

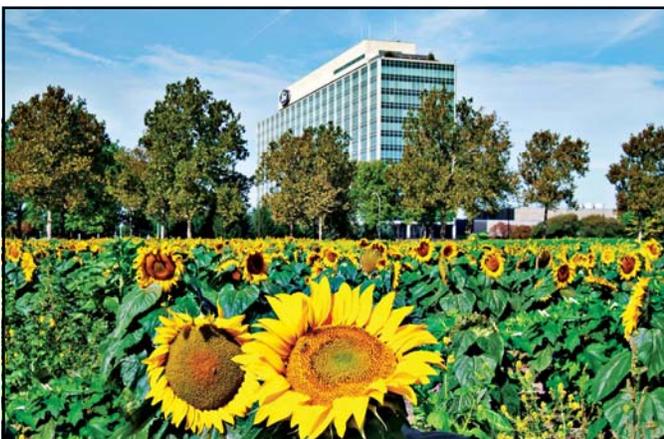
# CITY OF DEARBORN, MICHIGAN



## COMPREHENSIVE ANNUAL FINANCIAL REPORT



**For the Year Ended  
June 30, 2011**



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# **CITY OF DEARBORN, MICHIGAN**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the Year Ended June 30, 2011**

### ***MAYOR***

John B. O'Reilly, Jr.

### ***CITY COUNCIL***

#### **Council President**

Thomas P. Tafelski

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

Suzanne Sareini

#### **Council Members**

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

James J. O'Connor  
Finance Director/Treasurer

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Dearborn  
Michigan

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2010

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.



A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

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

December 2, 2011

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, 2011, 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 3-16 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  
December 2, 2011

## **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 2011.

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

The City of Dearborn is located in southeast Michigan and borders the City of Detroit to the east. The 2010 census reported a population of 98,153, and current estimates indicate the population is growing. The superior public services and facilities, a well-established employment base, proximity to Detroit and other affluent suburbs, Detroit Metropolitan Airport, and transportation systems, make Dearborn a desirable community in southeast Michigan for families and businesses.

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

Elected officials are comprised of the Mayor, City Clerk, and seven Council members who are elected at large. All terms of office are four years. Department Directors and the Chief of Staff are appointed by and serve at the pleasure of the Mayor with the exception of the Human Resource (Civil Service) Director, 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. Mayor O'Reilly served as Council President and was a Councilmember for total service of seventeen years. He is very knowledgeable about the internal operations and the community history. In February 2007, Mayor O'Reilly was elected to succeed Mayor Michael Guido who had passed away during a term of office. Mayor O'Reilly was re-elected in November 2009 to serve a full four-year term. The citizens have a clear preference for continuity in leadership that enables Dearborn to build and maintain a premium level of public services.

## **GENERAL GOVERNMENT**

The City of Dearborn is a full-service government. The Mayor, the City Clerk and City Council have department designations. Public Safety departments include Police, and Fire and Rescue. Residential Services and Economic & Community Development departments perform the building permit and inspection work of the public safety function in addition to other core duties. The City includes the 19<sup>th</sup> District Court with the City serving as the funding unit for this State judicial operation. The Department of Public Works manages the sanitation division, infrastructure projects and general repair and maintenance of City property.

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

The Recreation Department operates an 18-hole golf course and the Housing Department manages 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 general full-time personnel. All three pension systems were closed with the following operation durations: Policemen and Firemen April 1, 1943 to July 1, 1956, Revised Police and Fire July 1, 1956 to July 1, 2005 (Police) and May 1, 2009 (Fire), General Employees July 1, 1951 to January 1 through July 1, 2002 depending on the labor group. As of April 2009 the police and fire new hires have the option to participate in the Municipal Employees Retirement System (MERS) defined benefit program, which is a State-wide program. All full-time personnel not covered by one of these pension plans participate in the defined contribution plan.

## **COMPONENT UNITS**

The City currently has four component units included in this section of the report. The East and West Dearborn Downtown Development Authorities (EDDDA and WDDDA) account for monies from tax increment financing districts under each authority's jurisdiction. These resources are being accumulated to pay debt service and to fund future redevelopment of both the East and West Dearborn Business Districts.

The 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 or functionally obsolete property. The City and BRA can approve a plan to capture most local property tax revenues from the following entities: city, county, community college, and the intermediate school district (RESA). The State of Michigan approval is required to capture school tax (operating and State Education Tax SET) revenues or for approval of business tax credits. The BRA actively participated in a \$30 million private development by constructing a \$10 million, 527 space parking deck. The Downriver Area Brownfield Consortium (renamed the Downriver Community Conference Brownfield Consortium (DC-CBC)) provided federal \$200,000 grants and \$817,931 in non-interest loans to support the land remediation work. 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 estimated at \$30 million. The second phase of the project includes construction of a senior housing component and additional surface parking estimated at \$13 million. The final phase involves the construction of retail and additional office space estimated at \$13.9 million and a senior housing component estimated at \$3.9 million. The primary medical office building and the parking deck are constructed and became operational in the 2010-2011 fiscal years.

The Downriver Area Brownfield Consortium provided a \$139,960 Hazardous Materials grant and a \$170,845 Petroleum grant to support property remediation at Michigan Avenue and Brady (previous Quality Inn Motel site).

## **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.

Transmittal Letter  
December 2, 2011

## **ECONOMIC CONDITION AND OUTLOOK**

The following three paragraphs are excerpts from Robert F. DeLucia, CFA Consulting Economist for Prudential 2011 Third Quarter Review:

“The U.S. economic expansion continued during the third calendar quarter of 2011, but at the same anemic 1% pace similar to the first half of this year. Corporate earnings rose at an estimated annual rate of 10-12%, perpetuating the unprecedented disparity between growth in corporate profits and GDP.

Forecast assumes real GDP growth of only 2% over the next year, followed by a mild acceleration to 2.5% during late 2012 and 3% in 2013. Inflation should remain at the 2% level, while profits should grow at a moderate 5-10% rate in both 2012 and 2013. The unemployment rate is unlikely to drift below 9% until 2013.

The probability of recession has risen to one-in-three and will continue to increase along with plunging confidence and spreading turmoil in financial markets. Current underlying fundamental conditions are weak but not recessionary, and are vastly different from those of 2008. Key leading economic indicators continue to point to sustained but sluggish economic growth.”

The Michigan economy is demonstrating signs of stabilization, but the corrective activity continues to ripple throughout the State. The State of Michigan's declining revenues have resulted in the Governors and Legislatures consistently reducing state-shared revenue distributions to local governments as one of the cost savings measures. This action alone represents at least a \$6 million per year loss of income for the City of Dearborn.

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

The automotive industry has a major effect on the economy of the State of Michigan and specifically Dearborn as the home of Ford Motor Company. Alan Mullaly, President and Chief Executive Officer of Ford, has led the company from a weakened position to a high performer in the automotive sector in a relatively short time period. Today Ford is in financially superior condition relative to the other U.S. auto manufacturers. Car and truck sales are projected to be 13.5 million units in 2012 up from 12 million in the previous year. Alan Mullaly announced on September 29, 2011 that Ford will add 7,000 U.S. jobs over two years. The Ford World Headquarters and Engineering Center is located in Dearborn in addition to the Ford Rouge Manufacturing Complex. General Motors has also announced plans to hire thousands of employees.

As Ford restructured and downsized, about 2 million square feet of office, flex and lab space was vacated and is not expected to be needed by Ford. About 25% of this space has been backfilled with health care, education, university student housing and other auto supplier uses in the last 18 months. The strategy for backfilling the remainder of this space is to diversify Dearborn's economic base and move both start-up and more mature businesses/institutions into this space. Much of the vacated space was class A or B and is ready to re-occupy with very little modification.

Transmittal Letter  
December 2, 2011

The Ford assembly plant in Dearborn was completely rebuilt during the Heritage Plant makeover of the Rouge complex about 10 years ago with an investment of about \$2 billion. During that makeover, the flexible platform system was used to make the plant globally competitive for decades. Ford's most popular truck, the F-150 is manufactured there, but the plant can easily be retrofitted to make any product line because of the platform technology. The site remains a mainstay of Ford's production facilities, and holds a special place in the hearts of the family as the realization of Henry Ford's and later Bill Ford Jr's. dream as the most advanced auto manufacturing complex in both the 20th and 21st Centuries.

In 2004, Severstal North America, Inc. purchased the assets of Rouge Steel. Following the acquisition, Severstal invested \$580 million in rebuilding and upgrading steel producing facilities. Currently, Severstal is about two thirds through nearly \$2 billion of modernization investment to the mill, adding new blast furnaces, cold rolling, hot coating and continuous annealing lines. The plant will be state-of-the-art when completed, and capable of producing lightweight high strength steel along with a variety of other products needed by automakers around the world. This plant should be productive for at least 30 years going forward and employs 1,500-2,000 workers.

Oakwood Health System remains a growing health care employer, with over 12,000 employees in four hospitals. Approximately 4,000 of the staff members are located in Dearborn at the headquarters and main hospital sites. Oakwood just opened a new Medical Office Building in the heart of downtown East Dearborn, which will employ about 500 health care professionals and represents an investment of \$45+ million. Oakwood recently purchased one of the last remaining large parcels in Dearborn; about 70 acres, which is ideally suited and located for expanding or replacing the main hospital. Oakwood has also recently consolidated a number of administrative employees in Dearborn by reoccupying vacated Ford space in one of Ford's newer business parks.

