivables and Payables (Continued)

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, 2010 represent interfund transfers in and out:

Transferred In Fund	Transferred Out Fund	Amount
General	Nonmajor governmental funds	\$ 25,000
	Capital Projects	1,000,000
	Parking system	500,000
	Internal service funds	500,000
	Total General	<u>2,025,000</u>
Capital Projects	General	405,500
	Nonmajor governmental funds	161,493
	Sewer	6,135
	Water	6,135
	Total Capital Projects	<u>579,263</u>
Nonmajor governmental funds	General	2,718,502
	Nonmajor governmental funds	3,360,081
	Total Nonmajor governmental funds	<u>6,078,583</u>
Water	Nonmajor governmental funds	1,133,238
Nonmajor enterprise funds	General	175,534
Internal service funds	General	250,000
	Nonmajor governmental funds	143,277
	Capital Projects	2,019,939
	Total internal service funds	<u>2,413,216</u>
Total		<u><u>\$ 12,404,834</u></u>

Note 6 – Interfund Transfers (Continued)

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

In the year ended June 30, 2010, the Capital Projects fund transferred \$1,000,000, the Parking Systems fund transferred \$500,000 and the Workers' Compensation fund transferred \$500,000 in excess equity to the General fund.

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

At June 30, 2009, the date of the most recent actuarial valuation, membership consisted of the following:

	General Employees	Revised Police and Fire	Policemen's and Firemen's
Retirees and beneficiaries currently receiving benefits	569	292	101
Terminated employees entitled to benefits but not yet receiving them	74	7	-
Current active employees	319	269	-

Note 7 – Pension and Other Postemployment Plans (Continued)

Contributions

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

The obligation to contribute to and maintain the systems for these employees was established by negotiations with the City's competitive bargaining units. Police employees participating in the Revised Police and Fire Retirement System contribute five percent of covered wages, and Fire employees contribute six percent. General employees participating in the General Employees' Retirement System do not pay into their pension system.

Annual Pension Cost

For the year ended June 30, 2010, the City's annual pension cost of \$9,719,719 for the three plans was equal to the City's required and actual contributions. The annual required contribution was determined as part of an actuarial valuation at June 30, 2008, using the entry age normal method. Significant actuarial assumptions used include (a) a 7.00 to 7.25 percent investment rate of return and (b) projected salary increases of 3.75 percent to 7.05 percent per year, depending on the system. Both (a) and (b) include an inflation component of 3.75 percent to 4.50 percent depending on the system. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. Remaining amortization periods are: Chapter 21 plan – 0 years; Chapter 22 plan – 25 years; Chapter 23 plan – 21 years. Unfunded actuarial accrued liability for the three pension plans as of June 30, 2009, is as follows:

Chapter 21 plan	-
Chapter 22 plan	\$23,181,434
Chapter 23 plan	\$25,948,272

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

Chapter 21 Plan

	Fiscal Year Ended June 30,		
	2008	2009	2010
Annual pension cost	\$0	\$0	\$0
Percentage of APC contributed	N/A	N/A	N/A
Net pension obligation	-	-	-

Note 7 – Pension and Other Postemployment Plans (Continued)

Chapter 22 Plan

	Fiscal Year Ended June 30,		
	2008	2009	2010
Annual pension cost	\$4,188,718	\$3,922,488	\$3,715,449
Percentage of APC contributed	100	100	100
Net pension obligation	-	-	-

Chapter 23 Plan

	Fiscal Year Ended June 30,		
	2008	2009	2010
Annual pension cost	\$6,772,131	\$6,473,115	\$6,004,270
Percentage of APC contributed	100	100	100
Net pension obligation	-	-	-

Funded Status and Funding Progress

	Actuarial Valuation as of June 30, 2009		
	Chapter 21	Chapter 22	Chapter 23
Actuarial value of assets	\$ 34,705,573	\$ 140,164,523	\$ 249,625,192
Actuarial accrued liability	24,504,260	163,345,957	275,573,419
Unfunded AAL	(10,201,277)	23,181,434	25,948,272
Funded ratio	141.6%	85.8%	90.6%
Covered payroll	N/A	18,360,000	21,190,000
UAAL as a percentage of covered payroll	N/A	126.3%	122.5%

Reserves

In accordance with legal requirements, the pension plans segregate member contributions and accumulated interest. As of June 30, 2010, the reserves are fully funded as follows:

Chapter 21 plan	None Required
Chapter 22 plan	\$ 869,038
Chapter 23 plan	\$ 11,293,688

Note 7 – Pension and Other Postemployment Plans (Continued)

Financial Statement Information

As of June 30, 2010 the Statement of Net Assets for the three pension plans is as follows:

	General Employees' Retirement System Fund	Revised Police & Fire Retirement System Fund	Policemen's & Firemen's Retirement System Fund
Assets			
Cash and cash equivalents	\$ 67,292	\$ 67,153	\$ 33,577
Investments - short-term	9,742,449	16,820,887	2,766,235
Receivables:			
Interest and dividends	201,740	292,704	72,899
Other	117,231	208,607	-
Investments, at fair value:			
Long-term bonds	56,701,341	76,315,946	17,725,805
Common stock	13,035,630	50,972,051	4,624,541
Collateral pledged on securities loaned	2,440,959	4,861,368	389,990
Real estate	4,465,641	7,937,868	1,439,245
Mutual funds	42,098,040	80,537,399	5,115,139
Total investments	<u>118,741,611</u>	<u>220,624,632</u>	<u>29,294,720</u>
 Total assets	 <u>128,870,323</u>	 <u>238,013,983</u>	 <u>32,167,431</u>
Liabilities			
Accounts payable	2,679,237	13,536,866	34,321
Deferred revenue	-	23,485	-
Amounts due to broker under securities lending agreement	2,440,959	4,861,368	389,990
Other	-	10,494	2,411,772
Total liabilities	<u>5,120,196</u>	<u>18,432,213</u>	<u>2,836,083</u>
Net Assets			
Held in trust for pension benefits and other employee benefits	<u>\$ 123,750,127</u>	<u>\$ 219,581,770</u>	<u>\$ 29,331,348</u>

Note 7 – Pension and Other Postemployment Plans (Continued)

For the year ended June 30, 2010 the Statement of Changes in Net Assets for the three pension plans is as follows:

	General Employees' Retirement System Fund	Revised Police & Fire Retirement System Fund	Policemen's & Firemen's Retirement System Fund
Additions			
Investment income:			
Interest and dividends	\$ 2,839,255	\$ 4,444,405	\$ 790,808
Net increase in value of investments	11,765,390	21,351,358	2,681,581
Net investment income	<u>14,604,645</u>	<u>25,795,763</u>	<u>3,472,389</u>
Contributions:			
Employer	3,715,449	6,004,270	-
Employee	-	1,075,861	-
Reimbursements	-	-	-
Total contributions	<u>3,715,449</u>	<u>7,080,131</u>	<u>-</u>
Total additions	18,320,094	32,875,894	3,472,389
Deductions			
Benefit payments	9,405,126	12,465,989	3,187,394
Refunds of contributions	54,626	909,033	-
Administrative expenses	356,470	768,006	101,238
Total deductions	<u>9,816,222</u>	<u>14,143,028</u>	<u>3,288,632</u>
Change in Net Assets	8,503,872	18,732,866	183,757
Net Assets - Beginning of Year	115,246,255	200,848,904	29,147,591
Net Assets - End of Year	<u>\$ 123,750,127</u>	<u>\$ 219,581,770</u>	<u>\$ 29,331,348</u>

Note 7 – Pension and Other Postemployment Plans (Continued)

Municipal Employees' Retirement System of Michigan

Plan Description

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

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's collective bargaining units and requires a contribution from the employees of five percent of gross wages for Police and Fire employees.

Annual Pension Cost

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

	Fiscal Year Ended June 30,	
	2009	2010
Annual required contribution (recommended)	\$ 86,208	\$ 371,921
Interest on net pension obligation	-	1,056
Annual pension cost	86,208	372,977
Amounts contributed:		
Payments of current expenses	(73,005)	(371,921)
Increase in net pension obligation	13,203	1,056
Pension obligation - beginning of the year	-	13,203
Pension obligation - end of the year	\$ 13,203	\$ 14,259

	Fiscal Year Ended June 30,	
	2009	2010
Annual pension cost	\$ 86,208	\$ 372,977
Percentage of APC contributed	84.7%	99.7%
Net pension obligation	\$ 13,203	\$ 14,259

Note 7 – Pension and Other Postemployment Plans (Continued)

Funded Status and Funding Progress

	<u>Actuarial Valuation as of:</u>
	<u>12/31/2009</u>
Actuarial value of assets	\$1,445,547
Actuarial accrued liability	925,521
Unfunded actuarial accrued liability	(520,026)
Funded ratio	156.2%
Annual covered payroll	2,866,665
Ratio of UAAL to covered payroll	18.1%

Actuarial Methods and Assumptions

	<u>Actuarial Valuation as of:</u>
	<u>12/31/2009</u>
Actuarial cost method	Entry age normal
Asset valuation method	10-year smoothed market
Amortization method	Level percentage of payroll
Actuarial assumptions:	
Investment rate of return*	8%
Projected salary increases*	4.5%
*Includes inflation at cost of living adjustment	3 to 4 %

Note 7 – Pension and Other Postemployment Plans (Continued)

Other Postemployment Benefit (OPEB) Obligations

Plan Description

The City of Dearborn established the Postemployment Health Insurance fund pursuant to Public Act 149 of 1999 to provide for future payments of medical benefits for eligible employees and their spouses and dependents. Substantially all employees may become eligible for these benefits through age and years of service. At June 30, 2010 there were 852 retirees or surviving beneficiaries eligible for 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. However, as shown below, the City has made contributions to advance-fund these benefits as determined by the City Council through annual budget resolutions. The costs of administering the plan are borne by the trust.

Funding Progress

For the year ended June 30, 2010 the City has estimated the cost of providing retiree health care benefits through an actuarial valuation as of June 30, 2008. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. Based on that valuation, the City contributed \$13,712,920 in the year ended June 30, 2010 which represents 104.9% of the annual required contribution. An additional \$338,788 was contributed from the Federal Government. This represents an additional 2.6% of the annual required contribution.

Annual required contribution (recommended)	\$ 12,997,215
Interest on the prior year's net OPEB obligation	255,881
Less adjustment to the annual required contribution	<u>(186,837)</u>
Annual OPEB cost	13,066,259
Amounts contributed:	
Payments of current expenses and other adjustments	(13,121,952)
Advance funding - City contribution	(590,968)
Advance funding - Medicare reimbursement	<u>(338,788)</u>
Decrease in net OPEB obligation	(985,449)
OPEB obligation - beginning of the year	<u>6,726,109</u>
OPEB obligation - end of the year	<u><u>\$ 5,740,660</u></u>

Note 7 – Pension and Other Postemployment Plans (Continued)

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

	Fiscal Year Ended June 30,		
	2008	2009	2010
Annual OPEB Costs	\$ 12,971,247	\$ 13,047,957	\$ 13,066,259
Percentage contributed:			
City of Dearborn	67.9%	73.9%	104.9%
Federal Government	3.5%	3.0%	2.6%
Total contributions	71.4%	76.9%	107.5%

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

Valuation as of June 30, 2008:

Actuarial value of assets	\$	31,694,559
Actuarial accrued liability	\$	186,800,723
Unfunded AAL	\$	155,106,164
Funded ratio		17.0%
Annual covered payroll	\$	49,091,039
Ratio of UAAL to covered payroll		316.0%

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

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

Note 7 – Pension and Other Postemployment Plans (Continued)

In the June 30, 2008 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 7.25 percent investment rate of return (net of administrative expenses), which is the expected long-term investment return on plan assets, and an annual healthcare cost trend rate of 10 percent initially, reduced to an ultimate rate of 3.75 percent after ten years. The actuarial value of assets was equal to the market value of investments. The UAAL is being amortized as a level percentage of projected payroll on a closed basis over 28 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, 2010 was approximately \$45,000.

Note 8 – Deferred Compensation Plan

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

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

Note 9 – Risk Management

Commercial Insurance

The City purchases commercial medical and hospitalization insurance coverage 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.

Note 9 – Risk Management (Continued)

Unemployment Compensation

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

Workers' Compensation

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

Employee Insurance

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

Fleet and General Liability Insurance Fund

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

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

Note 9 – Risk Management (Continued)

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

	Unemployment Compensation	Workers' Compensation	Employee Insurance	Fleet & General Liability
Claims liability - July 1, 2008	\$ -	\$ 1,985,982	\$ 365,671	\$ 881,037
Claims incurred during the year	111,087	568,708	16,171,211	1,301,209
Changes in estimates for claims of prior periods	-	(1,047,739)	328,071	(79,723)
Payments on claims	<u>(111,087)</u>	<u>(49,710)</u>	<u>(16,171,211)</u>	<u>(570,014)</u>
Claims liability - June 30, 2009	-	1,457,241	693,742	1,532,509
Claims incurred during the year	92,389	169,119	15,929,029	1,501,950
Changes in estimates for claims of prior periods	-	(218,155)	(479,647)	2,320,996
Payments on claims	<u>(92,389)</u>	<u>(49,038)</u>	<u>(15,929,029)</u>	<u>(2,822,946)</u>
Claims liability - June 30, 2010	<u>\$ -</u>	<u>\$ 1,359,167</u>	<u>\$ 214,095</u>	<u>\$ 2,532,509</u>

Note 10 – Claims, Litigation and Potential Contract Disallowances

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

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

The City receives funds from other governmental units to finance specific programs. The final determination of allowable amounts is subject to financial and compliance audit by the responsible agencies. As of June 30, 2010, the audits of certain programs were not completed. Accordingly, the City's compliance with applicable grant requirements and the amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time. The City believes that amounts disallowed, if any, from pending or future audits would not be material.

Note 11 – Commitments for Construction – Proprietary Funds

The Michigan Department of Natural Resources and Environment (MDNRE) issued a revised National Pollution Discharge Elimination System (NPDES) Permit to the City on July 1, 2010 (Permit No. M10025542). It is anticipated that the new basis of design and construction approach will yield cost savings in relation to the original plan both in the cost to build and in the ongoing cost to operate the system. However, unplanned debt of approximately \$100 million will be needed to complete all the Federally mandated projects by the year 2030. The new permit describes requirements for the elimination of Combined Sewer Overflow (CSO) discharges from Outfalls 1-17 and Outfalls 19-21. The City is authorized to issue up to \$314.12 million in bonds to finance this project in combination with Rouge River Wet Weather Demonstration grants and other grants. State Revolving Fund low-interest loans are the preferred financing method and will be pursued to the extent available. The new permit includes more sewer separation projects instead of retention type facilities. Sewer separation involves the removal and replacement of roadways and water lines in addition to the two new sewer lines. Therefore, the City is looking at using resources from the Major Street & Trunkline Fund, Local Street Fund, Water Fund, and Sewer Fund to partially fund the separation projects.

Combined Sewer Overflow (CSO) Contract 1, that involves the Chemical Feed Building at Oakwood and Rotunda Drive, is complete. Construction related to Outfalls 13, 14, and 15 began in November of 2004 and consists of a large diameter, sinking caisson shaft to capture the required amount of CSO volumes in accordance with the NPDES Permit. The caisson for CSO Contract 3 (Outfall 014) will be abandoned and the combined sewage from Contract 3 will be transported to the caisson at the Contract 2 site. The caisson at Contract 2, as well as its drainage area, will be re-evaluated to service the drainage from both the Contract 2 and 3 drainage areas (Outfall 013 and 014). CSO Contract 4 is complete with only minor items to close.

Construction for CSO Contract 5 (Outfall 016) and Contract 6 (Outfall 017) began in November of 2005 and consists of a large diameter, sinking caisson shaft to capture the required CSO volumes. Contract 5 is now on hold because of an unacceptable tilt that occurred during the sinking of the caisson. The City intends to abandon the caisson at the Contract 5 site and instead of a caisson, the City plans to install approximately 9,800 l.f. of 8' diameter combined sewer to act as in-system storage. This alternative of constructing an 8' diameter combined sewer is included in the modified NPDES Permit. Per the modified NPDES Permit, the construction for the Contract 5 site (Outfall 016) is to be completed on or before December 31, 2015. Construction for Contract 6 (Outfall 017) is scheduled to be completed on or before January 2, 2011.

Outfall 19 was corrected through a sewer separation project in 2004. Outfall 21 was corrected by the construction of the Miller Road Pump Station in 2005.

Construction for CSO Contract 7 and Contract 8, that are associated with Outfalls 6 through 9, began in December 2007 and are scheduled to be completed by April 2012.

Outfalls 10, 11, and 12 of the CSO are presently sewer separation projects under construction and are scheduled to be completed by December 31, 2010. The final stage of the CSO project, associated with Outfalls 1 through 5, is in the design stage. The sewer separation method of CSO Control will be planned for these Outfalls. Sewer separation for the drainage areas covered by Outfalls 1 through 5 is scheduled to be completed on or before December 31, 2030.

Note 11 – Commitments for Construction – Proprietary Funds (continued)

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.

In August 2004, a ballot proposal was approved by the voters, which authorized the City to borrow up to \$314.12 million in general obligation bonds in order to finance these projects. As of June 30, 2010 approximately \$251 million in State Revolving Fund low interest loan bonds and \$24.5 million in general obligation bonds have been issued.

In addition to the above special construction projects, the City expects to invest approximately \$500,000 annually in Combined Sewer Collection System separation and rehabilitation projects.

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

The non-performing assets from the original tunnel project, and the abandonment of Contract 3 and Contract 5, were estimated to cost \$60 million and were expensed in this fiscal year. The legal issues with the tunnel project and Contract 3 have been resolved while Contract 5 issues are still pending. The litigation recoveries on the settled construction cases were in excess of \$9 million.

The Public Works Engineering Division has a comprehensive water main replacement/reconstruction program. The program was developed with anticipation of construction funding being provided through the Michigan Department of Natural Resources & Environment Drinking Water Revolving Fund (DWRF). To improve the water system of the City of Dearborn, it is expected that between 12,000 and 15,000 linear feet of water mains and related gate valves and fire hydrants will be replaced during the next five years. Construction expenditures are anticipated to be in the range of \$2,500,000 to \$3,000,000 annually and will be funded with DWRF participation and utilization of City Water System resources. For the CSO sewer separation area projects, the corresponding water mains for the same service area will be replaced simultaneously.