While the major employers are experiencing growth and prosperity, the declines in property values resulting from the sub-prime mortgage crisis and the recession are having a long-term impact on local governments. Proposal A of 1994 and other tax laws limit the growth in property values and the corresponding primary revenue of municipalities. Therefore local government's tax revenues were reduced rapidly and recovery is dependent on taxpayers supporting restoration millages to offset the property value declines. The November 2011 ballot includes proposals for a 3.5 operating millage and 1 mill for the library. The millage proposals are consistent with the 2010 Community Task Force recommendations, which consisted of a diverse set of resident and business community representatives.

The City has downsized 207 general (no reduction to public safety) full-time positions since 2001, reduced or modified the compensation package, enhanced efficiencies, closed lower demand facilities, and adjusted the program/service mix. These efforts have produced annual cost savings of at least \$15 million annually. The efforts to date have been successful, but the substantial rapid losses in the revenue stream and escalating legacy costs for pensions and retiree health care plus increases in other operating costs including health insurance and general inflation continue to pose a financial challenge. If the taxpayers support the millage(s), the rightsizing efforts will still continue but will not be as significant.

The October 2011 single family unit home supply is 373 according to the multi-listing service. This count is down from the peak of approximately 1,100 units in 2009-2010. The historical normal range was between 500 and 650 units. The average duration for homes to remain on the market is approximately 90 days. The demand/supply equation appears to be equalizing along with stabilizing property values.

Transmittal Letter  
December 2, 2011

Although there was a General Fund structural budget deficit of \$8.6 million for FY11, actual fund balance use was limited to less than \$1 million. The accounting reversal of the prior year \$3.7 million Wayne County Tax Revolving deferral, the \$6 million of one-time transfers in, the coordinated cost savings from two retirement incentive programs, and other cost savings initiatives produced the favorable results for June 30, 2011.

The fiscal year 2011-2012 budget includes \$6 million from the sale of Dearborn Towers, \$2 million in one-time transfers produced by cancelling capital projects, \$5.6 million use of reserves, 10% compensation package adjustments, and other cost saving measures. The voters are driving the 2012-2013 budget revenue recovery with the approval at the November 2011 election to increase 3.5 operating mills and to add one library mill.

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

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

## **MASTER PLAN AND ZONING UPDATE**

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

## **NEIGHBORHOOD STABILIZATION PROGRAM**

The City continues to take an active role to stem the negative impact of vacated homes due to the mortgage crisis. The City purchases low-cost homes from lenders, HUD and private owners. The focus is on removing housing stock that is deteriorating and past its useful life. The homes are demolished and the vacant property is sold to private developers that construct new modern homes. The result is an upgrade to the housing stock that protects City neighborhoods. The City is currently holding in excess of \$13 million of property in land inventory (lower of cost or market value).

## **OTHER INITIATIVES**

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

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

Train Station: The City of Dearborn, in partnership with the Michigan Department of Transportation and with funding provided by the American Recovery and Reinvestment Act in the amount of \$28 million dollars, will construct a new intercity 16,000 square foot passenger rail station on a 7-acre site. The station consolidates the two current stations on the Detroit to Chicago corridor and is targeted to be operational in August of 2013. A bridge is planned to be constructed to provide a connection to the Henry Ford tourist attraction. The plan includes the restoration of the second Norfolk Southern Railway track and will expand multimodal transit coordination and integration with other local transportation modes including rail, bus, shuttle, and non-motorized connections. Parking and interconnectivity components are also included in the design. The new train station is within walking distance to the West Downtown Business District and paved trailways that provide quick access to the University of Michigan-Dearborn and Henry Ford Community College campuses. It will be poised to anchor major increases in train activity as complementary improvements to rail lines between Dearborn and Chicago occur over the next few years and commuter rail service gains a foothold in this region.

Transmittal Letter  
December 2, 2011

Student Housing: The Union at Dearborn is a new student housing project designed to adaptively reuse two obsolete Ford Land facilities and add a third structure to provide 825 beds of student housing for the University of Michigan-Dearborn(UM-D) campus when completed. The first phase of the project includes approximately 150,000 sq. ft. in the two Ford Land obsolete office and testing buildings (1-2 story) on Evergreen Road across the street from the campus, plus the addition of a new four story apartment structure that will tie all three buildings together. This project is privately funded by the developer, Urban Campus Communities. UCC has a Memorandum of Understanding with UM-D for joint marketing, promotion, linkages to the UM-D admissions process, shuttle transportation and commitments for Resident Assistants (RA's) who will live in the complex. The developer is securing private funding for the project and has been awarded some brownfield assistance and tax abatements by the City of Dearborn and the State of Michigan. The brownfield plan has been approved to provide \$2.57 million in demolition and infrastructure assistance from state tax capture. An Obsolete Property Rehabilitation Act (OPRA) tax abatement remains to be finalized by the City as the project moves through its approval process. The Union at Dearborn project also contains campus commons space to allow all students at UM-D access to club, social and various collegiate activities, making this an important aspect of enhancing the student life experience at the formerly all commuter UM-D campus. The first phase of this project will be constructed during 2012-2013 with an investment of \$30 million and is scheduled to open for the fall semester of 2013. The second phase could open as soon as fall of 2014 and brings the project total investment to \$47 million.

#### **AWARDS**

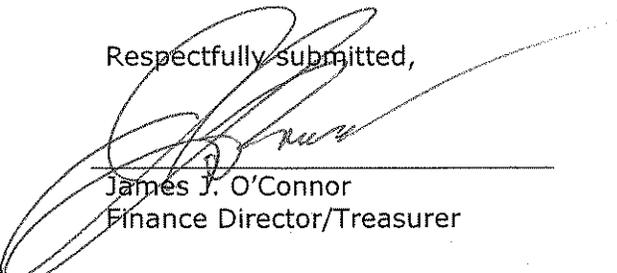
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Dearborn for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2010. This was the thirteenth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report satisfies both 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.

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

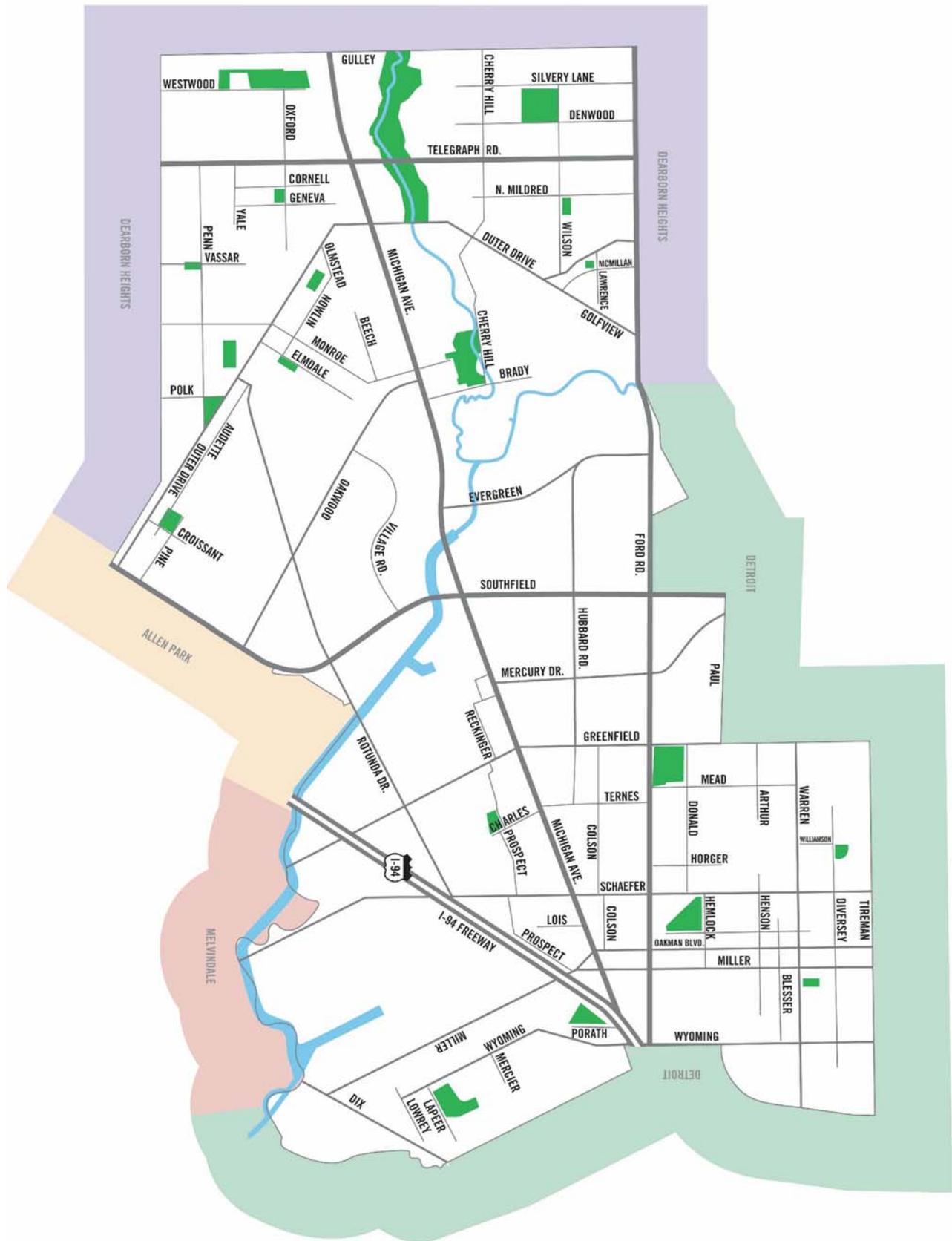
City employees are expected to:

- ◆ 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

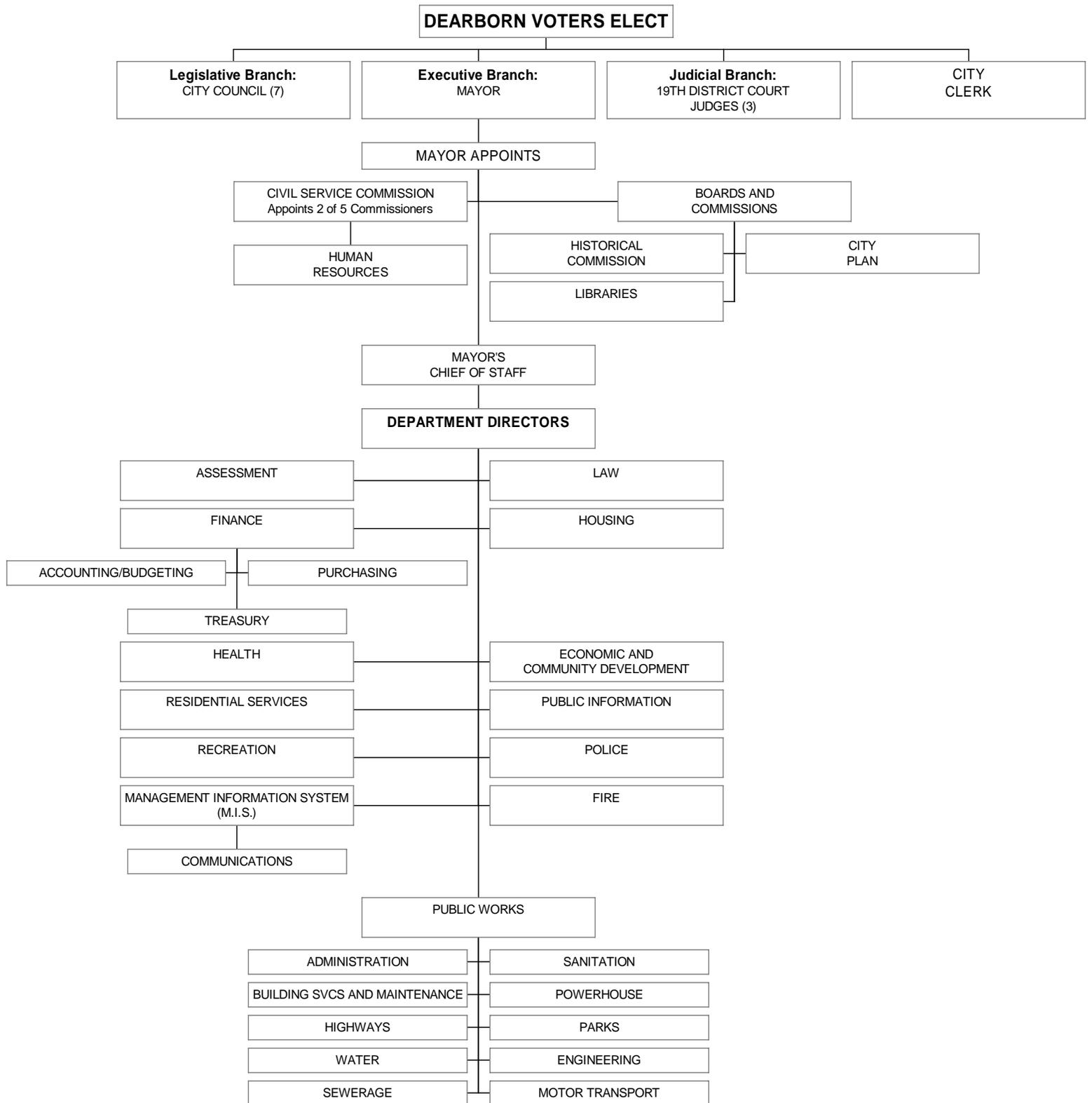
The City administration will:

- ◆ 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, 2011**

<u>TITLE</u>	<u>NAME</u>
Mayor	John B. O'Reilly, Jr.
City Clerk	Kathleen Buda
City Council President	Thomas P. Tafelski
Council President Pro Tem	Suzanne Sareini
Council Members	Mark Shooshanian
	Robert A. Abraham
	Brian O'Donnell
	Nancy A. Hubbard
	David Bazzy
City Assessor	Gary Evanko
City Engineer	M. Yunus Patel
City Librarian	Maryanne Bartles
City Planner	Vacant
Corporation Counsel	Debra A. Walling
Economic & Community Development Director	Barry Murray
Mayor's Chief of Staff	Mark G. Guido
Finance Director/Treasurer	James J. O'Connor
Human Resources Director	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

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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 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, 2011, 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, 2011 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 December 2, 2011 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.

During the year, the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*, as discussed in Note 1. As a result of this required implementation, fund balance classifications in the governmental fund financial statements have been changed to reflect the five new classifications under GASB No. 54.

*Plante & Moran, PLLC*

December 2, 2011

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, 2011. 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 17) and the Statement of Activities (on pages 18 and 19) 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 20. 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 17. 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

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## Management's Discussion & Analysis June 30, 2011

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 20 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 32 and 33. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

### The 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	
	FY2011	FY2010	FY2011	FY2010	FY2011	FY2010
Current and other assets	\$ 82.5	\$ 96.4	\$ 98.6	\$ 93.3	\$ 181.1	\$ 189.7
Capital assets	136.9	138.7	375.4	348.9	512.3	487.6
Total assets	219.4	235.1	474.0	442.2	693.4	677.3
Long-term liabilities	25.8	26.9	226.1	213.1	251.9	240.0
Other liabilities	11.3	12.8	25.7	24.0	37.0	36.8
Total liabilities	37.1	39.7	251.8	237.1	288.9	276.8
Net assets:						
Invested in capital assets, net of debt	126.5	125.0	143.6	139.5	270.1	264.5
Restricted	9.5	11.5	9.5	21.0	19.0	32.5
Unrestricted (deficit)	46.3	58.9	69.1	44.6	115.4	103.5
Total net assets	\$ 182.3	\$ 195.4	\$ 222.2	\$ 205.1	\$ 404.5	\$ 400.5

Net assets serve as an indicator of the City's financial position. The table above indicates that the City of Dearborn assets exceeds liabilities by \$404.5 million as of June 30, 2011. The largest category of net assets is represented by the investment in capital assets, net of outstanding debt. It is important to note that these assets are not available for future spending and although they are shown here net of related debt, other resources will be needed to make the debt payments in the future.

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

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

#### Table 1 Comments:

Total Primary Government net assets increased 1.0% or \$4.0 million from \$400.5 million to \$404.5 million. Of this change, a \$13.1 million decrease related to Governmental Activities is offset by a \$17.1 million increase in the Business-type Activities. Specific information about these changes follows.

Governmental activities - Total assets decreased by 6.7% or \$15.7 million from \$235.1 million to \$219.4 million. Capital assets decreased \$1.8 million and other assets decreased by \$13.9 million due to a reduction in combined cash and investments along with decreases in receivables due from other governments. The decrease in total liabilities of \$2.6 million is the result of increases in accounts payable and the net OPEB liability for postemployment health insurance offset by a decrease in long-term debt.