Note 12 – Construction Code Fees

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

Shortfall at July 1, 2009		\$ (9,547,580)
Total code enforcement revenue		\$ 2,098,656
Related expenses:		
Direct costs	\$ 3,100,946	
Estimated indirect costs	576,057	
Total code enforcement expenses	<u>3,677,003</u>	
Current year shortfall		<u>(1,578,347)</u>
Shortfall at June 30, 2010		<u><u>\$ (11,125,927)</u></u>

Note 13 – Brownfield Redevelopment Fund

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

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

In October, 2007, the City Council approved BRA Plan #7—Redico Redevelopment project. BRA Plan #7 allowed the BRA to borrow \$600,000 interest-free from the Downriver Community Conference (DCC) and to use the BRA local site remediation revolving fund to repay this loan. The DCC authorized loan amount was increased by \$300,000 in FY09 and up to an additional \$140,000 in FY10. The new approved DCC authorized loan amount is \$1,040,000. The amount drawn against the loan as of June 30, 2010 was \$1,017,930. The first loan payment is due on March 1, 2014.

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.

Note 13 – Brownfield Redevelopment Fund (continued)

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.

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 14 – Defined Contribution Pension Plan

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

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

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

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

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

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

In accordance with the above requirements, the City contributed \$420,573 during the current year and employees contributed \$477,357.

Note 15 – Upcoming Reporting Changes

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental fund-type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated and unreserved will be replaced with five new classifications: nonspendable, restricted, committed, assigned and unassigned. The City currently evaluating the impact this standard will have on the financial statements when adopted. The City will implement Statement No. 54 beginning with the fiscal year ended June 30, 2011.

Required Supplementary Information

City of Dearborn, Michigan

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/2004	42.1	35.0	(7.1)	1.203	-	N/A
6/30/2005	39.1	33.4	(5.7)	1.171	-	N/A
6/30/2006	37.1	31.7	(5.4)	1.170	-	N/A
6/30/2007	36.8	28.6	(8.2)	1.287	-	N/A
6/30/2008	36.6	26.5	(10.1)	1.382	-	N/A
6/30/2009	34.7	24.5	(10.2)	1.416	-	N/A

Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2005	-	N/A
2006	-	N/A
2007	-	N/A
2008	-	N/A
2009	-	N/A
2010	-	N/A

The information presented above was determined as part of the actuarial valuations for the years then ended. Additional information as of June 30, 2009, the latest actuarial valuation, follows:

Actuarial cost method	Fully funded retiree only plan
Asset valuation method	5-year smoothed market
Amortization method	Level dollar
Amortization period	0 years
Actuarial assumptions:	
Investment rate of return	7.00%
Cost of living adjustments	4.50%

City of Dearborn, Michigan

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll
6/30/2004	128.4	139.9	11.5	0.918	22.8	50.4
6/30/2005	129.1	147.1	18.0	0.878	21.6	83.2
6/30/2006	130.1	151.4	21.3	0.859	20.1	105.9
6/30/2007	136.8	155.0	18.2	0.883	19.1	95.2
6/30/2008	141.2	159.0	17.8	0.888	18.7	94.9
6/30/2009	140.2	163.4	23.2	0.858	18.4	126.3

Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2005	3,364,143	100
2006	3,581,494	100
2007	4,415,971	100
2008	4,188,718	100
2009	3,922,488	100
2010	3,715,449	100

The information presented above was determined as part of the actuarial valuations for the years then ended. Additional information as of June 30, 2009, the latest actuarial valuation, follows:

Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	25 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return*	7.25%
Projected salary increases*	3.75% - 7.05%
*Includes inflation at	3.75%
Cost of living adjustment	N/A

City of Dearborn, Michigan

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll
6/30/2004	204.6	210.0	5.4	0.974	21.5	25.1
6/30/2005	205.6	223.0	17.4	0.922	20.7	84.1
6/30/2006	213.7	240.1	26.4	0.890	22.9	115.3
6/30/2007	231.0	252.9	21.9	0.913	20.8	105.3
6/30/2008	246.8	262.5	15.7	0.940	20.6	76.4
6/30/2009	249.6	275.6	26.0	0.906	21.2	122.5

Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2005	4,581,130	100
2006	5,886,916	100
2007	6,124,087	100
2008	6,772,131	100
2009	6,473,115	100
2010	6,004,270	100

The information presented above was determined as part of the actuarial valuations for the years then ended. Additional information as of June 30, 2009, the latest actuarial valuation, follows:

Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	21 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return*	7.25%
Projected salary increases*	3.75%
*Includes inflation at	3.75%
Cost of living adjustment	Varies by labor contract

City of Dearborn, Michigan

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Ratio (Percent) (a/b)	Covered Payroll (c)	Percentage of Covered Payroll
6/30/2005	23.7	223.4	199.7	10.6	47.9	417.2
6/30/2006	27.0	191.3	164.3	14.2	48.3	339.7
6/30/2008	31.7	186.8	155.1	17.0	49.1	316.0
6/30/2009	Next planned actuarial valuation will be for 6/30/2010.					

Schedule of Employer Contributions

Year Ended June 30,	Actual Valuation Date	Annual Required Contribution	Percentage Contributed
2007	6/30/2005	\$ 15,868,774	51.5
2008	6/30/2006	12,971,247	67.9
2009	6/30/2006	12,971,247	73.9
2010	6/30/2008	12,997,215	104.9

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of June 30, 2008 the latest actuarial valuation, follows:

Actuarial cost method	Individual entry age
Amortization method	Level percent closed
Amortization period	28 years
Asset valuation method	Market
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases	3.75% - 7.8%
Health care cost trend rate	10% Initial 3.75% Ultimate

City of Dearborn, Michigan

Budgetary Comparison Schedule – General Fund Year Ended June 30, 2010

	Budgeted Amounts		Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
	Original	Final				
Revenues						
Taxes and Penalties on Taxes						
Current property taxes	\$ 63,807,234	\$ 63,807,234	\$ 61,518,400	(2,288,834)	\$ -	\$ 61,518,400
Property tax administration fee	2,154,000	2,154,000	2,246,441	92,441	-	2,246,441
Penalties and interest on taxes	1,500,000	1,500,000	594,088	(905,912)	-	594,088
Payments in lieu of taxes	1,071,050	1,071,050	565,813	(505,237)	-	565,813
Total taxes and penalties on taxes	68,532,284	68,532,284	64,924,742	(3,607,542)	-	64,924,742
Licenses and Permits						
Business licenses and permits	277,000	277,000	241,693	(35,307)	-	241,693
Nonbusiness licenses and permits	1,741,431	1,741,431	1,214,628	(526,803)	-	1,214,628
Total licenses and permits	2,018,431	2,018,431	1,456,321	(562,110)	-	1,456,321
Intergovernmental Revenues						
State sources:						
Sales and use tax	9,154,045	9,154,045	8,005,487	(1,148,558)	-	8,005,487
Liquor licenses	65,000	65,000	69,070	4,070	-	69,070
Operators' licenses	3,500	3,500	2,804	(696)	-	2,804
Judges' salaries	138,000	138,000	137,172	(828)	-	137,172
Alcohol caseload rebate	25,000	25,000	18,889	(6,111)	-	18,889
Other state sources	504,128	531,867	462,995	(68,872)	-	462,995
Total state sources	9,889,673	9,917,412	8,696,417	(1,220,995)	-	8,696,417
Other governmental:						
Federal grants	80,000	2,967,763	273,431	(2,694,332)	-	273,431
Wayne County library fines	101,480	101,480	87,824	(13,656)	-	87,824
Other organizations	90,000	90,000	118,062	28,062	-	118,062
Total other governmental	271,480	3,159,243	479,317	(2,679,926)	-	479,317
Total intergovernmental revenues	10,161,153	13,076,655	9,175,734	(3,900,921)	-	9,175,734
Charges for Services						
General government:						
Birth and death records	240,000	240,000	198,079	(41,921)	-	198,079
City service fee	1,038,550	1,038,550	1,038,550	-	-	1,038,550
Other	1,208,465	1,197,639	733,549	(464,090)	-	733,549
Total general government	2,487,015	2,476,189	1,970,178	(506,011)	-	1,970,178
Public safety:						
Ambulance services	1,720,000	1,720,000	1,684,075	(35,925)	-	1,684,075
Additional police patrols	115,000	115,000	160,093	45,093	-	160,093
False alarms	40,000	40,000	27,950	(12,050)	-	27,950
Other	976,100	976,100	881,888	(94,212)	-	881,888
Total public safety	2,851,100	2,851,100	2,754,006	(97,094)	-	2,754,006
Health						
	137,950	137,950	205,078	67,128	-	205,078
Public works:						
Debris and rubbish pickup	10,000	10,000	6,185	(3,815)	-	6,185
Total public works	10,000	10,000	6,185	(3,815)	-	6,185
Recreation and culture:						
Programs and activities sales	521,865	521,865	454,631	(67,234)	-	454,631
Sales	295,027	295,027	274,370	(20,657)	-	274,370
Use and admission fees	1,898,112	1,898,112	1,844,214	(53,898)	-	1,844,214
Total recreation and culture	2,715,004	2,715,004	2,573,215	(141,789)	-	2,573,215
Total charges for services	8,201,069	8,190,243	7,508,662	(681,581)	-	7,508,662
Fines and Forfeitures						
Parking fines	\$ 410,000	\$ 410,000	\$ 288,658	\$ (121,342)	\$ -	\$ 288,658
19th District Court fines	2,969,650	2,969,650	2,759,605	(210,045)	-	2,759,605
Library fines and forfeits	101,000	101,000	97,947	(3,053)	-	97,947
Other fines and forfeits	6,250	6,250	7,553	1,303	-	7,553
Total fines and forfeitures	3,486,900	3,486,900	3,153,763	(333,137)	-	3,153,763
Miscellaneous Revenue						
Franchise fees	19,920	19,920	19,917	(3)	-	19,917
Rents and lease agreements	2,971,934	2,971,934	3,153,364	181,430	-	3,153,364
Reimbursements	6,765	164,218	190,724	26,506	-	190,724
Other revenue	290,880	296,438	285,598	(10,840)	-	285,598
Total miscellaneous revenue	3,289,499	3,452,510	3,649,603	197,093	-	3,649,603
Investment Income						
	662,114	662,114	518,024	(144,090)	-	518,024
Total revenues	96,351,450	99,419,137	90,386,849	(9,032,288)	-	90,386,849

City of Dearborn, Michigan

Budgetary Comparison Schedule – General Fund Year Ended June 30, 2010

	Budgeted Amounts		Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
	Original	Final				
Other Financing Sources						
Building Authority	1,000,000	1,000,000	1,000,000	-	-	1,000,000
East Dearborn Parking System	500,000	500,000	500,000	-	-	500,000
Workers Compensation Fund	500,000	500,000	500,000	-	-	500,000
Designated Purposes Fund	25,000	25,000	25,000	-	-	25,000
Total other financing sources	2,025,000	2,025,000	2,025,000	-	-	2,025,000
Total revenues and other sources	\$ 98,376,450	\$ 101,444,137	\$ 92,411,849	\$ (9,032,288)	\$ -	\$ 92,411,849
Expenditures						
General Government						
Council	\$ 508,512	\$ 508,512	\$ 469,337	\$ 39,175	\$ (494)	\$ 468,843
District Court	3,638,747	3,660,347	3,516,873	143,474	(2,510)	3,514,363
Mayor	915,140	1,020,740	989,519	31,221	(60,616)	928,903
City Clerk	1,028,958	1,028,958	993,247	35,711	(460)	992,787
Law	1,694,332	1,772,332	1,666,864	105,468	(127,093)	1,539,771
Human resources	1,029,114	1,052,449	975,318	77,131	(18,811)	956,507
Public works/building services and maintenance	533,170	525,322	371,912	153,410	(2,197)	369,715
Assessment	1,356,203	1,504,263	1,319,332	184,931	(112,194)	1,207,138
Finance:						
Accounting	1,610,297	1,633,145	1,540,009	93,136	(142)	1,539,867
Purchasing	452,188	452,807	438,392	14,415	-	438,392
Treasurer	848,139	849,672	693,117	156,555	(11,614)	681,503
Total general government	13,614,800	14,008,547	12,973,920	1,034,627	(336,131)	12,637,789
Public Safety						
Police:						
Operations	32,724,735	33,925,587	31,358,098	2,567,489	(11,084)	31,347,014
Ordinance enforcement	637,160	699,660	668,807	30,853	(38,000)	630,807
Fire:						
Operations	17,398,592	17,389,512	17,251,288	138,224	(3,324)	17,247,964
Civil preparedness	150,143	150,143	146,463	3,680	-	146,463
Residential Services	2,198,839	2,279,002	2,061,848	217,154	(8,312)	2,053,536
Commercial Services	1,137,390	1,137,390	942,666	194,724	-	942,666
Neighborhood Services	1,255,160	1,247,445	861,025	386,420	(28,914)	832,111
Total public safety	55,502,019	56,828,739	53,290,195	3,538,544	(89,634)	53,200,561
Public Works						
Administrative	\$ 509,386	\$ 493,992	\$ 444,305	\$ 49,687	\$ (1)	\$ 444,304
Highways	4,644,091	4,407,193	4,131,679	275,514	(3,034)	4,128,645
Central Garage	340,954	448,687	200,102	248,585	(110,022)	90,080
Sanitation	5,297,801	5,431,523	5,178,078	253,445	(13,950)	5,164,128
Line	504,179	556,718	546,643	10,075	(4,297)	542,346
Total public works	11,296,411	11,338,113	10,500,807	837,306	(131,304)	10,369,503
Health and Welfare						
Health	420,997	420,997	394,537	26,460	-	394,537
Recreation and Culture						
Libraries	5,134,235	5,110,832	5,021,366	89,466	(10,514)	5,010,852
Public works	3,693,718	3,683,263	3,510,885	172,378	(123,236)	3,387,649
Recreation:						
Administrative	1,048,048	1,048,623	996,852	51,771	(1,916)	994,936
Programs	955,429	1,011,279	833,980	177,299	(231)	833,749
Outdoor pools	746,777	749,477	639,632	109,845	(3,140)	636,492
Community center:						
Admin/Athletics	2,648,821	2,651,987	2,461,770	190,217	(2,776)	2,458,994
Cultural arts	1,116,155	1,116,155	1,047,140	69,015	(7,074)	1,040,066
Senior services	691,512	686,291	637,989	48,302	-	637,989
Sports arena	1,228,788	1,228,788	1,074,315	154,473	(2,190)	1,072,125
Historical commission	388,866	388,866	339,416	49,450	(3,645)	335,771
Total recreation and culture	17,652,349	17,675,561	16,563,345	1,112,216	(154,722)	16,408,623
Community Improvement						
Community improvement	771,471	914,471	785,402	129,069	(16,000)	769,402
City plan	439,858	439,858	427,668	12,190	(38)	427,630
Total community improvement	1,211,329	1,354,329	1,213,070	141,259	(16,038)	1,197,032
Utilities						
	11,178	11,178	-	11,178	-	-
Capital Outlay						
	620,300	845,027	689,154	155,873	(70,335)	618,819
Total expenditures	100,329,383	102,482,491	95,625,028	6,857,463	(798,164)	94,826,864
Other Uses - Transfers out	2,913,118	3,549,539	3,549,536	3	-	3,549,536
Total expenditures and other uses	\$ 103,242,501	\$ 106,032,030	\$ 99,174,564	\$ 6,857,466	\$ (798,164)	\$ 98,376,400

City of Dearborn, Michigan

Notes to Required Supplementary Information June 30, 2010

Budgetary Accounting and Accountability

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

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

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

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

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

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

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

Encumbrances

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

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

Unrestricted Net Assets Deficit

The golf industry has experienced a greater financial challenge as a result of the poor economic conditions. As a luxury recreation activity, golfing is generally regarded as consuming household discretionary income which has declined for many households. The City of Dearborn is actively addressing the financial challenges of the Golf Course operation and is seeking opportunities to enhance revenue performance and/or reduce costs. The City is committed to the success of the Golf Course fund as a going concern. The advance from the General fund to the Golf Course fund was repaid in fiscal year 2010 as a result of an operating transfer authorized by City Council from the General fund.

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Other Supplementary Information

Special Revenue Funds

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

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

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

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

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

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

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

Debt Service Fund

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

Enterprise Funds

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

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

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

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

Internal Service Funds

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

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

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

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

Workers' Compensation and Employee Insurance Fund – The workers' compensation fund accounts for reserves established to support future expenditures for indemnity claims arising from work-related injuries. The City is self-insured for \$500,000 per occurrence. The employee insurance fund handles employee life and dental insurance. Life insurance coverage is provided by an outside insurance company. Dental insurance is on a reimbursement basis with Delta Dental. The employee insurance fund also includes health insurance for both active employees and retirees.

City of Dearborn, Michigan

Description of Nonmajor Funds Year Ended June 30, 2010

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

Fiduciary Funds

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

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

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

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

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

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

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

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

City of Dearborn, Michigan

					Nonmajor
	Major Street & Trunkline Fund	Local Street Fund	Camp Dearborn Operating Fund	Drug Law Enforcement Fund	Community Development Fund
Assets					
Cash and cash equivalents	\$ 1,520,334	\$ 2,155,645	\$ 1,657,984	\$ 1,936,216	\$ -
Accounts receivable (Net)	63,335	-	77,839	-	-
Property taxes receivable	-	-	-	-	-
Accrued interest receivable	11,310	16,036	12,317	14,196	-
Due from other funds	11,399	293,533	-	-	-
Due from other governments	743,946	215,817	-	-	903,330
Inventories	-	-	6,069	-	1,100,862
Investments, long-term	741,067	1,050,741	807,042	930,135	-
Total assets	\$ 3,091,391	\$ 3,731,772	\$ 2,561,251	\$ 2,880,547	\$ 2,004,192
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 130,180	\$ 475,996	\$ 93,856	\$ 24,329	\$ 63,883
Accrued liabilities	-	-	79,887	-	-
Deposits/refunds payable	-	-	224,370	-	400
Due to other funds	254,825	91,462	-	-	839,047
Due to other governments	-	-	1,719	-	-
Debt obligations	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Claims payable	-	-	-	-	-
Total liabilities	385,005	567,458	399,832	24,329	903,330
Fund Balances:					
Reserve for encumbrances	2,143,982	2,217,107	5,065	3,796	2,127,636 (1)
Reserve for debt service	-	-	-	-	-
Reserve for inventory	-	-	6,069	-	1,100,862
Unreserved:					
Designated	198,875	728,792	1,766,752	1,421,481	-
Undesignated	363,529	218,415	383,533	1,430,941	(2,127,636)
Total fund balances	2,706,386	3,164,314	2,161,419	2,856,218	1,100,862
Total liabilities and fund balances	\$ 3,091,391	\$ 3,731,772	\$ 2,561,251	\$ 2,880,547	\$ 2,004,192

(1) See page 93.

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010**

Special Revenue Funds

	Tele-communications Fund	Designated Purposes Fund	Total Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
\$	770,360	\$ 1,854,145	\$ 9,894,684	\$ 194,267	\$ 10,088,951
	264,645	50,894	456,713	-	456,713
	-	-	-	17,817	17,817
	5,731	166	59,756	971	60,727
	-	-	304,932	-	304,932
	-	-	1,863,093	86,528	1,949,621
	-	-	1,106,931	-	1,106,931
	375,502	312,772	4,217,259	-	4,217,259
\$	1,416,238	\$ 2,217,977	\$17,903,368	\$ 299,583	\$ 18,202,951

\$	931	\$ 18,124	\$ 807,299	\$ -	\$ 807,299
	23,279	-	103,166	-	103,166
	-	244,503	469,273	-	469,273
	21	1,800	1,187,155	-	1,187,155
	31	88	1,838	-	1,838
	-	-	-	119,355	119,355
	-	-	-	105,341	105,341
	-	-	-	37,500	37,500
	24,262	264,515	2,568,731	262,196	2,830,927
	5,392	616,173	7,119,151	-	7,119,151
	-	-	-	37,387	37,387
	-	-	1,106,931	-	1,106,931
	1,322,713	1,337,289	6,775,902	-	6,775,902
	63,871	-	332,653	-	332,653
	1,391,976	1,953,462	15,334,637	37,387	15,372,024
\$	1,416,238	\$ 2,217,977	\$17,903,368	\$ 299,583	\$ 18,202,951

City of Dearborn, Michigan

	Nonmajor				
	Major Street & Trunkline Fund	Local Street Fund	Camp Dearborn Operating Fund	Drug Law Enforcement Fund	Community Development Fund
Revenues					
Taxes, assessments and penalties on taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues:					
State sources	4,535,554	1,617,176	-	-	-
Federal sources	360,165	-	-	-	4,260,570
Charges for services	-	-	393,648	-	-
Fines and forfeits	-	-	75	742,540	-
Rents and royalties	-	-	1,465,412	-	-
Miscellaneous revenue	50,922	-	20,569	97,942	46,047
Private source contributions	683	-	-	-	-
Investment income	27,454	33,129	28,319	37,418	-
Total revenues	4,974,778	1,650,305	1,908,023	877,900	4,306,617
Expenditures					
General government	-	-	-	-	-
Public safety	-	-	-	578,314	-
Public works	2,743,425	5,801,275	-	-	-
Recreation and culture	-	-	1,627,134	-	-
Community improvement	-	-	-	-	1,038,634
Utilities	-	-	284,439	38,646	-
Capital outlay	-	-	84,166	170,137	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	2,743,425	5,801,275	1,995,739	787,097	1,038,634
Revenues Over (Under) Expenditures	2,231,353	(4,150,970)	(87,716)	90,803	3,267,983
Other Financing Sources (Uses)					
Transfers in	325,000	3,926,022	-	-	-
Transfers out	(2,252,115)	(3,447)	-	(241,343)	(2,240,925)
Total other financing sources (uses)	(1,927,115)	3,922,575	-	(241,343)	(2,240,925)
Net Change in Fund Balances	304,238	(228,395)	(87,716)	(150,540)	1,027,058
Fund Balances - Beginning of Year	2,402,148	3,392,709	2,249,135	3,006,758	73,804
Fund Balances - End of Year	\$ 2,706,386	\$ 3,164,314	\$ 2,161,419	\$ 2,856,218	\$ 1,100,862

**Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended June 30, 2010**

Special Revenue Funds

Tele- communications Fund	Designated Purposes Fund	Total Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 1,973,265	\$ 1,973,265
-	-	6,152,730	-	6,152,730
-	-	4,620,735	-	4,620,735
-	75,353	469,001	-	469,001
-	-	742,615	-	742,615
1,002,935	-	2,468,347	-	2,468,347
17,585	68,237	301,302	-	301,302
-	85,193	85,876	-	85,876
14,489	1,665	142,474	11,916	154,390
<u>1,035,009</u>	<u>230,448</u>	<u>14,983,080</u>	<u>1,985,181</u>	<u>16,968,261</u>
579,005	12,518	591,523	37,661	629,184
-	5,228	583,542	-	583,542
-	10,813	8,555,513	-	8,555,513
535,022	306,830	2,468,986	-	2,468,986
-	-	1,038,634	-	1,038,634
-	-	323,085	-	323,085
10,695	-	264,998	-	264,998
-	-	-	3,296,683	3,296,683
-	-	-	610,853	610,853
<u>1,124,722</u>	<u>335,389</u>	<u>13,826,281</u>	<u>3,945,197</u>	<u>17,771,478</u>
(89,713)	(104,941)	1,156,799	(1,960,016)	(803,217)
-	115,806	4,366,828	1,711,755	6,078,583
(59,225)	(26,034)	(4,823,089)	-	(4,823,089)
<u>(59,225)</u>	<u>89,772</u>	<u>(456,261)</u>	<u>1,711,755</u>	<u>1,255,494</u>
(148,938)	(15,169)	700,538	(248,261)	452,277
<u>1,540,914</u>	<u>1,968,631</u>	<u>14,634,099</u>	<u>285,648</u>	<u>14,919,747</u>
<u>\$ 1,391,976</u>	<u>\$1,953,462</u>	<u>\$ 15,334,637</u>	<u>\$ 37,387</u>	<u>\$ 15,372,024</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, 2010

	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Intergovernmental revenues:					
State sources	\$ 4,541,425	\$ 4,535,554	\$ (5,871)	\$ -	\$ 4,535,554
Federal sources	880,400	360,165	(520,235)	-	360,165
Miscellaneous revenue	47,531	50,922	3,391	-	50,922
Private source contributions	-	683	683	-	683
Investment income	29,828	27,454	(2,374)	-	27,454
Total revenues	5,499,184	4,974,778	(524,406)	-	4,974,778
Expenditures - Public works	5,778,061	4,887,407	890,654	(2,143,982)	2,743,425
Revenues Over (Under) Expenditures	(278,877)	87,371	366,248	2,143,982	2,231,353
Other Financing Sources (Uses)					
Transfers in	325,000	325,000	-	-	325,000
Transfers out	(2,257,777)	(2,252,115)	5,662	-	(2,252,115)
Total other financing sources (uses)	(1,932,777)	(1,927,115)	5,662	-	(1,927,115)
Net Change in Fund Balances	(2,211,654)	(1,839,744)	371,910	2,143,982	304,238
Fund Balances - Beginning of Year	2,402,148	2,402,148	-	-	2,402,148
Reserved for Encumbrances	-	2,143,982	2,143,982	(2,143,982)	-
Fund Balances - End of Year	\$ 190,494	\$ 2,706,386	\$ 2,515,892	\$ -	\$ 2,706,386

City of Dearborn, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Local Street Fund Year Ended June 30, 2010

	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Intergovernmental revenues:					
State sources	\$ 1,615,000	\$ 1,617,176	\$ 2,176	\$ -	\$ 1,617,176
Investment income	27,000	33,129	6,129	-	33,129
Total revenues	1,642,000	1,650,305	8,305	-	1,650,305
Expenditures - Public works	9,709,411	8,980,695	728,716	(3,179,420)	5,801,275
Revenues Over (Under) Expenditures	(8,067,411)	(7,330,390)	737,021	3,179,420	(4,150,970)
Other Financing Sources (Uses)					
Transfers in	4,850,440	3,926,022	(924,418)	-	3,926,022
Transfers out	(7,777)	(3,447)	4,330	-	(3,447)
Total other financing sources (uses)	4,842,663	3,922,575	(920,088)	-	3,922,575
Net Change in Fund Balances	(3,224,748)	(3,407,815)	(183,067)	3,179,420	(228,395)
Fund Balances - Beginning of Year	3,392,709	3,392,709	-	-	3,392,709
Reserved for Encumbrances	-	3,179,420	3,179,420	(3,179,420)	-
Fund Balances - End of Year	<u>\$ 167,961</u>	<u>\$ 3,164,314</u>	<u>\$ 2,996,353</u>	<u>\$ -</u>	<u>\$ 3,164,314</u>

City of Dearborn, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Camp Dearborn Operating Fund Year Ended June 30, 2010

	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Intergovernmental revenues:					
State sources	\$ 309,870	\$ -	\$ (309,870)	\$ -	\$ -
Charges for Services:					
Use and admission	256,400	245,275	(11,125)	-	245,275
Sales	180,100	148,373	(31,727)	-	148,373
Fines and forfeits	1,000	75	(925)	-	75
Rents and royalties:					
Golf course	175,888	175,896	8	-	175,896
Oil exploration	178,200	99,459	(78,741)	-	99,459
Facilities	1,274,100	1,190,057	(84,043)	-	1,190,057
Miscellaneous revenue	28,774	20,569	(8,205)	-	20,569
Investment income	26,245	28,319	2,074	-	28,319
Total revenues	2,430,577	1,908,023	(522,554)	-	1,908,023
Expenditures					
Recreation and culture	1,918,880	1,632,167	286,713	(5,033)	1,627,134
Utilities	307,500	284,439	23,061	-	284,439
Capital outlay	1,470,597	84,198	1,386,399	(32)	84,166
Total expenditures	3,696,977	2,000,804	1,696,173	(5,065)	1,995,739
Revenues Over (Under) Expenditures	(1,266,400)	(92,781)	1,173,619	5,065	(87,716)
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net Change in Fund Balances	(1,266,400)	(92,781)	1,173,619	5,065	(87,716)
Fund Balances - Beginning of Year	2,249,135	2,249,135	-	-	2,249,135
Reserved for Encumbrances	-	5,065	5,065	(5,065)	-
Fund Balances - End of Year	\$ 982,735	\$ 2,161,419	\$ 1,178,684	\$ -	\$ 2,161,419

City of Dearborn, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Drug Law Enforcement Fund Year Ended June 30, 2010

	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Fines and forfeits	\$ 767,869	\$ 742,540	\$ (25,329)	\$ -	\$ 742,540
Miscellaneous revenue	40,175	97,942	57,767	-	97,942
Investment income	38,632	37,418	(1,214)	-	37,418
Total revenues	846,676	877,900	31,224	-	877,900
Expenditures					
Public safety	769,008	582,085	186,923	(3,771)	578,314
Utilities	43,500	38,646	4,854	-	38,646
Capital outlay	321,584	170,162	151,422	(25)	170,137
Total expenditures	1,134,092	790,893	343,199	(3,796)	787,097
Revenues Over (Under) Expenditures	(287,416)	87,007	374,423	3,796	90,803
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	(504,641)	(241,343)	263,298	-	(241,343)
Total other financing sources (uses)	(504,641)	(241,343)	263,298	-	(241,343)
Net Change in Fund Balances	(792,057)	(154,336)	637,721	3,796	(150,540)
Fund Balances - Beginning of Year	3,006,758	3,006,758	-	-	3,006,758
Reserved for Encumbrances	-	3,796	3,796	(3,796)	-
Fund Balances - End of Year	<u>\$ 2,214,701</u>	<u>\$ 2,856,218</u>	<u>\$ 641,517</u>	<u>\$ -</u>	<u>\$ 2,856,218</u>

City of Dearborn, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Community Development Fund Year Ended June 30, 2010

	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Intergovernmental revenues:					
Federal sources	\$ 7,767,446	\$ 4,260,570	\$ (3,506,876)	\$ -	\$ 4,260,570
Miscellaneous revenue	124,206	46,047	(78,159)	-	46,047
Total revenues	7,891,652	4,306,617	(3,585,035)	-	4,306,617
Expenditures					
Community improvement	4,066,692	1,713,371	2,353,321	(674,737)	1,038,634
Total expenditures	4,066,692	1,713,371	2,353,321	(674,737)	1,038,634
Revenues Over (Under) Expenditures	3,824,960	2,593,246	(1,231,714)	674,737	3,267,983
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	(3,824,960)	(3,693,824)	131,136	1,452,899	(2,240,925)
Total other financing sources (uses)	(3,824,960)	(3,693,824)	131,136	1,452,899	(2,240,925)
Net Change in Fund Balances	-	(1,100,578)	(1,100,578)	2,127,636	1,027,058
Fund Balances - Beginning of Year	73,804	73,804	-	-	73,804
Reserved for Encumbrances	-	2,127,636	2,127,636	(2,127,636)	-
Fund Balances - End of Year	<u>\$ 73,804</u>	<u>\$ 1,100,862</u>	<u>\$ 1,027,058</u>	<u>\$ -</u>	<u>\$ 1,100,862</u>

City of Dearborn, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Telecommunications Fund Year Ended June 30, 2010

	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Rents and royalties	\$ 882,000	\$ 1,002,935	\$ 120,935	\$ -	\$ 1,002,935
Miscellaneous revenue	8,100	17,585	9,485	-	17,585
Investment income	13,285	14,489	1,204	-	14,489
Total revenues	903,385	1,035,009	131,624	-	1,035,009
Expenditures					
Recreation and culture	576,709	540,414	36,295	(5,392)	535,022
General Government	677,754	579,005	98,749	-	579,005
Capital outlay	19,000	10,695	8,305	-	10,695
Total expenditures	1,273,463	1,130,114	143,349	(5,392)	1,124,722
Revenues Over (Under) Expenditures	(370,078)	(95,105)	274,973	5,392	(89,713)
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	(59,250)	(59,225)	25	-	(59,225)
Total other financing sources (uses)	(59,250)	(59,225)	25	-	(59,225)
Net Change in Fund Balances	(429,328)	(154,330)	274,998	5,392	(148,938)
Fund Balances - Beginning of Year	1,540,914	1,540,914	-	-	1,540,914
Reserved for Encumbrances	-	5,392	5,392	(5,392)	-
Fund Balances - End of Year	<u>\$ 1,111,586</u>	<u>\$ 1,391,976</u>	<u>\$ 280,390</u>	<u>\$ -</u>	<u>\$ 1,391,976</u>

City of Dearborn, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Designated Purposes Fund Year Ended June 30, 2010

	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Intergovernmental revenues:					
Wayne County Parks Millage	\$ 25,000	\$ -	\$ (25,000)	\$ -	\$ -
Charges for services	73,496	75,353	1,857	-	75,353
Miscellaneous revenue	68,237	68,237	-	-	68,237
Investment income	1,665	1,665	-	-	1,665
Private source contributions	85,193	85,193	-	-	85,193
Total revenues	253,591	230,448	(23,143)	-	230,448
Expenditures					
General government	108,578	12,518	96,060	-	12,518
Public safety	73,164	5,228	67,936	-	5,228
Public works	196,728	10,813	185,915	-	10,813
Health and welfare	785	-	785	-	-
Recreation and culture	708,799	923,003	(214,204)	(616,173)	306,830
Capital outlay	25,000	-	25,000	-	-
Total expenditures	1,113,054	951,562	161,492	(616,173)	335,389
Revenues Over (Under) Expenditures	(859,463)	(721,114)	138,349	616,173	(104,941)
Other Financing Sources (Uses)					
Transfers in	115,832	115,806	(26)	-	115,806
Transfers out	(1,225,000)	(26,034)	1,198,966	-	(26,034)
Total other financing sources (uses)	(1,109,168)	89,772	1,198,940	-	89,772
Net Change in Fund Balances	(1,968,631)	(631,342)	1,337,289	616,173	(15,169)
Fund Balances - Beginning of Year	1,968,631	1,968,631	-	-	1,968,631
Reserved for Encumbrances	-	616,173	616,173	(616,173)	-
Fund Balances - End of Year	\$ -	\$ 1,953,462	\$ 1,953,462	\$ -	\$ 1,953,462

City of Dearborn, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Debt Service Fund Year Ended June 30, 2010

	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Taxes, assessments and penalties on taxes	\$ 2,044,095	\$ 1,973,265	\$ (70,830)	\$ -	\$ 1,973,265
Investment income	26,076	11,916	(14,160)	-	11,916
Total revenues	2,070,171	1,985,181	(84,990)	-	1,985,181
Expenditures					
General government	15,000	37,661	(22,661)	-	37,661
Debt service:					
Principal	3,296,683	3,296,683	-	-	3,296,683
Interest and fiscal charges	634,900	610,853	24,047	-	610,853
Total expenditures	3,946,583	3,945,197	1,386	-	3,945,197
Revenues Over (Under) Expenditures	(1,876,412)	(1,960,016)	(83,604)	-	(1,960,016)
Other Financing Sources (Uses)					
Transfers in	1,711,757	1,711,755	2	-	1,711,755
Transfers out	-	-	-	-	-
Total other financing sources (uses)	1,711,757	1,711,755	2	-	1,711,755
Net Change in Fund Balances	(164,655)	(248,261)	83,606	-	(248,261)
Fund Balances - Beginning of Year	285,648	285,648	-	-	285,648
Fund Balances - End of Year	\$ 120,993	\$ 37,387	(83,606)	\$ -	\$ 37,387

City of Dearborn, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Capital Projects Fund Year Ended June 30, 2010

	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Intergovernmental revenues:					
State sources	\$ 604,579	145,219	\$ (459,360)	\$ -	\$ 145,219
Federal sources	3,537,847	660,293	(2,877,554)	-	660,293
Charges for services	601,445	134,360	(467,085)	-	134,360
Miscellaneous revenue	554,936	9,405	(545,531)	-	9,405
Fines and forfeits	-	10,798	10,798	-	10,798
Private source contributions	8,604,155	159,316	(8,444,839)	-	159,316
Investment income	160,000	152,982	(7,018)	-	152,982
Total revenues	14,062,962	1,272,373	(12,790,589)	-	1,272,373
Expenditures					
Capital outlay	24,183,424	5,431,978	18,751,446	(1,460,391)	3,971,587
Total expenditures	24,183,424	5,431,978	18,751,446	(1,460,391)	3,971,587
Revenues Over (Under) Expenditures	(10,120,462)	(4,159,605)	5,960,857	1,460,391	(2,699,214)
Other Financing Sources (Uses)					
Transfers in	1,973,048	579,263	(1,393,785)	-	579,263
Transfers out	(3,019,939)	(3,019,939)	-	-	(3,019,939)
Total other financing sources (uses)	(1,046,891)	(2,440,676)	(1,393,785)	-	(2,440,676)
Net Change in Fund Balances	(11,167,353)	(6,600,281)	4,567,072	1,460,391	(5,139,890)
Fund Balances - Beginning of Year	27,824,993	27,824,993	-	-	27,824,993
Reserved for Encumbrances	-	1,460,391	1,460,391	(1,460,391)	-
Fund Balances - End of Year	\$16,657,640	\$22,685,103	\$ 6,027,463	\$ -	\$22,685,103