# City of Dearborn, Michigan

## Management's Discussion & Analysis June 30, 2011

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

The following table reflects the condensed Statement of Activities.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY2011	FY2010	FY2011	FY2010	FY2011	FY2010
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 18.9	\$ 16.2	\$ 47.2	\$ 44.7	\$ 66.1	\$ 60.9
Operating grants	11.2	11.6	-	-	11.2	11.6
Capital grants	3.6	3.1	4.8	-	8.4	3.1
General revenues:						
Taxes	65.0	70.9	15.7	9.8	80.7	80.7
Intergovernmental revenue	8.3	8.1	-	-	8.3	8.1
Investment earnings	0.2	0.8	0.3	0.8	0.5	1.6
Other general revenues	0.3	0.3	0.1	1.9	0.4	2.2
<b>Total revenues</b>	<b>107.5</b>	<b>111.0</b>	<b>68.1</b>	<b>57.2</b>	<b>175.6</b>	<b>168.2</b>
<b>Program expenses</b>						
General government	14.1	12.4	-	-	14.1	12.4
Public safety	61.2	57.8	-	-	61.2	57.8
Public works	17.3	18.9	-	-	17.3	18.9
Health & welfare	0.4	0.4	-	-	0.4	0.4
Recreation & culture	21.9	21.5	-	-	21.9	21.5
Community improvement	5.3	2.7	-	-	5.3	2.7
Interest on long-term debt	0.4	0.6	-	-	0.4	0.6
Housing	-	-	3.3	4.3	3.3	4.3
Golf course	-	-	1.4	1.4	1.4	1.4
Parking	-	-	2.1	2.2	2.1	2.2
Sewer	-	-	23.3	17.3	23.3	17.3
Water	-	-	15.3	13.5	15.3	13.5
<b>Total expenses</b>	<b>120.6</b>	<b>114.3</b>	<b>45.4</b>	<b>38.7</b>	<b>166.0</b>	<b>153.0</b>
Excess (deficiency) before special items & transfers	(13.1)	(3.3)	22.7	18.5	9.6	15.2
Special items	-	-	(5.5)	(60.0)	(5.5)	(60.0)
Transfers	-	(0.8)	-	0.8	-	-
<b>Increase (decrease) in net assets</b>	<b>\$ (13.1)</b>	<b>\$ (4.1)</b>	<b>\$ 17.2</b>	<b>\$ (40.7)</b>	<b>\$ 4.1</b>	<b>\$ (44.8)</b>

### Table 2 Comments:

Governmental activities – Governmental activities decreased the City's net assets by \$13.1 million. Revenues overall declined \$3.5 million, primarily due to a decrease of 8.3% or \$5.9 million in property tax revenues offset in part by increases in charges for services of \$2.2 million. Expenditures increased \$6.3 million over last year, in part because of a \$2.5 million unrealized loss on land inventory held for resale due to a decline in property market values. Additionally,

# City of Dearborn, Michigan

## Management's Discussion & Analysis June 30, 2011

Public Safety expenses were \$3.4 million higher than the previous year due primarily to contractual labor obligations.

Business-type activities – Business-type activities increased the City's net assets by \$17.2 million during the year. A substantial portion of the net increase is \$12.6 million in tax revenue used to pay down the principal on CSO debt, with an additional \$4.8 million in capital grants primarily related to the CSO project. The City expensed \$5.5 million of impaired CSO assets during the year.

### 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 \$5.2 million below the final budget amount. This can be attributed primarily to savings in personnel costs as well as the departments' efforts to be conscientious of all costs incurred and to look for ways to save the City money.

### Capital Assets and Debt Administration

#### Capital Assets

At the end of fiscal year 2011, the City had approximately \$512 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	
	FY2011	FY2010	FY2011	FY2010	FY2011	FY2010
Land	\$ 4,170,381	\$ 4,167,781	\$ 5,952,512	\$ 5,139,592	\$ 10,122,893	\$ 9,307,373
Right-of-ways	37,818	37,818	-	-	37,818	37,818
Construction in progress	775,573	668,382	250,076,297	240,285,509	250,851,870	240,953,891
Infrastructure assets	54,574,467	51,709,769	-	-	54,574,467	51,709,769
Buildings & improvements	66,449,628	69,164,500	34,063,320	29,589,457	100,512,948	98,753,957
Equipment	10,838,036	13,012,509	1,518,457	1,469,575	12,356,493	14,482,084
Water system	-	-	47,516,583	45,297,532	47,516,583	45,297,532
Sewer system	-	-	36,304,899	27,069,957	36,304,899	27,069,957
Total	\$ 136,845,903	\$ 138,760,759	\$ 375,432,068	\$ 348,851,622	\$ 512,277,971	\$ 487,612,381

# City of Dearborn, Michigan

## Management's Discussion & Analysis June 30, 2011

### Table 3 Comments:

This year's major changes included:

#### Governmental activities:

##### Construction in progress:

Buffer Zone Protection Program	\$	(304,548)
Police range round containment system		(191,265)
Crowley Park expansion		55,416
Ford Community Performing Arts Center Renovation		92,090
Camp Dearborn entry/gate		54,996
	\$	<u>(293,311)</u>

Infrastructure assets, net increase due to cost less depreciation \$ 2,864,698

Buildings and improvements, net change due to completed projects less depreciation \$ (2,714,872)

##### Machinery & Equipment:

Vehicles \$ (141,611)

#### Business-type activities

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

Sewer Fund		9,234,942
Water Fund		2,219,051
	\$	<u>11,453,993</u>

Buildings and improvements, net change due to completed projects less depreciation \$ 4,473,866

Additional information on the City of Dearborn's capital assets can be found in Note 3 on pages 54-55 of this report.

# City of Dearborn, Michigan

## Management's Discussion & Analysis June 30, 2011

### Debt

At fiscal 2011 year-end, the City had approximately \$242.0 million in bonds and notes outstanding versus \$223.0 last fiscal year – an increase of 8.5% - as shown in Table 4.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY2011	FY2010	FY2011	FY2010	FY2011	FY2010
General obligation bonds (backed by City)	\$ 10,277,268	\$ 13,703,672	\$218,182,845	\$194,324,037	\$ 228,460,113	\$208,027,709
Revenue bonds and notes (backed by specific tax and fee revenue)	-	-	13,589,363	15,011,788	13,589,363	15,011,788
Total	<u>\$ 10,277,268</u>	<u>\$ 13,703,672</u>	<u>\$231,772,208</u>	<u>\$209,335,825</u>	<u>\$ 242,049,476</u>	<u>\$223,039,497</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 56-64 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 \$100,603,455 and the combined expenditure budget for all funds, before the elimination of inter-fund duplicating transfers, is \$238,927,766.

The net increase in the operating and the garbage and rubbish millage combined rates is 1.69 mills. The increase in the millage rate cannot offset the rapid decline in taxable property values and the operating millage is at the Charter cap of 15 mills. Ballot proposals to increase this cap and address other issues were approved by the voters in the November 2011 election. The Ford Community and Performing Arts Center November 1996 voted debt millage rate increased from .53 mills to .64 mills and the August 2004 Combined Sewer Overflow (CSO) voted debt millage rate increased from 4.05 mills to 4.57 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 2.32 mills higher than the last fiscal year at 21.90 mills which is driven by taxable value declines and voted debt millages.

The City of Dearborn combined water and sewer rate increased 6.88% 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.

# City of Dearborn, Michigan

## Management's Discussion & Analysis June 30, 2011

**Table of Major Revenue Rates**

Description	Fiscal Year 2010-2011	Fiscal Year 2011-2012	Difference
Tax Millage Rate:			
City Operating	13.6200	15.0000	1.38
Garbage & Rubbish	1.3800	1.6900	.31
Debt Service	4.5800	5.2100	.63
Total Millage Rate	19.5800	21.9000	2.32
Water Rate (commodity only)	16.32	17.62	1.30/mcf
Sewer Rate (commodity only)	30.38	31.95	1.57/mcf

### Major Capital Initiatives

The 2011-2012 funding of the Capital Improvement Plan is \$14,946,846 which is the net of new project funding of \$17,522,262 and use of project reserves and resource reprogramming of \$2,575,416. The City is reinvesting in infrastructure and public assets. A classification breakdown follows with some notable projects specifically identified. The projects are supported by various funds including the General Fund via the General Capital Improvement Fund and the Facilities Fund, Community Development Block Grant Fund, Major Street & Trunkline Fund, Local Street Fund, and the Water and Sewer Funds and by federal aid for street projects, private donations, grants and the Wayne County Parks Millage allocation.

#### **Property - \$150,000**

- ◆ Operation Eyesore \$ 150,000

#### **Infrastructure - \$15,758,772**

- ◆ Streets 6,618,335
- ◆ Water 4,815,437
- ◆ Sewer 4,000,000
- ◆ Sidewalks, Alleys, Streetscape 325,000

#### **Facilities - \$1,086,265**

- ◆ Parks 648,681
- ◆ Libraries 103,000
- ◆ Recreation Facilities 146,195

### 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 \$100,603,455 expenditure budget is financed by income of \$95,325,705 and fund balance of \$5,277,750. 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. As mentioned previously, a housing building is budgeted to be sold with net proceeds supporting the General Fund of \$6 million. Operating revenues have been enhanced by increasing rates and fees as recommended by the Community Task Force.

Property taxes and related sources total \$62,853,782, a decrease of \$314,708 or 0.05% 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 84/16 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. The current total taxable property value is equivalent to the 1995 value when Proposal "A" was implemented and represents a loss of 17 years of growth.

The following paragraphs will discuss the State mandated changes that have reduced or limited property tax revenues.

This is the twelfth year of the State Tax Commission revised depreciation personal (business) property multiplier tables which have consistently produced decreases to the property values. In fiscal year 2000 personal property taxable values exceeded \$1.1 billion and have declined over 50% to \$540 million. 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.

The 1.7% real property growth inflation factor for tax year 2011 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. Property market values appear to stabilizing and there will be a lag in the taxable value adjustments. The City is projecting another year of lost taxable value with values leveling off for fiscal year 2014.

State Shared Revenue is the next largest single revenue for the General Fund and is estimated at \$6,504,857 which is \$1,513,733 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.

# City of Dearborn, Michigan

## Management's Discussion & Analysis June 30, 2011

The continued slow economy and the State's decision not to fund distributions per the formula are significant concerns. The State is requiring for 2011-2012 that government units complete three objectives and will distribute additional state shared revenue to each unit that completes the requirements.