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City of Dearborn, Michigan

Combining Statement of Net Assets Nonmajor Enterprise Funds June 30, 2010

	Golf Course	Seniors Apartment Operating Fund	Dearborn Towers Fund	Total Nonmajor Enterprise Funds
Assets				
Current assets:				
Cash and cash equivalents	\$ 128,153	\$ 5,579,517	\$ 363,656	\$ 6,071,326
Accounts receivable (Net)	-	872	1,447	2,319
Accrued interest receivable	1,469	41,505	2,664	45,638
Due from other governments	-	63,845	-	63,845
Prepaid items	-	28,173	80,060	108,233
Inventories	65,119	-	-	65,119
Total current assets	<u>194,741</u>	<u>5,713,912</u>	<u>447,827</u>	<u>6,356,480</u>
Noncurrent assets:				
Restricted cash and investments:				
Debt service	170,952	-	-	170,952
Investments, long-term	-	2,719,517	174,557	2,894,074
Capital assets (Net)	2,512,544	3,449,357	617,995	6,579,896
Total noncurrent assets	<u>2,683,496</u>	<u>6,168,874</u>	<u>792,552</u>	<u>9,644,922</u>
Total assets	<u>2,878,237</u>	<u>11,882,786</u>	<u>1,240,379</u>	<u>16,001,402</u>
Liabilities				
Current liabilities:				
Accounts payable	45,099	41,991	17,435	104,525
Accrued interest payable	6,807	-	-	6,807
Accrued liabilities	34,361	49,149	-	83,510
Deposits/refunds payable	85,457	118,017	28,018	231,492
Due to other governments	5,390	-	-	5,390
Due to other funds	-	64	-	64
Deferred revenue	36,601	-	-	36,601
Current portion of long-term debt	246,217	-	-	246,217
Total current liabilities	<u>459,932</u>	<u>209,221</u>	<u>45,453</u>	<u>714,606</u>
Noncurrent liabilities:				
Other liabilities	32,762	171,460	-	204,222
Long-term debt, net of current portion	1,515,514	-	-	1,515,514
Total noncurrent liabilities	<u>1,548,276</u>	<u>171,460</u>	<u>-</u>	<u>1,719,736</u>
Total liabilities	<u>2,008,208</u>	<u>380,681</u>	<u>45,453</u>	<u>2,434,342</u>
Net Assets				
Invested in capital assets, net of debt	750,813	3,449,357	617,995	4,818,165
Restricted for:				
Debt Service	170,952	-	-	170,952
Unrestricted	(51,736)	8,052,748	576,931	8,577,943
Total net assets	<u>\$ 870,029</u>	<u>\$ 11,502,105</u>	<u>\$ 1,194,926</u>	<u>\$ 13,567,060</u>

City of Dearborn, Michigan

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets Nonmajor Enterprise Funds Year Ended June 30, 2010

	Golf Course	Seniors Apartment Operating Fund	Dearborn Towers Fund	Total Nonmajor Enterprise Funds
Operating Revenues				
Sales	\$ 561,006	\$ -	\$ -	\$ 561,006
Charges for services	420,900	754,596	-	1,175,496
Rents and royalties	198,403	1,672,065	559,711	2,430,179
Miscellaneous	73,603	19,584	11,381	104,568
Total operating revenues	<u>1,253,912</u>	<u>2,446,245</u>	<u>571,092</u>	<u>4,271,249</u>
Operating Expenses				
Personnel services	645,131	1,568,751	-	2,213,882
Contractual services	67,177	121,961	186,865	376,003
Insurance and bonds	8,742	72,757	126,850	208,349
Utilities	41,451	419,086	111,577	572,114
Repair and maintenance	22,064	902,542	280,408	1,205,014
Supplies	88,740	43,301	37,045	169,086
Cost of sales	178,603	-	-	178,603
Cost of rentals	2,870	33,859	-	36,729
Taxes	-	-	131,845	131,845
Depreciation	258,908	238,071	30,964	527,943
Other	44,317	3,084	16,551	63,952
Total operating expenses	<u>1,358,003</u>	<u>3,403,412</u>	<u>922,105</u>	<u>5,683,520</u>
Operating Income (Loss)	(104,091)	(957,167)	(351,013)	(1,412,271)
Nonoperating Revenues (Expenses)				
Investment income	3,084	103,162	8,365	114,611
Other interest	(42,039)	-	-	(42,039)
Total nonoperating revenues (expenses)	<u>(38,955)</u>	<u>103,162</u>	<u>8,365</u>	<u>72,572</u>
Income (Loss) before Transfers	(143,046)	(854,005)	(342,648)	(1,339,699)
Transfers				
Transfers in	175,534	-	-	175,534
Transfers out	-	-	-	-
Net transfers	<u>175,534</u>	<u>-</u>	<u>-</u>	<u>175,534</u>
Net Income (Loss)	32,488	(854,005)	(342,648)	(1,164,165)
Net Assets - Beginning of Year	<u>837,541</u>	<u>12,356,110</u>	<u>1,537,574</u>	<u>14,731,225</u>
Net Assets - End of Year	<u>\$ 870,029</u>	<u>\$ 11,502,105</u>	<u>\$ 1,194,926</u>	<u>\$ 13,567,060</u>

City of Dearborn, Michigan

Combining Statement of Cash Flows Nonmajor Enterprise Funds Year Ended June 30, 2010

	Golf Course	Seniors Apartment Operating Fund	Dearborn Towers Fund	Total Nonmajor Enterprise Funds
Cash Flows from Operating Activities				
Receipts from customers	\$ 1,199,448	\$ 2,423,505	\$ 554,654	\$ 4,177,607
Payments to suppliers	(437,089)	(1,587,465)	(881,243)	(2,905,797)
Payments to employees	(646,848)	(1,565,293)	-	(2,212,141)
Internal activity	60,000	7	-	60,007
Other receipts (payments)	29,286	16,500	(5,170)	40,616
Net cash provided (used) by operating activities	<u>204,797</u>	<u>(712,746)</u>	<u>(331,759)</u>	<u>(839,708)</u>
Cash Flows from Noncapital Financing Activities				
Repayment of advance from other funds	(103,534)	-	-	(103,534)
Transfers in	175,534	-	-	175,534
Net cash provided by noncapital financing activities	<u>72,000</u>	<u>-</u>	<u>-</u>	<u>72,000</u>
Cash Flows from Capital and Related Financing Activities				
Principal paid on debt	(239,821)	-	-	(239,821)
Interest paid on debt	(43,330)	-	-	(43,330)
Net cash provided (used) by capital and related financing activities	<u>(283,151)</u>	<u>-</u>	<u>-</u>	<u>(283,151)</u>
Cash Flows from Investing Activities				
Net sale (purchase) of investments	62,551	1,658,477	245,993	1,967,021
Investment income	3,378	114,502	10,777	128,657
Net cash provided (used) by investing activities	<u>65,929</u>	<u>1,772,979</u>	<u>256,770</u>	<u>2,095,678</u>
Net Increase (Decrease) in Cash and Cash Equivalents	59,575	1,060,233	(74,989)	1,044,819
Cash and Cash Equivalents - Beginning of Year	<u>239,530</u>	<u>4,519,284</u>	<u>438,645</u>	<u>5,197,459</u>
Cash and Cash Equivalents - End of Year	<u>\$ 299,105</u>	<u>\$ 5,579,517</u>	<u>\$ 363,656</u>	<u>\$ 6,242,278</u>
Cash and Cash Equivalents - Unrestricted	\$ 128,153	\$ 5,579,517	\$ 363,656	\$ 6,071,326
Cash and Cash Equivalents - Restricted	170,952	-	-	170,952
Cash and Cash Equivalents - End of Year	<u>\$ 299,105</u>	<u>\$ 5,579,517</u>	<u>\$ 363,656</u>	<u>\$ 6,242,278</u>

City of Dearborn, Michigan

Combining Statement of Cash Flows Nonmajor Enterprise Funds Year Ended June 30, 2010

	Golf Course	Seniors Apartment Operating Fund	Dearborn Towers Fund	Total Nonmajor Enterprise Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ (104,091)	\$ (957,167)	\$ (351,013)	\$ (1,412,271)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	258,908	238,071	30,964	527,943
Change in assets and liabilities:				
Accounts receivable	-	67,314	(1,447)	65,867
Due from other funds	60,000	-	-	60,000
Due from other governments	-	(63,226)	-	(63,226)
Prepaid items	-	(21)	(5,057)	(5,078)
Inventories	(5,705)	-	-	(5,705)
Accounts payable	(23,963)	(5,110)	(681)	(29,754)
Accrued liabilities	1,540	11,172	(915)	11,797
Customer deposits	8,561	(7,244)	(3,610)	(2,293)
Accrued vacation and sick leave	(1,717)	3,458	-	1,741
Due to other funds	-	7	-	7
Due to other governments	686	-	-	686
Deferred revenue	10,578	-	-	10,578
Net cash provided (used) by operating activities	<u>\$ 204,797</u>	<u>\$ (712,746)</u>	<u>\$ (331,759)</u>	<u>\$ (839,708)</u>

City of Dearborn, Michigan

	Information Technology Fund	Facilities Fund	Fleet Replacement Fund
Assets			
Current assets:			
Cash and cash equivalents	\$ 2,575,762	\$ 1,896,645	\$ 2,481,535
Accounts receivable (Net)	-	-	-
Accrued interest receivable	19,161	14,110	18,461
Due from other funds	-	-	-
Prepaid items	-	-	-
Total current assets	<u>2,594,923</u>	<u>1,910,755</u>	<u>2,499,996</u>
Noncurrent assets:			
Investment, long-term	1,255,522	924,495	1,209,592
Property, Plant and Equipment - net	758,878	62,218,240	7,007,886
Total noncurrent assets	<u>2,014,400</u>	<u>63,142,735</u>	<u>8,217,478</u>
Total assets	<u>4,609,323</u>	<u>65,053,490</u>	<u>10,717,474</u>
Liabilities			
Current liabilities:			
Accounts payable	23,409	224,284	15,970
Accrued interest payable	-	-	-
Accrued liabilities	32,582	-	-
Accrued vacation and sick	139,214	-	-
Due to other governments	-	-	6
Due to other funds	14	747,568	-
Current portion of long-term debt	-	-	-
Total current liabilities	<u>195,219</u>	<u>971,852</u>	<u>15,976</u>
Noncurrent liabilities:			
Claims payable	-	-	-
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>195,219</u>	<u>971,852</u>	<u>15,976</u>
Net Assets			
Invested in capital assets, net of debt	758,878	62,218,240	7,007,886
Unrestricted	3,655,226	1,863,398	3,693,612
Total net assets	<u>\$ 4,414,104</u>	<u>\$ 64,081,638</u>	<u>\$ 10,701,498</u>

City of Dearborn, Michigan

Combining Statement of Net Assets Internal Service Funds June 30, 2010

Workers' Compensation and Employee Insurance Fund	Fleet & General Liability Insurance Fund	Total
\$ 4,376,465	\$ 2,463,068	\$ 13,793,475
17,308	-	17,308
31,838	18,323	101,893
-	-	-
1,451,218	-	1,451,218
<u>5,876,829</u>	<u>2,481,391</u>	<u>15,363,894</u>
2,086,135	1,200,590	6,676,334
-	-	69,985,004
<u>2,086,135</u>	<u>1,200,590</u>	<u>76,661,338</u>
<u>7,962,964</u>	<u>3,681,981</u>	<u>92,025,232</u>
98,734	214,816	577,213
-	-	-
-	-	32,582
-	-	139,214
-	-	6
-	-	747,582
-	-	-
<u>98,734</u>	<u>214,816</u>	<u>1,496,597</u>
1,573,262	2,532,509	4,105,771
<u>1,573,262</u>	<u>2,532,509</u>	<u>4,105,771</u>
<u>1,671,996</u>	<u>2,747,325</u>	<u>5,602,368</u>
-	-	69,985,004
6,290,968	934,656	16,437,860
<u>\$ 6,290,968</u>	<u>\$ 934,656</u>	<u>\$ 86,422,864</u>

City of Dearborn, Michigan

	Information Technology Fund	Facilities Fund	Fleet Replacement Fund
Operating Revenues			
Charges for services: other funds	\$ 2,300,804	\$ 4,773,600	\$ -
Rents and royalties	1,083,747	-	1,205,000
City contributions for insurance premiums	-	-	-
Miscellaneous	5,141	19,300	175,510
Total operating revenues	<u>3,389,692</u>	<u>4,792,900</u>	<u>1,380,510</u>
Operating Expenses			
Contractual services	2,246,122	1,394,982	-
Utilities	-	1,339,488	-
Repair and maintenance	-	2,064,720	-
Cost of sales	-	-	10,383
Depreciation	359,118	2,364,243	1,489,769
Insurance and bonds	-	-	-
Insurance benefits	-	-	-
Claims and judgments	-	-	-
Other	-	-	-
Total operating expenses	<u>2,605,240</u>	<u>7,163,433</u>	<u>1,500,152</u>
Operating Income (Loss)	784,452	(2,370,533)	(119,642)
Nonoperating Revenues (Expenses)			
Investment income	37,360	22,524	45,533
Loss on disposal of assets	-	-	(141,651)
Total nonoperating revenues (expenses)	<u>37,360</u>	<u>22,524</u>	<u>(96,118)</u>
Income (Loss) before Operating Transfers	821,812	(2,348,009)	(215,760)
Capital Contributions	-	64,551,460	-
Transfers			
Transfers in	285,029	1,878,187	-
Transfers out	-	-	-
Net transfers	<u>285,029</u>	<u>1,878,187</u>	<u>-</u>
Net Income (Loss)	1,106,841	64,081,638	(215,760)
Net Assets - Beginning of Year	3,307,263	-	10,917,258
Net Assets - End of Year	<u>\$ 4,414,104</u>	<u>\$ 64,081,638</u>	<u>\$ 10,701,498</u>

City of Dearborn, Michigan

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets Internal Service Funds Year Ended June 30, 2010

Workers' Compensation and Employee Insurance Fund	Fleet & General Liability Insurance Fund	Total
\$ -	\$ -	\$ 7,074,404
-	-	2,288,747
16,432,941	1,753,692	18,186,633
563,674	-	763,625
<u>16,996,615</u>	<u>1,753,692</u>	<u>28,313,409</u>
258,916	40,353	3,940,373
-	-	1,339,488
-	-	2,064,720
-	-	10,383
-	-	4,213,130
166,978	965,316	1,132,294
55,038	-	55,038
15,850,510	2,952,611	18,803,121
8,476	107,968	116,444
<u>16,339,918</u>	<u>4,066,248</u>	<u>31,674,991</u>
656,697	(2,312,556)	(3,361,582)
80,589	47,615	233,621
-	-	(141,651)
<u>80,589</u>	<u>47,615</u>	<u>91,970</u>
737,286	(2,264,941)	(3,269,612)
-	-	64,551,460
-	250,000	2,413,216
(500,000)	-	(500,000)
<u>(500,000)</u>	<u>250,000</u>	<u>1,913,216</u>
237,286	(2,014,941)	63,195,064
6,053,682	2,949,597	23,227,800
<u>\$ 6,290,968</u>	<u>\$ 934,656</u>	<u>\$ 86,422,864</u>

City of Dearborn, Michigan

	Information Technology Fund	Facilities Fund	Fleet Replacement Fund
Cash Flows from Operating Activities			
Receipts from customers	\$ 1,088,887	\$ 4,773,600	\$ 1,205,000
Payments to suppliers	233,124	(4,574,906)	7,649
Internal activity	-	747,568	-
Claims paid	-	-	-
Other receipts (payments)	-	19,300	175,510
Net cash provided (used) by operating activities	<u>1,322,011</u>	<u>965,562</u>	<u>1,388,159</u>
Cash Flows from Noncapital Financing Activities			
Transfers in	285,029	1,878,187	-
Transfers out	-	-	-
Net cash provided (used) by noncapital financing activities	<u>285,029</u>	<u>1,878,187</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition and construction of capital assets	<u>(92,814)</u>	<u>(31,023)</u>	<u>(1,772,944)</u>
Net cash provided (used) by capital and related financing activities	<u>(92,814)</u>	<u>(31,023)</u>	<u>(1,772,944)</u>
Cash Flows from Investing Activities			
Net sale (purchase) of investments	(130,987)	(924,495)	770,983
Investment income	31,773	8,414	50,979
Net cash provided (used) by investing activities	<u>(99,214)</u>	<u>(916,081)</u>	<u>821,962</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,415,012	1,896,645	437,177
Cash and Cash Equivalents - Beginning of Year	1,160,750	-	2,044,358
Cash and Cash Equivalents - End of Year	<u>\$ 2,575,762</u>	<u>\$ 1,896,645</u>	<u>\$ 2,481,535</u>

**Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2010**

Workers' Compensation and Employee Insurance Fund	Fleet & General Liability Insurance Fund	Total
\$ 16,429,263	\$ 1,753,692	\$ 25,250,442
(626,243)	355,450	(4,604,926)
-	120,436	868,004
(16,381,895)	(3,152,611)	(19,534,506)
555,198	(107,968)	642,040
<u>(23,677)</u>	<u>(1,031,001)</u>	<u>2,621,054</u>
-	250,000	2,413,216
(500,000)	-	(500,000)
<u>(500,000)</u>	<u>250,000</u>	<u>1,913,216</u>
-	-	(1,896,781)
-	-	(1,896,781)
1,260,219	958,908	1,934,628
89,143	55,358	235,667
<u>1,349,362</u>	<u>1,014,266</u>	<u>2,170,295</u>
825,685	233,265	4,807,784
3,550,780	2,229,803	8,985,691
<u>\$ 4,376,465</u>	<u>\$ 2,463,068</u>	<u>\$ 13,793,475</u>

City of Dearborn, Michigan

	Information Technology 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)	\$ 784,452	\$ (2,370,533)	\$ (119,642)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	359,118	2,364,243	1,489,769
Change in assets and liabilities:			
Accounts receivable	-	-	-
Due from other funds	-	-	-
Prepaid items	-	-	2,276
Accounts payable	6,631	224,284	15,750
Accrued liabilities	171,796	-	6
Due to other funds	-	747,568	-
Due to other governments	14	-	-
Claims payable	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Net cash provided (used) by operating activities	<u>\$ 1,322,011</u>	<u>\$ 965,562</u>	<u>\$ 1,388,159</u>

**Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2010**

Workers' Compensation and Employee Insurance Fund	Fleet & General Liability Insurance Fund	Total
\$ 656,697	\$ (2,312,556)	\$ (3,361,582)
-	-	4,213,130
(3,678)	-	(3,678)
-	500,000	500,000
(125,613)	956,553	833,216
26,638	(795,434)	(522,131)
-	-	171,802
-	(379,564)	368,004
-	1,200,000	1,200,014
(577,721)	(200,000)	(777,721)
<u>\$ (23,677)</u>	<u>\$ (1,031,001)</u>	<u>\$ 2,621,054</u>

City of Dearborn, Michigan

	General Employees' Retirement System Fund	Revised Police & Fire Retirement System Fund	Policemen's & Firemen's Retirement System Fund
Assets			
Cash and cash equivalents	\$ 67,292	\$ 67,153	\$ 33,577
Investments - short-term	9,742,449	16,820,887	2,766,235
Receivables:			
Interest and dividends	201,740	292,704	72,899
Other	117,231	208,607	-
Investments, at fair value:			
Long-term bonds	56,701,341	76,315,946	17,725,805
Common stock	13,035,630	50,972,051	4,624,541
Collateral pledged on securities loaned	2,440,959	4,861,368	389,990
Real estate	4,465,641	7,937,868	1,439,245
Mutual funds	42,098,040	80,537,399	5,115,139
Total investments	<u>118,741,611</u>	<u>220,624,632</u>	<u>29,294,720</u>
Total assets	<u>128,870,323</u>	<u>238,013,983</u>	<u>32,167,431</u>
Liabilities			
Accounts payable	2,679,237	13,536,866	34,321
Deferred revenue	-	23,485	-
Amounts due to broker under securities lending agreement	2,440,959	4,861,368	389,990
Other	-	10,494	2,411,772
Total liabilities	<u>5,120,196</u>	<u>18,432,213</u>	<u>2,836,083</u>
Net Assets			
Held in trust for pension benefits and other employee benefits	<u>\$ 123,750,127</u>	<u>\$ 219,581,770</u>	<u>\$ 29,331,348</u>

**Combining Statement of Net Assets
Fiduciary Pension & Other Employee Benefits Funds
June 30, 2010**

Retiree Death Benefit Fund	Postemployment Healthcare Fund	Total
\$ 1,183,198	\$ 660,812	\$ 2,012,032
-	3,072,221	32,401,792
8,802	129,784	705,929
-	419,261	745,099
576,734	15,436,931	166,756,757
-	16,321,461	84,953,683
-	-	7,692,317
-	-	13,842,754
-	-	127,750,578
<u>576,734</u>	<u>31,758,392</u>	<u>400,996,089</u>
<u>1,768,734</u>	<u>36,040,470</u>	<u>436,860,941</u>
1,000	366,020	16,617,444
-	-	23,485
-	-	7,692,317
-	-	2,422,266
<u>1,000</u>	<u>366,020</u>	<u>26,755,512</u>
<u>\$ 1,767,734</u>	<u>\$ 35,674,450</u>	<u>\$ 410,105,429</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	\$ 2,839,255	\$ 4,444,405	\$ 790,808
Net increase in value of investments	11,765,390	21,351,358	2,681,581
Net investment income	<u>14,604,645</u>	<u>25,795,763</u>	<u>3,472,389</u>
Contributions:			
Employer	3,715,449	6,004,270	-
Employee	-	1,075,861	-
Reimbursements	-	-	-
Total contributions	<u>3,715,449</u>	<u>7,080,131</u>	<u>-</u>
Total additions	18,320,094	32,875,894	3,472,389
Deductions			
Benefit payments	9,405,126	12,465,989	3,187,394
Refunds of contributions	54,626	909,033	-
Administrative expenses	356,470	768,006	101,238
Total deductions	<u>9,816,222</u>	<u>14,143,028</u>	<u>3,288,632</u>
Change in Net Assets	8,503,872	18,732,866	183,757
Net Assets - Beginning of Year	115,246,255	200,848,904	29,147,591
Net Assets - End of Year	<u>\$ 123,750,127</u>	<u>\$ 219,581,770</u>	<u>\$ 29,331,348</u>

**Combining Statement of Changes in Fiduciary Net Assets
Fiduciary Pension & Other Employee Benefits Funds
Year Ended June 30, 2010**

Retiree Death Benefit Fund	Postemployment Healthcare Fund	Total
\$ 20,936	\$ 1,210,056	\$ 9,305,460
-	2,526,910	38,325,239
<u>20,936</u>	<u>3,736,966</u>	<u>47,630,699</u>
-	9,143,938	18,863,657
12,727	-	1,088,588
-	338,788	338,788
<u>12,727</u>	<u>9,482,726</u>	<u>20,291,033</u>
33,663	13,219,692	67,921,732
45,000	8,477,011	33,580,520
-	-	963,659
-	75,959	1,301,673
<u>45,000</u>	<u>8,552,970</u>	<u>35,845,852</u>
(11,337)	4,666,722	32,075,880
1,779,071	31,007,728	378,029,549
<u>\$ 1,767,734</u>	<u>\$ 35,674,450</u>	<u>\$ 410,105,429</u>

City of Dearborn, Michigan

Combining Statement of Net Assets Fiduciary Agency Funds June 30, 2010

	Agency Fund	Imprest Payroll Fund	District Court Fund	Total
Assets				
Cash and cash equivalents	\$ 11,369,416	\$ 447,836	\$ 55,800	\$ 11,873,052
Accounts receivable (Net)	8,288	-	179,619	187,907
Due from other funds	7,764	-	-	7,764
Due from other governments	6,762	-	-	6,762
Total assets	<u>\$ 11,392,230</u>	<u>\$ 447,836</u>	<u>\$ 235,419</u>	<u>\$ 12,075,485</u>
Liabilities				
Accounts payable	\$ 373,700	\$ -	\$ 59,184	\$ 432,884
Payroll deductions payable	-	29,698	-	29,698
Deposits/refunds payable	10,998,699	-	-	10,998,699
Due to component units	4,097	-	-	4,097
Due to other governments	231	418,138	176,235	594,604
Other liabilities	15,503	-	-	15,503
Total liabilities	<u>\$ 11,392,230</u>	<u>\$ 447,836</u>	<u>\$ 235,419</u>	<u>\$ 12,075,485</u>

City of Dearborn, Michigan

Statement of Changes in Assets and Liabilities Fiduciary Agency Funds Year Ended June 30, 2010

Agency Fund:

	Balance June 30, 2009	Additions	Deductions	Balance June 30, 2010
Assets				
Cash and cash equivalents	\$ 10,168,967	\$ 310,239,010	\$ 309,038,561	\$ 11,369,416
Accounts receivable (Net)	16,223	8,288	16,223	8,288
Due from other funds	4,526	7,764	4,526	7,764
Due from other governments	5,096	6,762	5,096	6,762
Total assets	<u>\$ 10,194,812</u>	<u>\$ 310,261,824</u>	<u>\$ 309,064,406</u>	<u>\$ 11,392,230</u>
Liabilities				
Accounts payable	\$ 224,069	\$ 153,243,099	\$ 153,093,468	\$ 373,700
Deposits/refunds payable	9,885,409	5,528,499	4,415,209	10,998,699
Special programs	-	84,544	84,544	-
Due to other funds	20,070	-	20,070	-
Due to component units	-	4,097	-	4,097
Due to other governments	36,615	149,851,498	149,887,882	231
Other liabilities	28,649	1,550,087	1,563,233	15,503
Total liabilities	<u>\$ 10,194,812</u>	<u>\$ 310,261,824</u>	<u>\$ 309,064,406</u>	<u>\$ 11,392,230</u>

Imprest Payroll Fund:

	Balance June 30, 2009	Additions	Deductions	Balance June 30, 2010
Assets				
Cash and cash equivalents	\$ 499,127	\$ 47,881,703	\$ 47,932,994	\$ 447,836
Total assets	<u>\$ 499,127</u>	<u>\$ 47,881,703</u>	<u>\$ 47,932,994</u>	<u>\$ 447,836</u>
Liabilities				
Payroll deductions payable	\$ 103,370	\$ 7,842,239	\$ 7,915,911	\$ 29,698
Due to other funds	-	20,374,048	20,374,048	-
Due to other governments	395,757	16,629,639	16,607,258	418,138
Other liabilities	-	3,035,777	3,035,777	-
Total liabilities	<u>\$ 499,127</u>	<u>\$ 47,881,703</u>	<u>\$ 47,932,994</u>	<u>\$ 447,836</u>

City of Dearborn, Michigan

Statement of Changes in Assets and Liabilities Fiduciary Agency Funds Year Ended June 30, 2010

District Court Fund:

	Balance June 30, 2009	Additions	Deductions	Balance June 30, 2010
Assets				
Cash and cash equivalents	\$ 55,800	\$ 4,651,171	\$ 4,651,171	\$ 55,800
Accounts receivable (Net)	121,027	1,126,028	1,067,436	179,619
Total assets	<u>\$ 176,827</u>	<u>\$ 5,777,199</u>	<u>\$ 5,718,607</u>	<u>\$ 235,419</u>
Liabilities				
Accounts payable	\$ 13,639	\$ 3,413,296	\$ 3,367,751	\$ 59,184
Due to other governments	163,188	2,363,903	2,350,856	176,235
Total liabilities	<u>\$ 176,827</u>	<u>\$ 5,777,199</u>	<u>\$ 5,718,607</u>	<u>\$ 235,419</u>

Total - All Fiduciary Agency Funds:

	Balance June 30, 2009	Additions	Deductions	Balance June 30, 2010
Assets				
Cash and cash equivalents	\$ 10,723,894	\$ 362,771,884	\$ 361,622,726	\$ 11,873,052
Accounts receivable (Net)	137,250	1,134,316	1,083,659	187,907
Due from other funds	4,526	7,764	4,526	7,764
Due from other governments	5,096	6,762	5,096	6,762
Total assets	<u>\$ 10,870,766</u>	<u>\$ 363,920,726</u>	<u>\$ 362,716,007</u>	<u>\$ 12,075,485</u>
Liabilities				
Accounts payable	\$ 237,708	\$ 156,656,395	\$ 156,461,219	\$ 432,884
Payroll deductions payable	103,370	7,842,239	7,915,911	29,698
Deposits/refunds payable	9,885,409	5,528,499	4,415,209	10,998,699
Special programs	-	84,544	84,544	-
Due to other funds	20,070	20,374,048	20,394,118	-
Due to component units	-	4,097	-	4,097
Due to other governments	595,560	168,845,040	168,845,996	594,604
Other liabilities	28,649	4,585,864	4,599,010	15,503
Total liabilities	<u>\$ 10,870,766</u>	<u>\$ 363,920,726</u>	<u>\$ 362,716,007</u>	<u>\$ 12,075,485</u>

City of Dearborn, Michigan

Statistical and Continuing Disclosures Section

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

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Financial Trends.....	134-143
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	144-153
These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property taxes.	
Debt Capacity.....	154-161
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.....	162-163
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	164-169
These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	

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

City of Dearborn, Michigan

	Fiscal Year Ended June 30,			
	2002	2003	2004	2005
Governmental Activities:				
Invested in capital assets, net of related debt	\$ 93,090,284	\$ 97,729,862	\$ 96,668,519	\$ 100,547,204
Restricted	14,634,583	8,855,356	10,113,127	10,252,064
Unrestricted	55,685,815	67,848,767	74,831,204	72,982,717
Total net assets	<u>\$ 163,410,682</u>	<u>\$ 174,433,985</u>	<u>\$ 181,612,850</u>	<u>\$ 183,781,985</u>
Business Type Activities:				
Invested in capital assets, net of related debt	\$ 105,538,716	\$ 111,541,001	\$ 109,651,802	\$ 102,117,776
Restricted	6,369,441	6,537,046	15,871,374	38,417,150
Unrestricted	25,365,505	23,481,131	19,800,509	18,414,591
Total net assets	<u>\$ 137,273,662</u>	<u>\$ 141,559,178</u>	<u>\$ 145,323,685</u>	<u>\$ 158,949,517</u>
Primary government in total:				
Invested in capital assets, net of related debt	\$ 198,629,000	\$ 209,270,863	\$ 206,320,321	\$ 202,664,980
Restricted	21,004,024	15,392,402	25,984,501	48,669,214
Unrestricted	81,051,320	91,329,898	94,631,713	91,397,308
Total net assets	<u>\$ 300,684,344</u>	<u>\$ 315,993,163</u>	<u>\$ 326,936,535</u>	<u>\$ 342,731,502</u>

City of Dearborn, Michigan

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

2006	2007	2008	2009	2010
\$ 107,826,375	\$ 114,134,870	\$ 117,712,886	\$ 122,778,610	\$ 125,057,087
31,205,744	31,206,122	28,024,207	34,250,362	31,351,252
50,220,578	52,858,376	55,653,280	42,313,022	39,032,917
<u>\$ 189,252,697</u>	<u>\$ 198,199,368</u>	<u>\$ 201,390,373</u>	<u>\$ 199,341,994</u>	<u>\$ 195,441,256</u>
\$ 133,916,701	\$ 147,719,265	\$ 165,847,821	\$ 186,175,486	\$ 139,515,797
17,366,288	23,528,470	24,264,408	17,411,175	21,003,170
30,746,205	27,502,015	32,338,924	42,209,231	44,559,441
<u>\$ 182,029,194</u>	<u>\$ 198,749,750</u>	<u>\$ 222,451,153</u>	<u>\$ 245,795,892</u>	<u>\$ 205,078,408</u>
\$ 241,743,076	\$ 261,854,135	\$ 283,560,707	\$ 308,954,096	\$ 264,572,884
48,572,032	54,734,592	52,288,615	51,661,537	52,354,422
80,966,783	80,360,391	87,992,204	84,522,253	83,592,358
<u>\$ 371,281,891</u>	<u>\$ 396,949,118</u>	<u>\$ 423,841,526</u>	<u>\$ 445,137,886</u>	<u>\$ 400,519,664</u>

City of Dearborn, Michigan

	Fiscal Year Ended June 30,			
	2002	2003	2004	2005
Expenses				
General government	\$ 21,730,347	\$ 18,871,321	\$ 17,310,436	\$ 21,122,681
Public safety	40,868,279	41,989,725	43,694,680	50,323,782
Public works	20,067,364	17,788,591	18,699,976	15,991,362
Health and welfare	1,285,601	959,491	910,537	960,649
Recreation and culture	19,858,453	17,914,835	19,441,507	20,302,546
Community improvement	3,320,005	2,059,947	5,002,834	3,496,589
Interest on long-term debt	1,832,203	1,699,622	2,015,054	1,319,681
Total expenses	<u>108,962,252</u>	<u>101,283,532</u>	<u>107,075,024</u>	<u>113,517,290</u>
Program revenues				
Charges for services				
General government	3,493,392	3,775,406	3,337,927	3,205,671
Public safety	6,497,900	6,403,387	7,573,247	6,990,454
Public works	1,990,516	1,927,063	1,936,530	1,808,400
Health and welfare	163,303	147,129	193,905	181,967
Recreation and culture	4,981,832	5,742,031	6,160,059	6,480,262
Community improvement	-	9,900	19,708	30,093
Total charges for services	<u>17,126,943</u>	<u>18,004,916</u>	<u>19,221,376</u>	<u>18,696,847</u>
Operating grants and contributions	2,597,130	9,513,651	9,905,623	9,528,743
Capital grants and contributions	10,290,450	2,682,159	4,183,852	4,136,188
Total program revenues	<u>30,014,523</u>	<u>30,200,726</u>	<u>33,310,851</u>	<u>32,361,778</u>
Net (expense) revenue	<u>(78,947,729)</u>	<u>(71,082,806)</u>	<u>(73,764,173)</u>	<u>(81,155,512)</u>
General revenues				
Property taxes	65,241,844	69,606,407	70,714,812	71,536,045
Intergovernmental revenues	11,880,503	11,588,244	10,362,606	10,225,375
Investment earnings	2,644,794	1,624,449	1,071,777	2,109,219
Miscellaneous	254,347	303,058	370,216	164,447
Total general revenues	<u>80,021,488</u>	<u>83,122,158</u>	<u>82,519,411</u>	<u>84,035,086</u>
Gain (loss) on sale of capital assets	(287,978)	(441,656)	(773,009)	-
Transfers	(4,804,261)	(574,393)	(803,364)	(710,439)
Change in net assets	<u>\$ (4,018,480)</u>	<u>\$ 11,023,303</u>	<u>\$ 7,178,865</u>	<u>\$ 2,169,135</u>

City of Dearborn, Michigan

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

Fiscal Year Ended June 30,				
2006	2007	2008	2009	2010
\$ 17,970,243	\$ 18,558,136	\$ 18,623,714	\$ 18,905,374	\$ 12,376,173
53,815,679	49,236,224	53,534,358	56,413,381	57,738,469
15,735,740	17,551,174	18,240,387	17,062,196	18,683,274
1,033,980	1,004,187	884,660	899,100	382,038
20,887,064	19,233,843	20,284,890	20,056,955	21,540,832
3,057,027	2,269,759	2,263,778	2,840,908	2,726,471
1,207,120	1,298,032	969,908	692,610	575,506
<u>113,706,853</u>	<u>109,151,355</u>	<u>114,801,695</u>	<u>116,870,524</u>	<u>114,022,763</u>
3,688,843	4,014,763	3,987,138	4,060,655	3,433,331
7,604,854	7,290,859	7,279,165	7,183,233	6,058,870
1,784,182	1,989,214	2,589,058	808,008	240,855
182,536	176,345	170,208	187,589	220,888
6,138,877	6,373,706	6,459,188	6,198,247	6,228,878
7,692	14,000	139,747	41,900	15,942
<u>19,406,984</u>	<u>19,858,887</u>	<u>20,624,504</u>	<u>18,479,632</u>	<u>16,198,764</u>
11,220,655	10,438,719	9,304,569	9,668,790	11,580,040
4,890,813	1,324,987	1,040,365	1,354,205	3,054,980
<u>35,518,452</u>	<u>31,622,593</u>	<u>30,969,438</u>	<u>29,502,627</u>	<u>30,833,784</u>
<u>(78,188,401)</u>	<u>(77,528,762)</u>	<u>(83,832,257)</u>	<u>(87,367,897)</u>	<u>(83,188,979)</u>
72,786,959	73,631,345	74,411,232	74,177,428	70,861,323
9,967,910	9,594,061	9,520,440	9,154,795	8,087,313
3,761,071	4,442,283	4,484,831	2,800,349	825,396
127,871	341,677	120,281	339,860	310,711
<u>86,643,811</u>	<u>88,009,366</u>	<u>88,536,784</u>	<u>86,472,432</u>	<u>80,084,743</u>
(215,000)	-	-	-	-
<u>(2,769,698)</u>	<u>(1,533,933)</u>	<u>(1,513,522)</u>	<u>(1,152,914)</u>	<u>(796,502)</u>
<u>\$ 5,470,712</u>	<u>\$ 8,946,671</u>	<u>\$ 3,191,005</u>	<u>\$ (2,048,379)</u>	<u>\$ (3,900,738)</u>