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 \$8,455,193, which is an increase of \$47,956.

Licenses and permits are estimated at \$1,856,025, which is an increase of \$203,200 in code enforcement permits.

Fines and forfeits are estimated at \$3,256,350, which is an increase of \$116,050 in the revenues generated by the 19<sup>th</sup> District Court.

Interest income from investments is estimated at \$149,968, which is a decrease of \$158,425 or 51% 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: \$1,215,208 from the General Capital Improvement Fund, \$200,000 from the Camp Dearborn Fund, \$177,120 from the Designated Purposes Fund and \$364,771 from the Facilities Fund. The original source for funding these funds was the General Fund. There is also the sale of \$6 million of assets. These items are classified as "one-time" transactions and help to provide time for the elected officials and the community to make decisions to increase revenues or to make changes to the level of services to reduce costs.

### **General Fund - Expenditure Appropriations**

The adopted expenditure appropriation for fiscal year 2010-2011 was \$99,912,508 and in fiscal year 2011-2012 it is \$100,603,455. The net increase is \$690,947 for all operating costs. The following explains the major changes.

Personnel costs are \$74,543,107 or 74% of the expenditure budget. Benefits are 61% or \$28,279,058 of salaries and wages which total \$46,264,049. 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 (RMSA) program. Non-public safety groups have converted from traditional leave time programs to single-bank paid time off programs. Many other adjustments have occurred since 2001 to reduce costs. The 2012 budget includes a 10% compensation reduction for all general employees. Over the past eight years the general employees received three years of 1% pay increases and five years of no pay increase. Another 42.5 full-time positions were reduced city-wide resulting in 207 general employee full-time position reductions since fiscal year 2001.

The public safety groups' compensation has increased 2% to 3% annually, except one year of no pay increase. Both Police and Fire have charter mandated minimum staffing formulas based on population and therefore no budgeted public safety positions have been eliminated. The retirement benefits have changed for public safety for new hires, but leave time and most other benefits have remained at the historical levels.

The percentage-of-payroll contribution rate for post-employment health care funding increased from 18.5% to 20.0% which is designed to be pay-as-you-go funding. The actuarially calculated blended funding level is just over 27%. The overall compensation package cost for fiscal year 2012 is close to that of the previous fiscal year with inflationary cost increases offset by reductions to the pay and staffing levels of the general employees.

The majority of the savings produced for fiscal year 2012 budget comes from the personnel cost reduction measures, deferring capital purchases, closing two of the eight outdoor swimming pools, closing one of the three branch libraries, and outsourcing instead of filling vacated positions.

### **General Fund - Equity**

The fund balance of the General Fund is budgeted to absorb \$5,277,750 per the 2011-2012 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 2011-2012 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 developed a multi-year strategic plan that was presented to the City Council for consideration. The intent was to provide the elected officials with a guide of acceptable actions from a community sounding board. The results of the committee's efforts were available for the 2011-2012 budget cycle and the Mayor directed three-year budgeting for planning purposes. While only one budget year was adopted, the Mayor and Council reviewed the three year 2012-2014 budget plan.

The City's last audited financial report dated June 30, 2010 includes a General Fund fund balance of \$22.4 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.

### Future Financial Challenges

Vision and good planning are necessary to position the City for the future. Proposal "A" of 1994, the Headlee Tax Millage Rollback Amendment, and the "built-out" land status all contribute to limiting tax revenue growth. The credit crisis and the poor U.S. economic conditions have produced foreclosure in both the residential and commercial real estate markets. The over-supply of property and the low availability of capital have also negatively impacted property values. It is important to note that Proposal A of 1994 limits the amount that tax values can be increased in any given year, but does not limit the amount that values can fall in any given year. The result is a substantially reduced taxable value in a poor market such as this one and the tax value/revenue recovery to break even could take in excess of ten years.

The State's reduction in revenue sharing to municipalities has been most unfavorable and the continued reductions are a concern. On the expenditure side, health care costs and legacy costs for retirees continue to be high and increasing at a trend much greater than general inflation. Cost saving efforts to date have produced annual savings in excess of \$12 million per year, however the continued challenging economic environment requires continued cost reductions for future budgets. Given the revenue growth restrictions already mentioned, fiscal responsibility and operational effectiveness/efficiencies will need to be primary focus 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 FY2012 estimated Gas & Weight Tax revenue budget for both funds combined decreased another \$87,000 from FY2011. 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 add \$64,928 to 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 \$200,000 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 \$1,699,112 which is \$505,638 or 23% less than in FY2011.

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 2011-2012 is .64 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. These bonds are scheduled to be paid off in fiscal year 2013.

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 \$1,215,208.

### **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 and user rates were increased for the 2011-2012 budget. The \$11,059,239 projected retained earnings is the result of debt-financed parking improvements including two decks that will be depreciated over time. This fund has contributed resources back to the General Fund and the fund working capital will be low.

#### **Housing**

The Seniors Apartment Operating Fund is budgeted to add \$41,994 to 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 \$221,496 of retained earnings to fund operations. This property is budgeted to be sold and the fund will be dissolved following the sale closing.

#### **Golf Course**

The operation has struggled due to the poor economic conditions and state of the golf market. All debt payments and liabilities are paid by the income from operations. A consultant worked with the manager to focus on opportunities to grow the business revenues with additional marketing. The consultant shared that cost control efforts were effective and had recommendations were limited regarding expense side changes.

#### **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 now operational or nearing completion. Three locations experienced difficulty and the lawsuits have all been settled. These locations are either being modified or replaced with sewer separation projects. Future projects will all be sewer separation projects that are scheduled through 2022.

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 2011-2012 is 4.57 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.

### **Insurance Funds**

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

The City has been funding for post-employment health care for more than 17 years. Annual contribution rates were increased to 20.0% of payroll from 18.5% except for the proprietary funds that are continuing to pay their full actuarial contribution that is just under 27%. Health care cost increases are unsustainable and must be managed.

### **Contacting the City's Financial Management**

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

# City of Dearborn, Michigan

## Government Wide Statement of Net Assets June 30, 2011

	Primary Government			Component Units (See page 35)
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Current assets:				
Cash and cash equivalents (Note 2)	\$ 53,336,323	\$ 68,845,359	\$ 122,181,682	\$ 3,171,127
Accounts receivable (Net)	2,345,685	9,467,321	11,813,006	420,733
Accounts receivable (Other)	39,052	-	39,052	-
Unbilled accounts receivable	-	3,705,160	3,705,160	-
Property taxes receivable	730,874	96,464	827,338	398
Interest and penalties on taxes	129	-	129	-
Accrued interest receivable	251,784	329,371	581,155	14,502
Internal balances	107	(107)	-	-
Due from component units	223,265	-	223,265	-
Due from other governments	2,916,806	89,806	3,006,612	-
Prepaid items	619,542	107,794	727,336	-
Inventories	13,555,474	771,269	14,326,743	-
Total current assets	<u>74,019,041</u>	<u>83,412,437</u>	<u>157,431,478</u>	<u>3,606,760</u>
Noncurrent assets:				
Restricted cash and investments	-	6,154,512	6,154,512	1,207,701
Investments, long-term	8,525,319	9,062,468	17,587,787	438,718
Capital assets, not being depreciated (Note 3)	4,983,772	256,028,809	261,012,581	-
Capital assets, net of depreciation (Note 3)	<u>131,862,131</u>	<u>119,403,259</u>	<u>251,265,390</u>	<u>-</u>
Total noncurrent assets	<u>145,371,222</u>	<u>390,649,048</u>	<u>536,020,270</u>	<u>1,646,419</u>
Total assets	<u>219,390,263</u>	<u>474,061,485</u>	<u>693,451,748</u>	<u>5,253,179</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	2,576,031	8,121,186	10,697,217	3,165
Accrued interest payable	51,848	1,090,042	1,141,890	-
Accrued liabilities	2,426,206	518,473	2,944,679	2,428
Deposits/refunds payable	675,237	232,274	907,511	-
Due for tax refunds	1,530,469	-	1,530,469	-
Due to other governments	5,959	105,302	111,261	-
Due to primary government	-	-	-	435,671
Deferred revenue	-	42,999	42,999	-
Current portion of long-term debt (Note 4)	3,957,271	13,759,503	17,716,774	255,184
Claims payable	49,505	-	49,505	-
Total current liabilities	<u>11,272,526</u>	<u>23,869,779</u>	<u>35,142,305</u>	<u>696,448</u>
Noncurrent liabilities:				
Liabilities payable from restricted assets	-	1,760,211	1,760,211	-
Current portion of long term debt payable with restricted assets (Note 4)	-	766,031	766,031	-
Accrued interest payable with restricted assets	-	115,270	115,270	-
Claims payable	2,593,152	-	2,593,152	-
Other liabilities	86,734	7,500,000	7,586,734	-
Other liabilities - Other postemployment benefits (Note 7)	10,108,287	-	10,108,287	-
Long-term debt, net of current portion (Note 4)	<u>12,983,288</u>	<u>217,829,028</u>	<u>230,812,316</u>	<u>11,255,982</u>
Total noncurrent liabilities	<u>25,771,461</u>	<u>227,970,540</u>	<u>253,742,001</u>	<u>11,255,982</u>
Total liabilities	<u>37,043,987</u>	<u>251,840,319</u>	<u>288,884,306</u>	<u>11,952,430</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	126,568,635	144,425,891	270,994,526	-
Restricted for:				
Capital projects	-	2,000,000	2,000,000	-
Debt service	383	7,525,175	7,525,558	-
Projects, roads and other	9,490,778	-	9,490,778	-
Unrestricted	<u>46,286,480</u>	<u>68,270,100</u>	<u>114,556,580</u>	<u>(6,699,251)</u>
Total net assets	<u>\$ 182,346,276</u>	<u>\$ 222,221,166</u>	<u>\$ 404,567,442</u>	<u>\$ (6,699,251)</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	\$ 14,127,212	\$ 3,568,250	\$ 355,359	\$ 97,103
Public safety	61,181,574	8,746,633	1,222,753	77,759
Public works	17,336,111	192,735	6,176,728	1,359,363
Health and welfare	368,182	151,598	-	-
Recreation and culture	21,921,935	6,178,886	1,400,971	42,134
Community improvement	5,273,033	28,632	2,093,027	2,028,696
Interest on long-term debt	436,484	-	-	-
Total governmental activities	<u>120,644,531</u>	<u>18,866,734</u>	<u>11,248,838</u>	<u>3,605,055</u>
Business-type activities:				
Housing	3,300,533	3,099,199	-	-
Golf Course	1,372,503	1,049,788	-	-
Parking	2,111,898	1,257,440	-	521,675
Sewer	23,319,895	25,420,282	-	3,784,000
Water	15,331,842	16,348,307	-	535,161
Total business-type activities	<u>45,436,671</u>	<u>47,175,016</u>	<u>-</u>	<u>4,840,836</u>
Total primary government	<u>\$ 166,081,202</u>	<u>\$ 66,041,750</u>	<u>\$ 11,248,838</u>	<u>\$ 8,445,891</u>
Component units:				
West Dearborn Downtown Development Authority	\$ 696,218	\$ -	\$ -	\$ -
East Dearborn Downtown Development Authority	640,418	-	-	-
Brownfield Redevelopment Authority	1,831,839	-	-	-
Economic Development Corporation	4,790	-	-	-
Total component units	<u>\$ 3,173,265</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, 2011**