City of Dearborn, Michigan

	Fiscal Year Ended June 30,			
	2002	2003	2004	2005
Expenses				
Housing	\$ 2,660,315	\$ 2,979,089	\$ 3,849,819	\$ 3,064,323
Golf course	1,659,954	1,590,276	1,542,704	1,601,870
Parking	46,507	447,201	407,820	473,676
Sewer	14,472,824	15,253,728	16,964,560	17,921,160
Water	9,725,444	11,212,753	11,158,986	11,122,419
Total expenses	28,565,044	31,483,047	33,923,889	34,183,448
Program revenues				
Charges for services				
Housing	2,838,066	3,008,055	3,128,263	3,169,921
Golf course	1,490,634	1,387,653	1,303,327	1,347,301
Parking	-	475,938	383,650	745,981
Sewer	15,081,039	15,883,338	18,442,613	19,537,082
Water	12,162,970	12,321,633	12,115,556	11,056,895
Total charges for services	31,572,709	33,076,617	35,373,409	35,857,180
Operating grants and contributions	-	-	23,775	-
Capital grants and contributions	15,502	498,029	2,556,992	9,707,284
Total program revenues	31,588,211	33,574,646	37,954,176	45,564,464
Net (expense) revenue	3,023,167	2,091,599	4,030,287	11,381,016
General revenues				
Property taxes	-	-	-	-
Intergovernmental revenues	-	-	102,836	73,862
Investment earnings	1,287,064	782,382	519,669	1,316,732
Miscellaneous	187,135	320,541	138,351	143,783
Total general revenues	1,474,199	1,102,923	760,856	1,534,377
Gain (loss) on sale of capital assets	(1,640,838)	516,601	-	-
Special items-loss on abandoned assets	-	-	(1,830,000)	-
Transfers	4,804,261	574,393	803,364	710,439
Change in net assets	\$ 7,660,789	\$ 4,285,516	\$ 3,764,507	\$ 13,625,832
Change in Primary Government net assets				
Change in Governmental net assets	\$ (4,018,480)	\$ 11,023,303	\$ 7,178,865	\$ 2,169,135
Change in Business-type net assets	7,660,789	4,285,516	3,764,507	13,625,832
Total Change in Primary Government net assets	\$ 3,642,309	\$ 15,308,819	\$ 10,943,372	\$ 15,794,967

City of Dearborn, Michigan

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

	Fiscal Year Ended June 30,				
	2006	2007	2008	2009	2010
\$	3,227,297	\$ 3,394,571	\$ 3,322,742	\$ 3,458,115	\$ 4,325,517
	1,563,400	1,557,375	1,588,253	1,453,587	1,400,042
	608,254	1,934,091	2,360,226	2,176,678	2,163,670
	16,737,924	16,963,805	17,779,531	18,675,598	17,339,277
	10,717,015	11,518,094	11,525,968	14,551,370	13,489,834
	32,853,890	35,367,936	36,576,720	40,315,348	38,718,340
	3,370,818	3,311,667	3,424,466	3,280,655	2,986,372
	1,300,202	1,322,504	1,283,463	1,200,615	1,180,309
	389,658	1,103,913	1,640,449	1,369,973	1,212,763
	19,660,321	20,252,157	22,867,177	26,435,810	23,143,181
	15,047,237	14,071,679	16,282,194	18,010,410	16,161,503
	39,768,236	40,061,920	45,497,749	50,297,463	44,684,128
	-	-	-	-	-
	7,084,833	3,720,899	1,641,423	1,295,426	-
	46,853,069	43,782,819	47,139,172	51,592,889	44,684,128
	13,999,179	8,414,883	10,562,452	11,277,541	5,965,788
	3,218,635	3,540,409	7,408,825	7,413,464	9,834,080
	-	10,950	503,887	-	-
	2,016,375	3,038,305	3,550,346	1,946,237	841,748
	1,075,790	182,076	162,371	1,554,583	1,168,875
	6,310,800	6,771,740	11,625,429	10,914,284	11,844,703
	-	-	-	-	675,523
	-	-	-	-	(60,000,000)
	2,769,698	1,533,933	1,513,522	1,152,914	796,502
\$	23,079,677	\$ 16,720,556	\$ 23,701,403	\$ 23,344,739	\$ (40,717,484)
\$	5,470,712	\$ 8,946,671	\$ 3,191,005	\$ (2,048,379)	\$ (3,900,738)
	23,079,677	16,720,556	23,701,403	23,344,739	(40,717,484)
\$	28,550,389	\$ 25,667,227	\$ 26,892,408	\$ 21,296,360	\$ (44,618,222)

City of Dearborn, Michigan

	As of June 30,			
	2001	2002	2003	2004
General fund				
Reserved	\$ 4,017,656	\$ 6,076,610	\$ 10,115,777	\$ 11,183,559
Unreserved	35,801,751	30,274,711	28,042,650	32,060,409
Total general fund	<u>\$ 39,819,407</u>	<u>\$ 36,351,321</u>	<u>\$ 38,158,427</u>	<u>\$ 43,243,968</u>
 All other governmental funds				
Reserved	\$ 26,393,103	\$ 21,238,669	\$ 24,799,034	\$ 28,425,497
Unreserved, reported in:				
Special revenue funds	1,527,620	3,396,018	2,639,359	3,033,591
Debt service fund	-	291,545	350,940	325,862
Capital projects fund	846,795	5,100,079	4,351,008	2,225,393
Total all other governmental funds	<u>\$ 28,767,518</u>	<u>\$ 30,026,311</u>	<u>\$ 32,140,341</u>	<u>\$ 34,010,343</u>

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

As of June 30,					
2005	2006	2007	2008	2009	2010
\$ 8,433,491	\$ 11,631,922	\$ 8,057,877	\$ 2,903,603	\$ 4,565,604	\$ 2,773,477
34,158,361	24,705,707	27,656,144	27,091,088	23,822,046	19,649,622
<u>\$ 42,591,852</u>	<u>\$ 36,337,629</u>	<u>\$ 35,714,021</u>	<u>\$ 29,994,691</u>	<u>\$ 28,387,650</u>	<u>\$ 22,423,099</u>
\$ 31,208,243	\$ 35,197,980	\$ 36,093,486	\$ 36,269,424	\$ 34,249,675	\$ 33,578,417
1,003,246	2,182,390	2,820,754	4,246,060	3,434,493	1,359,711
-	-	-	-	-	-
-	-	98,378	2,864,333	5,060,572	3,118,999
<u>\$ 32,211,489</u>	<u>\$ 37,380,370</u>	<u>\$ 39,012,618</u>	<u>\$ 43,379,817</u>	<u>\$ 42,744,740</u>	<u>\$ 38,057,127</u>

City of Dearborn, Michigan

	Year Ended June 30,			
	2001	2002	2003	2004
Revenues				
Taxes, assessments and penalties on taxes	\$ 63,365,685	\$ 65,368,159	\$ 68,535,593	\$ 71,225,476
Licenses and permits	3,738,384	2,194,914	2,567,285	3,012,402
Intergovernmental revenues:				
State sources	18,571,632	18,273,158	18,445,599	18,144,074
Federal sources	1,854,291	4,392,843	3,128,156	4,201,011
Other sources	159,840	201,261	176,453	158,521
Charges for services	5,077,691	7,807,213	8,576,251	9,910,066
Fines and forfeits	4,157,970	4,951,743	4,093,236	3,722,143
Rents and royalties	3,881,396	4,441,195	4,824,692	4,860,730
Miscellaneous revenue	1,108,284	1,985,055	2,083,898	1,779,416
Private source contributions	1,259,156	347,662	286,271	395,049
Investment income	5,561,743	2,633,805	1,623,318	1,071,016
Total revenues	108,736,072	112,597,008	114,340,752	118,479,904
Expenditures				
General government	15,605,502	19,636,300	16,607,919	17,137,937
Public safety	35,414,787	38,231,736	39,361,005	40,209,968
Public works	16,127,975	21,290,195	18,421,532	19,752,523
Health and welfare	1,427,595	1,245,330	985,036	898,637
Recreation and culture	12,073,395	15,577,675	15,490,932	15,719,462
Community improvement	1,850,478	2,044,095	2,097,139	4,017,796
Utilities	3,667,627	3,670,306	3,987,263	3,840,690
Capital outlay	22,158,121	12,523,615	6,888,289	4,120,128
Debt service - principal	2,050,000	2,215,000	2,340,000	2,465,000
Debt service - interest and fiscal charges	1,961,452	1,839,548	1,707,568	1,842,076
Total expenditures	112,336,932	118,273,800	107,886,683	110,004,217
Revenues Over (Under) Expenditures	(3,600,860)	(5,676,792)	6,454,069	8,475,687
Other Financing Sources (Uses)				
Issuance of debt	-	-	-	-
Bond premium and other	-	-	-	8,630,000
Payments from (to) escrow agent	-	-	-	(8,475,000)
Transfers in	20,819,314	15,160,852	10,984,992	11,636,915
Transfers out	(19,847,608)	(17,917,036)	(13,517,923)	(13,312,059)
Contribution to component units	-	-	-	-
Total other financing sources (uses)	971,706	(2,756,184)	(2,532,931)	(1,520,144)
Net Change in Fund Balances	(2,629,154)	(8,432,976)	3,921,138	6,955,543
Fund Balances - Beginning of year	71,216,079	74,810,606	66,377,630	70,298,768
Fund Balances - End of year	\$ 68,586,925	\$ 66,377,630	\$ 70,298,768	\$ 77,254,311

	Note 1	Note 2		
Debt service as a percentage of noncapital expenditures	4.45%	3.83%	4.01%	4.07%

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

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

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

		Year Ended June 30,									
		2005	2006	2007	2008	2009	2010				
\$	71,636,846	\$	73,074,475	\$	73,956,411	\$	74,864,544	\$	74,417,614	\$	66,898,007
	2,484,862		2,211,330		2,354,012		2,103,672		1,629,179		1,456,321
	17,556,775		18,724,037		17,019,551		16,890,767		16,144,911		14,994,366
	4,286,267		5,792,025		3,019,962		1,839,525		2,477,958		5,554,459
	174,776		116,796		120,626		232,307		234,800		205,886
	9,605,652		9,789,794		9,763,643		10,517,161		8,581,834		8,112,023
	3,615,747		4,480,045		4,591,880		4,734,867		5,088,268		3,907,176
	5,066,367		5,206,021		5,216,764		5,598,596		5,756,594		5,621,711
	2,070,831		2,537,007		1,251,339		1,211,475		796,671		806,946
	553,421		257,048		159,203		179,747		251,375		245,192
	2,108,961		3,761,071		4,442,283		4,484,831		2,800,349		825,396
	<u>119,160,505</u>		<u>125,949,649</u>		<u>121,895,674</u>		<u>122,657,492</u>		<u>118,179,553</u>		<u>108,627,483</u>
	17,802,197		17,625,581		16,592,671		17,243,638		16,600,757		13,266,973
	47,448,269		50,596,105		47,815,559		50,531,877		51,391,481		53,784,103
	18,740,517		20,545,286		23,264,645		22,205,870		19,685,018		18,925,016
	951,384		1,015,112		1,017,025		918,983		899,511		394,537
	16,625,373		17,158,608		15,991,058		16,742,339		16,068,221		18,877,609
	1,856,829		2,214,272		1,944,888		1,988,312		2,061,008		2,235,666
	4,060,359		4,464,391		4,302,158		4,607,915		4,320,227		323,085
	8,373,440		5,687,117		3,816,566		4,009,106		5,872,343		4,855,404
	2,630,000		2,765,000		3,040,000		3,025,000		3,165,000		3,296,683
	1,347,823		1,229,742		1,242,580		989,061		755,191		610,853
	<u>119,836,191</u>		<u>123,301,214</u>		<u>119,027,150</u>		<u>122,262,101</u>		<u>120,818,757</u>		<u>116,569,929</u>
	(675,686)		2,648,435		2,868,524		395,391		(2,639,204)		(7,942,446)
	-		-		9,840,000		3,536,000		-		-
	-		-		285,831		-		-		-
	-		-		(10,125,831)		(3,520,000)		-		-
	8,000,313		13,105,908		11,823,416		14,584,454		12,380,950		8,682,846
	(9,775,597)		(16,303,606)		(13,683,300)		(16,347,976)		(11,983,864)		(11,392,564)
	-		(536,079)		-		-		-		-
	<u>(1,775,284)</u>		<u>(3,733,777)</u>		<u>(1,859,884)</u>		<u>(1,747,522)</u>		<u>397,086</u>		<u>(2,709,718)</u>
	(2,450,970)		(1,085,342)		1,008,640		(1,352,131)		(2,242,118)		(10,652,164)
	<u>77,254,311</u>		<u>74,803,341</u>		<u>73,717,999</u>		<u>74,726,639</u>		<u>73,374,508</u>		<u>71,132,390</u>
\$	<u>74,803,341</u>	\$	<u>73,717,999</u>	\$	<u>74,726,639</u>	\$	<u>73,374,508</u>	\$	<u>71,132,390</u>	\$	<u>60,480,226</u>
	3.57%		3.40%		3.72%		3.39%		3.41%		3.50%

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>
2001	12,282,754
2002	11,767,042
2003	11,094,535
2004	10,017,678
2005	9,872,675
2006	9,783,701
2007	9,510,689
2008	9,458,018
2009	9,096,839
2010	8,005,487
2011	8,018,590 (adopted budget)

Source: City of Dearborn Finance Department

City of Dearborn, Michigan

History of Sewage System Rates Last Ten Fiscal Years

Fiscal Year Ending June 30,	Rates Effective July 1,	Sewer Commodity Rate	Quarterly Sewer Capacity Charges Range	
			From 5/8 inches	To 24 inches
2001	2000	11.95	14.75	6,693.60
2002	2001	13.20	14.75	6,693.60
2003	2002	15.75	14.75	6,693.60
2004	2003	18.12	17.40	7,996.08
2005	2004	21.81	19.53	11,718.00
2006	2005	20.48	20.84	12,504.00
2007	2006	22.58	19.04	11,424.00
2008	2007	24.05	20.28	12,168.00
2009	2008	28.02	24.47	14,682.00
2010	2009	28.61	25.02	15,012.00
2011	2010	30.38	26.53	15,918.00

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

Source: City of Dearborn ordinance

City of Dearborn, Michigan

Real Property Taxable Value

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

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.

Tax Base Composition

A breakdown of the City's tax year 2010 (fiscal year 2011) taxable valuation is as follows:

By Class	Taxable Valuation	Percent of total
Real Property	\$ 3,288,778,099	76.39%
Personal Property	1,016,676,531	23.61%
Total	\$ 4,305,454,630	100.00%

By Use	Taxable Valuation	Percent of total
Commercial	\$ 1,022,068,377	23.74%
Industrial	373,251,848	8.67%
Residential	1,809,480,588	42.03%
Personal	1,100,653,817	25.56%
Total	\$ 4,305,454,630	100.00%

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

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

Personal Property Taxable Value

Personal	Industrial Facilities Tax (IFT)	Total Personal	Total Taxable Value	Direct Tax Rate (mills)	Tax Increment Financing Total Captured Valuation	Assessed Value	Taxable as a % of Assessed Value
1,146,611,650	227,276,050	1,373,887,700	4,050,365,094	15.28	29,481,511	4,335,105,048	93.43%
1,038,909,600	263,580,400	1,302,490,000	4,129,773,975	15.33	34,926,761	4,542,072,991	90.92%
999,888,600	342,183,650	1,342,072,250	4,310,135,511	15.33	40,658,385	4,825,232,278	89.32%
937,258,600	345,849,100	1,283,107,700	4,554,520,178	15.32	42,861,215	5,176,232,134	87.99%
900,530,150	326,484,900	1,227,015,050	4,622,616,302	15.29	46,459,726	5,353,056,598	86.35%
852,123,859	347,813,200	1,199,937,059	4,720,784,820	15.27	48,694,724	5,499,856,383	85.83%
828,261,796	383,426,000	1,211,687,796	4,846,365,266	15.86	51,803,120	5,645,658,764	85.84%
739,617,400	370,526,500	1,110,143,900	4,766,863,713	14.75	53,888,169	5,464,185,166	87.24%
733,359,650	341,047,450	1,074,407,100	4,852,895,370	14.67	58,346,185	5,454,579,394	88.97%
661,018,000	447,515,900	1,108,533,900	4,895,209,712	14.67	58,088,358	5,038,391,863	97.16%
587,415,200	480,184,400	1,067,599,600	4,683,778,242	14.80	58,144,958	4,893,125,847	95.72%
573,416,016	443,260,515	1,016,676,531	4,305,454,630	15.00	86,654,278	4,437,941,179	97.01%

City of Dearborn, Michigan

Tax Year	Fiscal Year	Millage Rates - Direct City Taxes				Overlapping Taxes		
		General Operating	Debt	Garbage & Rubbish	Total Direct Taxes	County (1)	Community College (2)	Intermediate School District
Dearborn School District								
2000	2001	13.6600	0.5500	1.1200	15.3300	8.4039	2.4735	1.9789
2001	2002	13.6500	0.5500	1.1300	15.3300	8.3905	2.4735	1.9753
2002	2003	13.6500	0.5400	1.1300	15.3200	8.6390	2.4735	3.4643
2003	2004	13.6275	0.5400	1.1225	15.2900	8.6361	2.4596	3.4643
2004	2005	13.5900	0.5200	1.1600	15.2700	8.6354	2.4596	3.4643
2005	2006	13.6275	1.1100	1.1225	15.8600	8.6346	3.0000	3.4643
2006	2007	13.6275	1.3000	1.1225	16.0500	8.6266	3.0000	3.4643
2007	2008	13.6275	2.1125	1.0400	16.7800	8.6266	3.0000	3.4643
2008	2009	13.6275	2.0525	1.0400	16.7200	8.7266	3.0000	3.4643
2009	2010	13.6200	2.7000	1.1800	17.5000	8.7266	3.0000	3.4643
2010	2011	13.6200	4.5800	1.3800	19.5800	5.6483 *	3.0000	3.4643

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

Westwood School District

1999	2000	13.6600	0.5000	1.1200	15.2800	8.4572	1.0190	2.0000
2000	2001	13.6600	0.5500	1.1200	15.3300	8.4039	1.0000	1.9789
2001	2002	13.6500	0.5500	1.1300	15.3300	8.3905	2.4995	1.9753
2002	2003	13.6500	0.5400	1.1300	15.3200	8.6390	2.4862	3.4643
2003	2004	13.6275	0.5400	1.1225	15.2900	8.6361	2.4862	3.4643
2004	2005	13.5900	0.5200	1.1600	15.2700	8.6354	2.4844	3.4643
2005	2006	13.6275	1.1100	1.1225	15.8600	8.6346	2.4769	3.4643
2006	2007	13.6275	1.3000	1.1225	16.0500	8.6266	2.6915	3.4643
2007	2008	13.6275	2.1125	1.0400	16.7800	8.6266	2.4769	3.4643
2008	2009	13.6275	2.0525	1.0400	16.7200	8.7266	2.4769	3.4643
2009	2010	13.6200	2.7000	1.1800	17.5000	8.7266	2.4769	3.4643
2010	2011	13.6200	4.5800	1.3800	19.5800	5.6483 *	TBD *	3.4643

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

Note: Michigan law restricts the maximum millage that may be levied by the City without a vote of our residents as follows:

	General Operating	Debt	Garbage & Rubbish
2009	16.0000*	no limit	2.7254

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

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

Source: City of Dearborn Departments of Assessment and Finance

Direct and Overlapping Property Tax Rates Last Ten Fiscal Years

State Education Tax (SET)	Total Tax Rate Before School Taxes	School P.R.E. (4)	Total Tax Rate P.R.E. (3)(4)	Overlapping Taxes School Non - P.R.E.	Total Tax Rate Non - P.R.E.
6.0000	34.1863	8.0247	42.2110	19.9200	54.1063
6.0000	34.1693	8.0247	42.1940	19.9200	54.0893
6.0000	35.8968	9.9447	45.8415	21.8400	57.7368
5.0000	34.8500	9.9521	44.8021	22.0600	56.9100
6.0000	35.8293	10.0760	45.9053	22.4200	58.2493
6.0000	36.9589	9.1588	46.1177	21.9400	58.8989
6.0000	37.1409	9.1610	46.3019	22.1200	59.2609
6.0000	37.8709	9.0181	46.8890	21.8400	59.7109
6.0000	37.9109	7.7946	45.7055	22.1800	60.0909
6.0000	38.6909	8.9954	47.6863	22.3400	61.0309
6.0000	37.6926	9.9012	47.5938	22.8400	TBD *
6.0000	32.7562	3.0000	35.7562	21.0000	53.7562
6.0000	32.7128	2.9709	35.6837	20.9709	53.6837
6.0000	34.1953	2.9376	37.1329	20.9358	55.1311
6.0000	35.9095	2.9026	38.8121	20.8720	56.7815
5.0000	34.8766	2.8790	37.7556	20.8484	55.7250
6.0000	35.8541	2.8274	38.6815	20.4931	56.3472
6.0000	36.4358	2.7767	39.2125	20.1844	56.6202
6.0000	36.8324	2.7392	39.5716	20.7392	57.5716
6.0000	37.3478	-	37.3478	18.0000	55.3478
6.0000	37.3878	-	37.3878	18.0000	55.3878
6.0000	38.1678	-	38.1678	18.0000	56.1678
6.0000	34.6926	-	34.6926	18.0000	TBD *

City of Dearborn, Michigan

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

Taxpayer	2010			2009			2000		
	Taxable Value	Rank	Percent of total	Taxable Value	Rank	Percent of total	Taxable Value	Rank	Percent of total
Ford Motor Company	\$ 1,138,590,230	1	24.31%	\$ 930,064,150	1	19.86%	\$ 1,070,620,374	1	27.13%
Severstal Steel Company	347,957,652	2	7.43%	190,442,525	2	4.07%	-	-	-
Dearborn Industrial Generation	164,543,084	3	3.51%	53,576,775	3	1.14%	-	-	-
Fairlane Town Center	40,246,260	4	0.86%	43,178,966	5	0.92%	49,543,100	3	1.26%
HRP NOM LP (Hallwood Mgmt Co)	38,841,748	5	0.83%	43,956,824	4	0.94%	40,301,495	5	1.02%
The ACG (AAA of Michigan)	30,002,600	6	0.64%	33,315,700	6	0.71%	37,162,294	6	0.94%
Detroit Edison	26,544,766	7	0.57%	27,273,978	7	0.58%	46,455,162	4	1.18%
Automotive Components Holding	20,572,900	8	0.44%	24,049,400	8	0.51%	-	-	-
Oakwood Health Services	18,277,050	9	0.39%	-	-	0.00%	-	-	-
Ashford Hospitality Trust	16,863,400	10	0.36%	21,079,250	9	0.45%	-	-	-
WCF Land LLC	-	-	-	15,945,000	10	0.34%	-	-	-
Rouge Steel Company	-	-	-	-	-	-	168,595,200	2	4.27%
Mellon U.S. Leasing	-	-	-	-	-	-	29,335,000	7	0.74%
Lear Corporation	-	-	-	-	-	-	22,825,925	8	0.58%
Comdisco Incorporated	-	-	-	-	-	-	21,196,700	9	0.54%
Mich-Con Gas Company	-	-	-	-	-	-	16,058,400	10	0.41%
Total - all other taxpayers	<u>2,463,014,940</u>		<u>57.21%</u>	<u>3,300,895,674</u>		<u>70.48%</u>	<u>2,443,960,511</u>		<u>61.93%</u>
Total - all taxpayers	<u>\$ 4,305,454,630</u>		<u>100.00%</u>	<u>\$ 4,683,778,242</u>		<u>100.00%</u>	<u>\$ 3,946,054,161</u>		<u>100.00%</u>

Notes:

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

Abated Industrial Facilities taxable value for 2000 taxable year applicable to Ford Motor Company was \$2,564,900 Real and

Abated Industrial Facilities Taxable Value for the 2009 tax year applicable to Ford Motor Company was \$32,293,225 Real and \$100,548,075 Personal Property; Severstal Steel Company was \$5,479,000 Real and \$89,829,725 Personal Property; and Dearborn

Abated Industrial Facilities Taxable Value for the 2010 tax year applicable to Ford Motor Company was \$32,196,345 Real and \$91,107,275 Personal Property; Severstal Steel Company was \$5,995,063 Real and \$81,752,475 Personal Property; and Dearborn

Source: City of Dearborn Department of Assessment

City of Dearborn, Michigan

Principal Sewage Utility Customers

Taxpayer	Fiscal Year Ended June 30, 2010		
	Estimated Sewage Volumes (in cubic feet) (1)	Estimated Sewage Disposal Charges Billed (2)	
	Rank		
Severstal NA	67,869,000	1	\$ 2,061,860
Ford Rouge Plant	39,619,500	2	1,203,640
Oakwood Health Care	32,963,000	3	1,001,416
Ford Motor Company	7,764,900	4	235,898
Henry Ford Village	6,183,900	5	187,867
Dearborn Schools	5,931,900	6	180,211
Fairlane Town Center	3,930,100	7	119,396
Hyatt Regency Hotel	3,840,300	8	116,668
U of M Dearborn	3,167,500	9	96,229
Henry Ford Health Care	1,659,700	10	50,422
Total - ten largest sewage customers	<u>172,929,800</u>		<u>\$ 5,253,608</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
2000-2001	2000	58,709,163	57,383,776	97.7%	1,325,387
2001-2002	2001	60,993,513	59,572,542	97.7%	1,420,971
2002-2003	2002	63,690,538	61,096,759	95.9%	2,593,779
2003-2004	2003	64,668,527	62,830,392	97.2%	1,838,135
2004-2005	2004	65,902,430	63,585,712	96.5%	2,316,718
2005-2006	2005	66,782,028	64,661,825	96.8%	2,120,203
2006-2007	2006	66,932,745	64,728,834	96.7%	2,203,911
2007-2008	2007	68,037,423	65,471,370	96.2%	2,566,053
2008-2009	2008	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 60,686,509 in process of collection

Tax Year	Delinquent Tax	Collections		
		Fiscal Year 2009-2010	Prior Fiscal Years	Total
2000	1,325,387	-	1,405,567	1,405,567
2001	1,420,971	-	1,673,055	1,673,055
2002	2,593,779	-	2,852,955	2,852,955
2003	1,838,135	-	1,944,537	1,944,537
2004	2,316,718	68	2,551,876	2,551,944
2005	2,120,203	1,010	1,896,828	1,897,838
2006	2,203,911	20,511	2,243,278	2,263,789
2007	2,566,053	31,858	2,553,692	2,585,550
2008	3,100,117	57,088	3,017,703	3,074,791
2009	2,825,257	42,547	-	42,547

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

Delinquent Tax Collections/Adj.	Delinquent Balance as of June 30, 2010	Cumulative Collections & Adj. (Current and Delinquent)	Percent Collected
1,325,387	-	58,709,163	100.0%
1,420,971	-	60,993,513	100.0%
2,593,779	-	63,690,538	100.0%
1,571,523	266,612	64,401,915	99.6%
1,938,918	377,800	65,524,630	99.4%
2,119,844	359	66,781,669	100.0%
1,811,625	392,286	66,540,459	99.4%
2,517,189	48,864	67,988,559	99.9%
3,092,649	7,467	67,870,976	100.0%
42,244	2,783,013	62,311,588	95.7%

Adjustments	Delinquent Balance as of June 30, 2010
80,180	-
252,084	-
259,176	-
373,014	266,612
613,026	377,800
(222,006)	359
452,164	392,286
68,360	48,864
(17,858)	7,467
303	2,783,013

City of Dearborn, Michigan

	Fiscal Year Ended June 30,			
	2001	2002	2003	2004
Governmental activities:				
General obligation bonds	\$ 38,299,929	\$ 36,090,041	\$ 33,752,890	\$ 33,611,717
Business type activities:				
General obligation bonds	3,237,300	3,108,600	2,970,000	14,889,626
Revenue bonds	25,046,563	23,794,125	27,376,520	26,723,565
Total business type activities	28,283,863	26,902,725	30,346,520	41,613,191
Total debt of the government	\$ 66,583,792	\$ 62,992,766	\$ 64,099,410	\$ 75,224,908
Total residential personal income	\$ 2,100,989,200	\$ 2,100,989,200	\$ 2,100,989,200	\$ 2,100,989,200
Ratio of total debt to personal income	3.17%	3.00%	3.05%	3.58%
Total population*	98,929	99,879	99,824	99,499
Total debt per capita	\$ 673	\$ 631	\$ 642	\$ 756

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 for all years as published in Southeast Michigan Council of Governments' "Population and Households in Southeast Michigan, 2000-2010". 2010 population figure is from "Population and Household Estimates for Southeast Michigan", July, 2010.

Ratios of Outstanding Debt Last Ten Fiscal Years

Fiscal Year Ended June 30,						
2005	2006	2007	2008	2009	2010	
\$ 30,489,918	\$ 27,217,946	\$ 23,744,725	\$ 20,217,780	\$ 17,024,420	\$ 13,703,672	
47,132,660	68,401,337	100,993,381	131,853,146	164,795,189	194,324,037	
24,953,267	23,052,972	21,107,676	19,122,380	17,092,083	15,011,788	
72,085,927	91,454,309	122,101,057	150,975,526	181,887,272	209,335,825	
<u>\$ 102,575,845</u>	<u>\$ 118,672,255</u>	<u>\$ 145,845,782</u>	<u>\$ 171,193,306</u>	<u>\$ 198,911,692</u>	<u>\$ 223,039,497</u>	
\$ 2,067,333,614	\$ 2,067,333,614	\$ 2,167,472,786	\$ 2,292,093,612	\$ 2,254,828,035	\$ 2,295,862,702	
4.96%	5.74%	6.73%	7.47%	8.82%	9.71%	
99,382	99,909	99,089	101,223	101,665	100,886	
\$ 1,032	\$ 1,188	\$ 1,472	\$ 1,691	\$ 1,957	\$ 2,211	

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
2001	\$ 17,599,929	\$ 20,700,000	\$ 247,348	\$ 38,052,581	\$ 4,129,773,975
2002	16,690,041	19,400,000	291,545	35,798,496	4,310,135,511
2003	15,727,890	18,025,000	350,940	33,401,950	4,554,520,178
2004	17,036,717	16,575,000	325,862	33,285,855	4,622,616,302
2005	15,439,918	15,050,000	514,528	29,975,390	4,720,784,820
2006	13,767,946	13,450,000	159,246	27,058,700	4,846,365,266
2007	12,050,790	11,693,935	110,036	23,634,689	4,766,863,713
2008	10,298,845	9,918,935	321,850	19,895,930	4,852,895,370
2009	8,986,272	8,038,148	285,649	16,738,771	4,895,209,712
2010	7,601,311	6,102,361	37,387	13,666,285	4,683,778,242

* Population statistics are the U. S. Census Bureau estimates for April 1, 2000 and the SEMCOG estimates as of July 1, for other years as published in Southeast Michigan Council of Governments' "Population and Households in Southeast Michigan, 2000-2010". 2010 population figure is from "Population and Household Estimates for Southeast Michigan", July, 2010.

Ratios of General Bond Debt Outstanding Last Ten Fiscal Years

Debt as a Percentage of Taxable Value	Population *	Debt per Capita
0.92%	98,929	\$ 385
0.83%	99,879	358
0.73%	99,824	335
0.72%	99,499	335
0.63%	99,382	302
0.56%	99,909	271
0.50%	99,089	239
0.41%	101,223	197
0.34%	101,665	165
0.29%	100,886	135

City of Dearborn, Michigan

	Fiscal Year Ended June 30,			
	2001	2002	2003	2004
Valuation base				
State equalized valuation - excluding IFT values	\$ 4,256,192,341	\$ 4,461,150,928	\$ 4,688,837,184	\$ 4,861,255,998
Plus: equivalent valuation of Act 198 exemptions	285,880,650	364,081,350	487,394,950	491,800,600
Total valuation	<u>\$ 4,542,072,991</u>	<u>\$ 4,825,232,278</u>	<u>\$ 5,176,232,134</u>	<u>\$ 5,353,056,598</u>
Legal Debt limitation - 10% of total valuation	\$ 454,207,299	\$ 482,523,228	\$ 517,623,213	\$ 535,305,660
Calculation of debt subject to limit:				
Total debt	66,583,792	62,992,766	64,099,410	75,224,906
Less: Revenue Bonds not subject to limit	(25,046,563)	(23,794,125)	(27,376,520)	(26,723,563)
Less: Amount available for repayment of general obligation bonds	(247,348)	(291,545)	(350,940)	(325,862)
Net debt subject to limit	<u>41,289,881</u>	<u>38,907,096</u>	<u>36,371,950</u>	<u>48,175,481</u>
Legal debt margin	<u>\$ 412,917,418</u>	<u>\$ 443,616,132</u>	<u>\$ 481,251,263</u>	<u>\$ 487,130,179</u>
Net debt subject to limit as % of debt limit	9.09%	8.06%	7.03%	9.00%

City of Dearborn, Michigan

Computation of Legal Debt Margin Last Ten Fiscal Years

Fiscal Year Ended June 30,					
2005	2006	2007	2008	2009	2010
\$ 4,974,031,683	\$ 5,085,594,564	\$ 5,009,821,466	\$ 5,029,644,744	\$ 4,506,733,763	\$ 4,324,230,997
525,824,700	560,064,200	454,363,700	424,934,650	531,658,100	568,894,850
<u>\$ 5,499,856,383</u>	<u>\$ 5,645,658,764</u>	<u>\$ 5,464,185,166</u>	<u>\$ 5,454,579,394</u>	<u>\$ 5,038,391,863</u>	<u>\$ 4,893,125,847</u>
\$ 549,985,638	\$ 564,565,876	\$ 546,418,517	\$ 545,457,939	\$ 503,839,186	\$ 489,312,585
102,575,845	118,672,255	145,845,782	171,193,306	198,911,692	223,039,498
(24,953,267)	(23,052,972)	(21,107,676)	(19,122,380)	(17,092,083)	(15,011,788)
(514,528)	(159,246)	(110,036)	(321,850)	(285,649)	(37,387)
<u>77,108,050</u>	<u>95,460,037</u>	<u>124,628,070</u>	<u>151,749,076</u>	<u>181,533,960</u>	<u>207,990,323</u>
<u>\$ 472,877,588</u>	<u>\$ 469,105,839</u>	<u>\$ 421,790,447</u>	<u>\$ 393,708,863</u>	<u>\$ 322,305,226</u>	<u>\$ 281,322,262</u>
14.02%	16.91%	22.81%	27.82%	36.03%	42.51%

City of Dearborn, Michigan

Computation of Direct and Overlapping Bonded Debt General Obligation Bonds June 30, 2010

Government Unit	Net Bonded Debt Outstanding	Percentage Applicable to Government	Amount Applicable to Government	Per Capita (2)
Direct - City of Dearborn	\$ 13,703,672	100.00%	\$ 13,703,672	\$ 136
Overlapping (1):				
Dearborn School District	204,832,000	94.85%	194,283,152	1,926
Westwood School District	1,390,000	6.52%	90,628	1
Wayne County at large	190,293,152	8.07%	15,356,657	152
Wayne County Community College	<u>20,130,000</u>	0.07%	<u>14,091</u>	-
Total Overlapping Debt	<u>416,645,152</u>	50.34%	<u>209,744,528</u>	<u>2,079</u>
Grand Total	<u>\$ 430,348,824</u>	51.92%	<u>\$ 223,448,200</u>	<u>\$ 2,215</u>

Sources:

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

(2) Population of 100,886 as estimated in the Southeast Michigan Council of Governments' "Population and Household estimates in Southeast Michigan", July 2010.