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (10,106,500)	\$ -	\$ (10,106,500)	\$ -
(51,134,429)	-	(51,134,429)	-
(9,607,285)	-	(9,607,285)	-
(216,584)	-	(216,584)	-
(14,299,944)	-	(14,299,944)	-
(1,122,678)	-	(1,122,678)	-
(436,484)	-	(436,484)	-
<u>(86,923,904)</u>	<u>-</u>	<u>(86,923,904)</u>	<u>-</u>
-	(201,334)	(201,334)	-
-	(322,715)	(322,715)	-
-	(332,783)	(332,783)	-
-	5,884,387	5,884,387	-
-	1,551,626	1,551,626	-
<u>-</u>	<u>6,579,181</u>	<u>6,579,181</u>	<u>-</u>
<u>(86,923,904)</u>	<u>6,579,181</u>	<u>(80,344,723)</u>	<u>-</u>
-	-	-	(696,218)
-	-	-	(640,418)
-	-	-	(1,831,839)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,790)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,173,265)</u>
65,008,877	15,647,451	80,656,328	1,806,163
8,257,255	-	8,257,255	200,000
252,345	292,533	544,878	16,699
-	(18,977)	(18,977)	-
291,734	127,128	418,862	7,797
-	(5,465,843)	(5,465,843)	-
18,713	(18,715)	(2)	148,065
<u>73,828,924</u>	<u>10,563,577</u>	<u>84,392,501</u>	<u>2,178,724</u>
(13,094,980)	17,142,758	4,047,778	(994,541)
195,441,256	205,078,408	400,519,664	(5,704,710)
<u>\$ 182,346,276</u>	<u>\$ 222,221,166</u>	<u>\$ 404,567,442</u>	<u>\$ (6,699,251)</u>

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

# City of Dearborn, Michigan

## Balance Sheet Governmental Funds June 30, 2011

	General	Capital Projects	Other Governmental Funds (See page 101)	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 19,792,960	\$ 7,361,807	\$ 11,181,451	\$ 38,336,218
Accounts Receivable (Net)	1,605,811	121,397	369,866	2,097,074
Accounts Receivable (Other)	9,052	30,000	-	39,052
Property taxes receivable	705,883	-	24,991	730,874
Interest and penalties on taxes	129	-	-	129
Accrued interest receivable	105,133	33,703	43,431	182,267
Due from other funds (Note 5)	90,591	3,006	197,997	291,594
Due from component units	208,328	14,916	-	223,244
Due from other governments	1,739,528	98,264	1,079,014	2,916,806
Prepaid items	-	-	425	425
Inventories	203,754	11,179,232	2,103,323	13,486,309
Investments, long-term	4,014,429	1,020,456	1,385,680	6,420,565
Total assets	<u>\$ 28,475,598</u>	<u>\$ 19,862,781</u>	<u>\$ 16,386,178</u>	<u>\$ 64,724,557</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 1,127,502	\$ 246,049	\$ 582,246	\$ 1,955,797
Accrued liabilities	2,505,039	-	180,617	2,685,656
Deposits/refunds payable	284,337	-	390,900	675,237
Due to other governments	158	3,944	1,857	5,959
Due to other funds	858,338	-	279,110	1,137,448
Debt obligations	-	-	86,734	86,734
Deferred revenue	2,131,709	14,027	40,135	2,185,871
Claims payable	-	-	49,505	49,505
Total liabilities	<u>6,907,083</u>	<u>264,020</u>	<u>1,611,104</u>	<u>8,782,207</u>
Fund balances:				
Nonspendable:				
Inventories	203,754	11,179,232	2,103,323	13,486,309
Prepaid expense	-	-	425	425
Restricted for:				
Law enforcement activities	-	-	2,882,859	2,882,859
Road construction, preservation, maintenance	-	-	5,593,472	5,593,472
Debt service	-	-	383	383
Historical museum activities	-	-	1,014,447	1,014,447
Committed for:				
Capital projects	-	-	888,581	888,581
Fund purposes	-	-	2,291,584	2,291,584
Assigned for:				
Subsequent year's budget	5,707,125	-	-	5,707,125
Capital projects	-	8,419,529	-	8,419,529
Unassigned	15,657,636	-	-	15,657,636
Total fund balances	<u>21,568,515</u>	<u>19,598,761</u>	<u>14,775,074</u>	<u>55,942,350</u>
Total liabilities and fund balances	<u>\$ 28,475,598</u>	<u>\$ 19,862,781</u>	<u>\$ 16,386,178</u>	<u>\$ 64,724,557</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, 2011

Total fund balance for governmental funds		\$ 55,942,350
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	\$ 4,662,517	
Cost of assets, depreciated	127,841,423	
Accumulated depreciation	<u>(61,785,230)</u>	
Total adjustment due to capital assets		70,718,710
2. Some receivables are expected to be collected over several years and are not available to pay for current year expenditures		2,185,871
3. Other assets used in governmental activities are financial resources and therefore are not reported in the governmental funds - inventory		69,164
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	(49,632)	
Noncurrent liabilities, due in one year	(3,410,204)	
Noncurrent liabilities, due in more than one year	(12,527,159)	
Noncurrent liabilities, other postemployment benefits	<u>(10,108,287)</u>	
Total adjustment due to long-term liabilities		(26,095,282)
5. Internal service funds are included as part of governmental activities		<u>79,525,463</u>
Net assets of governmental activities		<u>\$ 182,346,276</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, 2011

	General	Capital Projects	Other Governmental Funds (See page 103)	Total Governmental Funds
<b>Revenues</b>				
Taxes, assessments and penalties on taxes	\$ 66,500,327	\$ -	\$ 2,134,510	\$ 68,634,837
Licenses and permits	2,606,186	-	-	2,606,186
Intergovernmental revenues:				
State sources	8,897,590	53,356	6,223,659	15,174,605
Federal sources	892,866	699,910	4,751,422	6,344,198
Wayne County parks millage	-	-	25,000	25,000
Other sources	181,390	-	-	181,390
Charges for services	8,409,950	71,685	437,804	8,919,439
Fines and forfeits	3,377,875	-	772,893	4,150,768
Rents and royalties	3,259,931	-	2,609,931	5,869,862
Miscellaneous revenue	520,153	17,684	162,405	700,242
Private source contributions	-	17,994	30,888	48,882
Investment income	169,900	35,445	47,000	252,345
Total revenues	<u>94,816,168</u>	<u>896,074</u>	<u>17,195,512</u>	<u>112,907,754</u>
<b>Expenditures</b>				
General government	12,120,518	-	621,691	12,742,209
Public safety	53,917,040	-	338,115	54,255,155
Public works	9,780,353	-	9,178,046	18,958,399
Health and welfare	345,274	-	-	345,274
Recreation and culture	15,938,039	-	2,595,900	18,533,939
Community improvement	989,011	-	1,049,756	2,038,767
Utilities	-	-	305,438	305,438
Capital outlay	622,932	1,851,900	463,364	2,938,196
Debt service - principal	-	-	3,294,095	3,294,095
Debt service - interest and fiscal charges	-	-	473,257	473,257
Unrealized loss on land held for resale	-	2,500,000	-	2,500,000
Total expenditures	<u>93,713,167</u>	<u>4,351,900</u>	<u>18,319,662</u>	<u>116,384,729</u>
<b>Revenues Over (Under) Expenditures</b>	1,103,001	(3,455,826)	(1,124,150)	(3,476,975)
<b>Other Financing Sources (Uses)</b>				
Transfers in	6,063,812	1,253,095	5,585,046	12,901,953
Transfers out	(8,021,397)	(883,611)	(5,057,846)	(13,962,854)
Total other financing sources (uses)	<u>(1,957,585)</u>	<u>369,484</u>	<u>527,200</u>	<u>(1,060,901)</u>
<b>Net Change in Fund Balances</b>	(854,584)	(3,086,342)	(596,950)	(4,537,876)
<b>Fund Balances - Beginning of Year</b>	<u>22,423,099</u>	<u>22,685,103</u>	<u>15,372,024</u>	<u>60,480,226</u>
<b>Fund Balances - End of Year</b>	<u>\$ 21,568,515</u>	<u>\$ 19,598,761</u>	<u>\$ 14,775,074</u>	<u>\$ 55,942,350</u>

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, 2011

Net change in fund balance - Total Governmental Funds \$ (4,537,876)

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	\$ 7,197,881	
Net book value of assets disposed	(432,357)	
Depreciation	<u>(4,822,570)</u>	
Total excess capital outlay		1,942,954
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.		(3,347,824)
3. Governmental funds report inventories as expenditures when purchased; however in the statement of activities, the cost of those assets is expensed when used.		(110,090)
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	3,709,372	
Interest payable	<u>36,773</u>	
Total reduction of long-term liabilities		3,746,145
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	476,739	
Other postemployment benefits	<u>(4,367,627)</u>	
Total expenses not reported in governmental funds		(3,890,888)
6. Internal service funds are included as part of governmental activities.		<u>(6,897,401)</u>
Change in net assets of governmental activities		<u>\$ (13,094,980)</u>

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

# City of Dearborn, Michigan

	Business-type Activities Enterprise Funds			Other Enterprise Funds (See page 114)
	Parking System Funds	Sewer	Water	
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 1,095,096	\$ 55,444,100	\$ 4,454,859	\$ 7,851,304
Accounts receivable (Net)	51,305	311,122	9,091,362	13,532
Property taxes receivable	-	96,464	-	-
Unbilled accounts receivable	-	2,388,135	1,317,025	-
Accrued interest receivable	5,472	266,843	20,502	36,554
Due from component units	-	-	-	-
Due from other governments	-	-	-	89,806
Due from other funds	-	2,550	5,576	-
Prepaid items	-	-	-	107,794
Inventories	-	185,287	518,553	67,429
Total current assets	<u>1,151,873</u>	<u>58,694,501</u>	<u>15,407,877</u>	<u>8,166,419</u>
Noncurrent assets:				
Restricted cash and investments:				
Construction and equipment	-	3,760,211	-	-
Debt service	101,356	2,100,296	19,520	173,129
Investments, long-term	165,677	7,188,882	620,774	1,087,135
Capital assets (Net)	17,416,670	294,927,700	57,030,930	6,056,768
Total noncurrent assets	<u>17,683,703</u>	<u>307,977,089</u>	<u>57,671,224</u>	<u>7,317,032</u>
Total assets	<u>18,835,576</u>	<u>366,671,590</u>	<u>73,079,101</u>	<u>15,483,451</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	97,673	5,847,106	2,111,080	65,327
Accrued interest payable	31,773	1,052,796	-	5,473
Accrued liabilities	4,121	326,681	130,080	57,591
Deposits/refunds payable	-	-	6,892	225,382
Accrued vacation and sick	-	-	-	-
Due for tax appeals	-	-	-	-
Due to other governments	-	101,641	-	3,661
Due to other funds	-	-	233	8,000
Deferred revenue	-	-	-	42,999
Current portion of long-term debt	723,865	12,859,403	69,313	106,922
Total current liabilities	<u>857,432</u>	<u>20,187,627</u>	<u>2,317,598</u>	<u>515,355</u>
Noncurrent liabilities:				
Liabilities payable from restricted assets	-	1,760,211	-	-
Current portion of long term debt payable with restricted assets	101,356	476,546	15,000	173,129
Accrued interest payable with restricted assets	-	110,750	4,520	-
Long-term debt, net of current portion	6,981,549	208,397,658	657,871	1,260,890
Other liabilities	-	7,565,882	280,933	184,245
Claims payable	-	-	-	-
Total noncurrent liabilities	<u>7,082,905</u>	<u>218,311,047</u>	<u>958,324</u>	<u>1,618,264</u>
Total liabilities	<u>7,940,337</u>	<u>238,498,674</u>	<u>3,275,922</u>	<u>2,133,619</u>
<b>Net Assets</b>				
Invested in capital assets, net of debt	9,711,256	73,670,639	56,328,059	4,715,937
Restricted for:				
Construction	-	2,000,000	-	-
Debt service	-	7,525,175	-	-
Unrestricted	1,183,983	44,977,102	13,475,120	8,633,895
Total net assets	<u>\$ 10,895,239</u>	<u>\$ 128,172,916</u>	<u>\$ 69,803,179</u>	<u>\$ 13,349,832</u>

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

**Statement of Net Assets  
Proprietary Funds  
June 30, 2011**

Total	Governmental Activities - Internal Service Funds (See page 119)
\$ 68,845,359	\$ 15,000,105
9,467,321	248,611
96,464	-
3,705,160	-
329,371	69,517
-	21
89,806	-
8,126	854,087
107,794	619,117
771,269	-
83,420,670	16,791,458
3,760,211	-
2,394,301	-
9,062,468	2,104,754
375,432,068	66,127,194
390,649,048	68,231,948
474,069,718	85,023,406
8,121,186	620,234
1,090,042	2,216
518,473	113,957
232,274	-
-	71,840
-	1,530,469
105,302	-
8,233	8,126
42,999	-
13,759,503	101,820
23,878,012	2,448,662
1,760,211	-
766,031	-
115,270	-
217,297,968	213,769
8,031,060	242,360
-	2,593,152
227,970,540	3,049,281
251,848,552	5,497,943
144,425,891	65,811,605
2,000,000	-
7,525,175	-
68,270,100	13,713,858
\$ 222,221,166	\$ 79,525,463

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	
<b>Operating Revenues</b>				
Taxes, assessments and penalties on taxes	\$ -	\$ 15,647,451	\$ -	\$ -
Sales	-	18,623,602	9,742,197	504,293
Charges for services	947,378	6,071,886	5,880,872	1,317,156
Fines	310,062	-	-	-
Penalties	-	724,794	723,965	-
Rents and royalties	-	-	1,273	2,327,538
Insurance premiums	-	-	-	-
Miscellaneous	22	10,175	18,912	98,019
Total operating revenues	<u>1,257,462</u>	<u>41,077,908</u>	<u>16,367,219</u>	<u>4,247,006</u>
<b>Operating Expenses</b>				
Personnel services	198,434	1,244,263	4,163,367	2,086,992
Contractual services	576,280	2,013,587	1,999,390	373,571
Insurance and bonds	41,389	147,952	98,588	217,891
Insurance benefits	-	-	-	-
Claims and judgments	-	-	-	-
Utilities	141,558	232,427	13,224	553,932
Repair and maintenance	46,764	450,522	27,747	320,583
Supplies	63,365	94,817	517,044	147,013
Cost of sales	-	14,321,093	7,014,616	153,124
Cost of rentals	50,105	157,452	-	95,342
Taxes	-	-	-	117,668
Depreciation	569,075	1,136,083	1,215,926	523,127
Other	9,387	1,825,603	271,254	49,720
Total operating expenses	<u>1,696,357</u>	<u>21,623,799</u>	<u>15,321,156</u>	<u>4,638,963</u>
<b>Operating Income (Loss)</b>	(438,895)	19,454,109	1,046,063	(391,957)
<b>Nonoperating Revenues (Expenses)</b>				
Investment income	9,780	192,387	56,564	33,802
Gain/(loss) on disposal of assets	-	(17,409)	(1,568)	-
Unrealized gain/(loss) on land held for resale	-	(225,000)	-	-
Other interest	(415,541)	(1,471,096)	(10,686)	(34,073)
Total nonoperating revenues (expenses)	<u>(405,761)</u>	<u>(1,521,118)</u>	<u>44,310</u>	<u>(271)</u>
<b>Income (Loss) before Capital Contributions &amp; Transfers</b>	(844,656)	17,932,991	1,090,373	(392,228)
Capital contributed from grants, developers & other	<u>521,675</u>	<u>3,784,000</u>	<u>535,161</u>	<u>-</u>
<b>Income (Loss) before Transfers and Special Item</b>	(322,981)	21,716,991	1,625,534	(392,228)
<b>Transfers</b>				
Transfers in	-	8,000,000	516,393	175,000
Transfers out	(700,000)	(5,054)	(8,005,054)	-
Net transfers	<u>(700,000)</u>	<u>7,994,946</u>	<u>(7,488,661)</u>	<u>175,000</u>
<b>Income (Loss) before Special Item</b>	(1,022,981)	29,711,937	(5,863,127)	(217,228)
<b>Special Item - Loss on Abandoned Assets (Note 13)</b>	-	(5,465,843)	-	-
<b>Change in Net Assets</b>	(1,022,981)	24,246,094	(5,863,127)	(217,228)
<b>Net Assets - Beginning of Year</b>	11,918,220	103,926,822	75,666,306	13,567,060
<b>Net Assets - End of Year</b>	<u>\$10,895,239</u>	<u>\$128,172,916</u>	<u>\$69,803,179</u>	<u>\$13,349,832</u>