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	
2001	15,711,210	11,690,400	4,020,810	1,505,000	1,291,876	2,796,876	144%
2002	16,114,625	12,798,449	3,316,176	1,265,000	1,206,391	2,471,391	134%
2003	16,409,603	13,368,916	3,040,687	1,330,000	1,187,154	2,517,154	121%
2004	18,858,158	15,072,744	3,785,414	1,640,000	1,158,476	2,798,476	135%
2005	20,633,639	15,920,043	4,713,596	1,790,000	792,693	2,582,693	183%
2006	21,980,542	13,819,686	8,160,856	1,920,000	737,275	2,657,275	307%
2007	21,563,867	15,945,719	5,618,418	1,965,000	697,588	2,662,588	211%
2008	24,534,731	16,674,416	7,860,315	2,005,000	656,900	2,661,900	295%
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%

(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)
2001	98,929	\$ 2,100,989,200	\$ 21,237	2.9%
2002	99,879	2,100,989,200	21,035	3.5%
2003	99,824	2,100,989,200	21,047	4.3%
2004	99,499	2,100,989,200	21,116	5.4%
2005	99,382	2,067,333,614	20,802	5.5%
2006	99,909	2,067,333,614	20,692	5.2%
2007	99,089	2,167,472,786	21,874	4.7%
2008	101,223	2,292,093,612	22,644	7.0%
2009	101,665	2,254,828,035	22,179	12.2%
2010	100,886	2,295,862,702	22,757	10.0%

(1) U.S. Census estimates for April 1, 2000 and the SEMCOG estimates as of July 1 for other years as published in Southeast Michigan Council of Governments' "Population and Households in Southeast Michigan, 2000-2008" (September 2008 and earlier). 2009 population figure is from "Population and Household Estimates for Southeast Michigan", July, 2010.

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

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

City of Dearborn, Michigan

Principal Employers Current Year and Nine Years Previous

	2009 (1)			2000 (2)		
	Employees	Rank	Percentage of Total	Employees	Rank	Percentage of Total
Ford Motor Company (3)	33,000	1	59.99%	35,342	1	68.36%
Oakwood Hospital Corporation (3)	5,679	2	10.32%	2,300	4	4.45%
Visteon Corp (HQ) (3)	4,300	3	7.82%	-	-	-
Dearborn Board of Education	2,681	4	4.87%	2,778	3	5.37%
Lear Corp	2,500	5	4.54%	-	-	-
Severstal North America, Inc	1,840	6	3.34%	-	-	-
Auto Club of Michigan	1,781	7	3.24%	2,012	5	3.89%
United Technologies Auto (HQ)	1,266	8	2.30%	1,340	7	2.59%
Dearborn Stamping Plant	1,000	9	1.82%	-	-	-
UM Child Development Center	963	10	1.75%	-	-	-
Rouge Steel Company	-	-	-	3,350	2	6.48%
Carhartt Inc	-	-	-	2,000	6	3.87%
Diemakers Inc	-	-	-	900	8	1.74%
City of Dearborn	-	-	-	880	9	1.70%
Consolidated Rail	-	-	-	795	10	1.54%
	<u>55,010</u>			<u>51,697</u>		

Sources:

(1) 2010 Michigan Manufacturers Directory, 2010 Crain's Book of Lists and Manta Company Intelligence Website.

(2) 2002 Official Statement for City of Dearborn Sewage Disposal System Revenue Bonds, with specific information from Ford Motor Company, School District of the City of Dearborn (including full and part time employees), Oakwood Health Care Systems, United Technologies and the City of Dearborn.

(3) Employment figures are for the greater Detroit Metropolitan area from the 2010 Michigan Manufacturers Directory and 2010 Crain's Book of Lists and Manta Company Intelligence Website.

City of Dearborn, Michigan

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

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

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

City of Dearborn, Michigan

Full-Time-Equivalent Government Employees Last Nine Fiscal Years

Full-time Equivalent Employees as of July 1,					
2005	2006	2007	2008	2009	2010
193.41	190.15	180.12	177.70	183.59	180.81
448.34	459.38	446.38	442.63	442.57	433.20
93.09	90.30	84.20	61.66	58.67	60.73
23.51	23.44	23.05	19.23	19.39	4.72
288.80	287.38	284.95	278.92	282.61	288.04
15.31	14.43	13.23	16.03	17.03	18.00
<u>1,062.46</u>	<u>1,065.08</u>	<u>1,031.93</u>	<u>996.17</u>	<u>1,003.86</u>	<u>985.50</u>
22.84	24.69	24.69	25.86	24.51	24.51
27.83	26.22	25.56	24.36	24.20	23.30
6.69	5.08	5.08	5.08	6.43	6.43
12.00	12.00	14.68	17.09	17.44	17.44
39.84	37.82	34.97	55.73	53.72	52.72
<u>109.20</u>	<u>105.81</u>	<u>104.98</u>	<u>128.12</u>	<u>126.30</u>	<u>124.40</u>
<u>1,171.66</u>	<u>1,170.89</u>	<u>1,136.91</u>	<u>1,124.29</u>	<u>1,130.16</u>	<u>1,109.90</u>
1.00	1.00	1.00	1.00	1.00	1.00
<u>1,172.66</u>	<u>1,171.89</u>	<u>1,137.91</u>	<u>1,125.29</u>	<u>1,131.16</u>	<u>1,110.90</u>

City of Dearborn, Michigan

Functions/programs	Fiscal Year Ended June 30,			
	2001	2002	2003	2004
Public safety				
Police patrol units	49	49	49	49
Fire stations	4	4	4	4
Emergency response vehicles	5	5	5	5
Fire suppression vehicles	9	9	9	9
Public works				
Miles of streets				
Major streets	73.01	73.01	73.01	73.01
Local streets	194.24	194.24	194.24	194.24
Recreation and culture				
Parks and recreation				
City Parks acreage	324.90	324.90	324.90	324.90
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	301,421	298,413	296,959	299,908
Utilities				
Water				
Miles of water mains	372.50	372.50	372.50	372.50
Fire hydrants	2,822	2,822	2,822	2,822
Sewer				
Miles of sanitary sewers	79.14	79.14	79.14	79.14
Miles of storm sewers	144.27	144.27	144.27	144.27
Miles of combined sewers	404.35	404.35	404.35	404.35

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

**Capital Asset Statistics
Last Ten Fiscal Years**

Fiscal Year Ended June 30,					
2005	2006	2007	2008	2009	2010
49	49	49	50	51	51
4	4	4	4	4	4
5	6	6	6	6	6
9	9	9	9	10	10
73.01	73.01	73.01	73.01	73.01	73.01
194.24	194.24	194.24	194.24	194.24	194.24
309.90	309.90	309.90	309.90	309.90	309.90
42	42	42	42	42	42
626	626	626	626	626	626
1	1	1	1	1	1
1	1	1	1	1	1
2	2	2	2	2	2
4	4	4	4	4	4
300,294	302,154	308,988	306,916	299,265	293,888
372.50	372.50	372.67	388.00	387.93	387.93
2,822	2,822	2,824	2,822	2,834	2,834
79.14	79.14	72.82	72.00	72.76	72.76
144.27	144.27	162.26	144.00	144.56	144.56
404.35	404.35	378.16	404.00	404.00	404.00

City of Dearborn, Michigan

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

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

City of Dearborn, Michigan

Operating Indicators Last Nine Fiscal Years

Fiscal Year Ended June 30,					
2005	2006	2007	2008	2009	2010
51,056	54,882	57,427	57,128	58,245	58,147
69,090	63,735	68,577	71,052	80,189	73,079
9,412	9,096	8,173	8,326	6,525	6,769
28,231	17,165	19,367	20,452	17,186	15,223
54,432	56,467	58,356	58,723	56,591	62,162
NA	22,458	21,477	16,784	14,961	14,403
NA	11,727	20,191	26,967	38,732	34,061
2,256	2,320	2,032	2,083	2,081	2,107
7,522	7,475	7,471	7,382	7,184	7,502
5.40	3.09	1.57	1.28	5.03	2.60
39,958	44,400	39,043	38,202	39,043	35,884
8,848	10,800	8,072	7,588	8,072	7,881
4,046	4,200	3,912	3,824	3,912	3,642
24,300	19,762	19,888	20,323	20,325	28,209
199,035	217,124	213,796	198,503	193,003	205,159
300,294	302,154	308,988	306,916	299,265	293,888
1,143,446	1,034,882	918,886	860,642	870,252	907,385
538,527	520,973	489,984	491,259	511,809	511,737
32,949	32,860	32,818	32,927	32,826	32,696
7,782,069	7,532,607	6,820,710	7,277,128	6,676,634	6,278,524
11,820,680	11,561,647	11,392,378	11,615,212	12,193,727	10,352,858

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City of Dearborn, Michigan

**Federal Awards
Supplemental Information
June 30, 2010**

City of Dearborn, Michigan

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Independent Auditor's Report

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Dearborn, Michigan (the "City") as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 15, 2010. These basic financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

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

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

Plante & Moran, PLLC

November 15, 2010

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Dearborn, Michigan (the "City") as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 15, 2010. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Dearborn, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Honorable Mayor and members of the City Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

November 15, 2010

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

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

Compliance

We have audited the compliance of the City of Dearborn, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The major federal programs of the City of Dearborn, Michigan are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Dearborn, Michigan's management. Our responsibility is to express an opinion on the City of Dearborn, Michigan's compliance based on our audit.

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

In our opinion, the City of Dearborn, Michigan complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

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

Internal Control Over Compliance

The management of the City of Dearborn, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Dearborn, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses; 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.

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 combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2010-1 to be a material weakness.

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

This report is intended solely for the information and use of management, the Honorable Mayor and members of the City Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

November 15, 2010

City of Dearborn, Michigan

Schedule of Expenditures of Federal Awards Year Ended June 30, 2010

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Federal Expenditures
U.S. Department of Housing and Urban Development:		
Direct programs:		
CDBG Entitlement Grant Cluster:		
Community Development Block Grant	14.218	\$ 2,566,972
ARRA Community Development Block Grant	14.253	550,556
Neighborhood Stabilization Program	14.218	<u>1,110,964</u>
Total CDBG Entitlement Grant Cluster		4,228,492
Emergency Shelter Grant	14.231	79,320
Dollar Home Sales to Local Governments Program	14.313	73,500
Passed through Michigan State Housing Development Authority - Home Investment Partnerships Program - Home Resource Fund - Grant Year 2007	14.239	<u>78,125</u>
Total U.S. Department of Housing and Urban Development		4,459,437
U.S. Environmental Protection Agency:		
Passed through Michigan Department of Environmental Quality:		
State Revolving Fund Loan - Combined Sewer Overflow Phase A	66.458	749,751
State Revolving Fund Loan - East Dearborn CSO Control Program	66.458	550,537
State Revolving Fund Loan - Combined Sewer Overflow Outfall 016	66.458	10,874
State Revolving Fund Loan - Combined Sewer Overflow Phase B Contracts 7 and 8	66.458	6,008,547
State Revolving Fund Loan - Combined Sewer Overflow Phase B CSO 010 & 011	66.458	1,669,437
ARRA State Revolving Fund Loan - Combined Sewer Overflow Phase B CSO 010 & 011	66.458	3,784,000
Safe Drinking Water State Revolving Fund Loan - Water Main Project Phase I	66.468	42,967
ARRA Safe Drinking Water State Revolving Fund Loan - Water Main Project Phase I	66.468	<u>1,257,800</u>
Total U.S. Environmental Protection Agency		14,073,913
Federal Transit Administration - Passed through Michigan Department of Transportation - Rail Passenger Station Development Grant	20.500	180,877
U.S. Department of Agriculture - Passed through County of Wayne, Michigan - Emergency Food Distribution Program	10.569	55,293
U.S. Department of Energy - Direct Program - ARRA Energy Efficiency and Conservation Block Grant	81.125	366,752

City of Dearborn, Michigan

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2010

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Federal Expenditures
Federal Emergency Management Agency:		
Direct Program - Assistance to Firefighters Grant	97.044	\$ 14,962
Passed through Michigan Department of State Police - Civil Preparedness Program	97.042	<u>49,695</u>
Total Federal Emergency Management Agency		64,657
U.S. Department of Homeland Security - Passed through Michigan Department of State Police - 2008 Buffer Zone Protection Program		
	97.078	112,664
U.S. Department of Justice:		
Direct programs:		
Bullet Proof Vest Program	16.607	12,260
Equitable Sharing of Federally Forfeited Property	16.000	669,492
ARRA COPS Hiring Recovery Program	16.710	135,081
Passed through Wayne County Sheriff Department:		
2007 Edward Byrne Memorial Justice Assistance Grant Program	16.738	35,044
2008 Edward Byrne Memorial Justice Assistance Grant Program	16.738	<u>9,160</u>
Total U.S. Department of Justice		861,037
U.S. Department of Transportation:		
Passed through Michigan Department of State Police and Downriver Community Conference - Drive Michigan Safely Task Force		
	20.600	26,303
Passed through Michigan Department of Transportation:		
ARRA Resurface - Miller Rd. from Warren to Tireman	20.205	218,521
ARRA Resurface - S-bound Sfld. Serv. Dr. from Exec Plaza to Mich. Ave.	20.205	<u>141,644</u>
Total U.S. Department of Transportation		<u>386,468</u>
Total federal programs		<u>\$ 20,561,098</u>

City of Dearborn, Michigan

Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended June 30, 2010

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 5,554,459
Add noncash assistance	128,793
Add federal money recorded as a capital contribution from grants on the financial statements	126,839
Add federal money to be recorded as a capital contribution from grants on the financial statements	535,161
Add federal money recorded as a liability (safe drinking water project)	638,767
Add federal money recorded as a pass-through activity in Trust and Agency Funds	79,320
Add federal money recorded as a liability (combined sewer overflow project)	9,773,704
Add federal money classified as forfeited revenue	669,492
Add federal revenue classified as miscellaneous revenue on financial statements	46,047
Less revenue for prior year expenditures received in current year	(5,500)
Add grant receivable not recorded under modified accrual accounting	14,574
Add current year expenditures to be reimbursed in subsequent year (combined sewer overflow)	5,878,444
Less revenue for prior year expenditures received in current year (combined sewer overflow)	<u>(2,879,002)</u>
Federal expenditures per the schedule of expenditures of federal awards	<u>\$ 20,561,098</u>

City of Dearborn, Michigan

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2010

Note 1 - Basis of Presentation and Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Dearborn, Michigan (the "City") under programs of the federal government for the year ended June 30, 2010. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-87, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

Note 2 - Noncash Assistance

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

Summary of Noncash Assistance - The grantee received the following noncash assistance during the year ended June 30, 2010 that is included on the schedule of expenditures of federal awards:

<u>Federal Agency</u>	<u>CFDA Number</u>	<u>Program</u>	<u>Amount</u>
U.S. Department of Agriculture	10.569	Emergency Food Distribution Program	\$ 55,293
U.S. Department of Housing and Urban Development	14.313	Dollar Home Sale to Local Governments Program	73,500

City of Dearborn, Michigan

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2010

Note 3 - Subrecipient Awards

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

Federal Program Title	CFDA Number	Amount Provided to Subrecipients
Community Development Block Grant	14.218	\$ 80,319
Emergency Shelter Grant	14.231	79,320

Note 4 - Status as Other than Low-risk Auditee

As disclosed in the schedule of findings and questioned costs included in this report, the City does not qualify as a low-risk auditee for the audit of federal awards. This is due to findings that were reported in conjunction with the audit of federal awards for fiscal year 2008. Under the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, an entity that has had findings reported related to its federal programs cannot qualify as a low-risk auditee for the two subsequent periods after the finding.

City of Dearborn, Michigan

Schedule of Findings and Questioned Costs Year Ended June 30, 2010

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness identified? Yes No
- Significant deficiency(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 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: Unqualified

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

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
66.458	U.S. Environmental Protection Agency - State Revolving Fund Loans
66.468	U.S. Environmental Protection Agency - Safe Drinking Water State Revolving Fund Loans
16.000	U.S. Department of Justice - Equitable Sharing of Federally Forfeited Property
14.218, 14.253	U.S. Department of Housing and Urban Development - Community Development Block Grant Cluster

Dollar threshold used to distinguish between type A and type B programs: \$616,833

Auditee qualified as low-risk auditee? Yes No

City of Dearborn, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2010

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

Reference Number	Findings
2010-1	<p>Program Name - State Revolving Fund Loan (66.458) and Safe Drinking Water State Revolving Fund Loan (66.468)</p> <p>Pass-through Entity - Michigan Department of Environmental Quality</p> <p>Finding Type - Material weakness; material noncompliance</p> <p>Criteria - Management's goal is to adequately identify federal programs and accurately report federal expenditures on the City of Dearborn, Michigan's (the "City") schedule of expenditures of federal awards (SEFA).</p> <p>Condition - Approximately \$4.7 million of federal expenditures related to the SRF and DWRP programs was omitted on the preliminary SEFA. Management was unaware of the status of the expenditures. After discussion with management during the audit, these amounts were appropriately added to the SEFA.</p> <p>Questioned Costs - None</p> <p>Context - These amounts relate to federal expenditures reported on the SEFA. Expenditures were properly identified on the City's general ledger and were properly reported in the City's Comprehensive Annual Financial Report.</p> <p>Effect - Amounts were originally understated by approximately \$4.7 million on the preliminary schedule submitted for audit.</p> <p>Cause - During preparation for the 2010 audit, the City experienced turnover in the accounting position responsible for identifying amounts to report on the SEFA related to the SRF and DWRP projects. The accountant who left the position did not properly identify all expenditures incurred prior to year end related to these programs. Therefore, expenditures incurred and properly reported in the City's Comprehensive Annual Financial Report in 2010 that were not drawn down until the subsequent fiscal year were not reported in the SEFA.</p>

City of Dearborn, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2010

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2010-1 (Continued)	<p>Recommendation - We recommend that the City review all expenditures related to federal programs for proper inclusion on the SEFA.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City has reassigned responsibility for the SRF and DWRF projects to an accountant with extensive experience with federal programs. Going forward, the City will include all SRF expenditures incurred as of year end on the SEFA without regard to the year in which the funds are drawn down.</p>

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