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



# City of Dearborn, Michigan

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	<u>Parking System Funds</u>
<b>Cash Flows from Operating Activities</b>	
Receipts from customers	\$ 1,329,220
Payments to suppliers	(844,361)
Payments to employees	(198,434)
Internal activity	(28,281)
Claims paid	-
Other receipts (payments)	(9,387)
Net cash provided (used) by operating activities	<u>248,757</u>
<b>Cash Flows from Noncapital Financing Activities</b>	
Transfers in	-
Transfers out	(700,000)
Net cash provided (used) by noncapital financing activities	<u>(700,000)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Grants and contributions received	521,675
Proceeds on the issuance of long term debt	-
Principal paid on debt	(680,221)
Acquisition and construction of capital assets	(17,142)
Interest paid on debt	(417,767)
Net cash provided (used) by capital and related financing activities	<u>(593,455)</u>
<b>Cash Flows from Investing Activities</b>	
Net sale (purchase) of investments	604,262
Investment income	16,059
Net cash provided (used) by investing activities	<u>620,321</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(424,377)
<b>Cash and Cash Equivalents - Beginning of Year</b>	1,620,829
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 1,196,452</u>
Cash and Cash Equivalents - Unrestricted	\$ 1,095,096
Cash and Cash Equivalents - Restricted	101,356
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 1,196,452</u>

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

**Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2011**

Business-type Activities Enterprise Funds		Other Enterprise Funds (See page 116)	Total	Governmental Activities - Internal Service Funds (See page 123)
Sewer	Water			
\$ 40,412,813	\$ 17,470,604	\$ 4,112,101	\$ 63,324,738	\$ 27,167,039
(23,040,577)	(10,655,221)	(2,047,840)	(36,587,999)	(8,491,167)
(1,109,359)	(4,192,620)	(2,079,988)	(7,580,401)	-
(4,824)	(8,760)	7,936	(33,929)	(1,593,550)
-	-	-	-	(23,030,607)
(568,105)	(252,342)	48,299	(781,535)	765,252
<u>15,689,948</u>	<u>2,361,661</u>	<u>40,508</u>	<u>18,340,874</u>	<u>(5,183,033)</u>
8,000,000	516,393	175,000	8,691,393	4,767,116
(5,054)	(8,005,054)	-	(8,710,108)	(2,437,500)
<u>7,994,946</u>	<u>(7,488,661)</u>	<u>175,000</u>	<u>(18,715)</u>	<u>2,329,616</u>
3,784,000	535,161	-	4,840,836	-
37,008,544	742,184	-	37,750,728	-
(11,588,224)	-	(247,771)	(12,516,216)	(99,688)
(37,290,299)	(2,302,037)	-	(39,609,478)	(497,430)
(1,378,663)	(6,166)	(35,407)	(1,838,003)	-
<u>(9,464,642)</u>	<u>(1,030,858)</u>	<u>(283,178)</u>	<u>(11,372,133)</u>	<u>(612,083)</u>
7,560,618	3,036,660	1,806,939	13,008,479	4,571,580
183,542	91,881	42,886	334,368	100,550
<u>7,744,160</u>	<u>3,128,541</u>	<u>1,849,825</u>	<u>13,342,847</u>	<u>4,672,130</u>
21,964,412	(3,029,317)	1,782,155	20,292,873	1,206,630
39,340,195	7,503,696	6,242,278	54,706,998	13,793,475
<u>\$ 61,304,607</u>	<u>\$ 4,474,379</u>	<u>\$ 8,024,433</u>	<u>\$ 74,999,871</u>	<u>\$ 15,000,105</u>
\$ 55,444,100	\$ 4,454,859	\$ 7,851,304	\$ 68,845,359	\$ 15,000,105
5,860,507	19,520	173,129	6,154,512	-
<u>\$ 61,304,607</u>	<u>\$ 4,474,379</u>	<u>\$ 8,024,433</u>	<u>\$ 74,999,871</u>	<u>\$ 15,000,105</u>

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

# City of Dearborn, Michigan

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	<u>Parking System Funds</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>	
Operating income (loss)	\$ (438,895)
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	378
Due from other funds	-
Due from other governments	71,380
Prepaid items	-
Inventories	-
Accounts payable	75,052
Accrued liabilities	48
Customer deposits	-
Accrued vacation and sick leave	-
Due to other funds	(28,281)
Due to other governments	-
Claims payable	-
Deferred revenue	-
Net cash provided (used) by operating activities	<u>\$ 248,757</u>

Non-cash activities include abandonment of impaired assets.

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

**Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2011**

Business-type Activities Enterprise Funds		Other Enterprise Funds (See page 117)	Total	Governmental Activities - Internal Service Funds (See page 125)
Sewer	Water			
\$ 19,454,108	\$ 1,046,063	\$ (391,957)	\$ 19,669,319	\$ (8,790,453)
1,136,083	1,215,926	523,128	3,444,212	4,282,961
180,077	277,946	(11,213)	447,188	(231,303)
(2,550)	(2,831)	-	(5,381)	(845,982)
412,328	850,351	(25,961)	1,308,098	-
-	-	439	439	832,101
-	23,492	(2,310)	21,182	-
(4,962,693)	(969,432)	(39,198)	(5,896,271)	43,020
111,200	(38,672)	(25,919)	46,657	256,355
-	(6,000)	(6,110)	(12,110)	-
(6,104)	(29,253)	7,004	(28,353)	-
(2,274)	(5,929)	7,936	(28,548)	(747,568)
(630,227)	-	(1,729)	(631,956)	330,455
-	-	-	-	(312,619)
-	-	6,398	6,398	-
<u>\$ 15,689,948</u>	<u>\$ 2,361,661</u>	<u>\$ 40,508</u>	<u>\$ 18,340,874</u>	<u>\$ (5,183,033)</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, 2011

	Pension & Other Employee Benefits	Agency Funds
	<u>                    </u>	<u>                    </u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,854,416	\$ 9,226,815
Investments - short-term	12,878,003	-
Accounts receivable (Net)	681,230	250,414
Accrued interest receivable	745,048	-
Due from component units	-	212,406
Due from other governments	-	104,692
Total current assets	<u>16,158,697</u>	<u>9,794,327</u>
Noncurrent assets - investments:		
Long-term bonds	145,909,600	-
Common stock	134,813,827	-
Collateral pledged on securities loaned	17,085,603	-
Real estate properties	15,832,536	-
Commingled and mutual funds	150,944,763	-
Total noncurrent assets	<u>464,586,329</u>	<u>-</u>
Total assets	<u>480,745,026</u>	<u>\$ 9,794,327</u>
<b>Liabilities</b>		
Accounts payable	533,983	\$ 524,454
Payroll deductions payable	-	47,326
Deposits/refunds payable	-	8,028,087
Due to other governments	-	1,077,152
Deferred revenue	452,487	-
Amounts due to broker under securities lending agreement	17,085,603	-
Other liabilities	12,125	117,308
Total liabilities	<u>18,084,198</u>	<u>\$ 9,794,327</u>
<b>Net Assets</b>		
Held in trust for pension benefits and other employee benefits	<u>\$ 462,660,828</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, 2011

	<u>Pension &amp; Other Employee Benefits</u>
<b>Additions</b>	
Investment income:	
Interest and dividends	\$ 11,552,876
Net increase in value of investments	61,196,918
Administrative expenses	<u>(1,849,335)</u>
Net investment income	<u>70,900,459</u>
Contributions:	
Employer	19,706,233
Employee	1,115,702
Reimbursements	<u>370,305</u>
Total contributions	<u>21,192,240</u>
Total additions	92,092,699
<b>Deductions</b>	
Benefit payments	35,964,382
Refunds of contributions	2,322,918
Return of excess assets to City	<u>1,250,000</u>
Total deductions	<u>39,537,300</u>
<b>Change in Net Assets</b>	52,555,399
<b>Net Assets - Beginning of Year</b>	410,105,429
<b>Net Assets - End of Year</b>	<u><u>\$ 462,660,828</u></u>

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

# City of Dearborn, Michigan

	West Dearborn Downtown Development Authority	East Dearborn Downtown Development Authority	Brownfield Redevelopment Authority
<b>Assets</b>			
Cash and cash equivalents	\$ 701,543	\$ 2,186,456	\$ 2,719
Accounts Receivable (Net)	-	-	420,733
Property taxes receivable	398	-	-
Accrued interest receivable	3,209	10,000	11
Investments - long-term	97,145	302,767	-
Restricted cash and investments	-	-	1,207,701
Total assets	<u>802,295</u>	<u>2,499,223</u>	<u>1,631,164</u>
<b>Liabilities</b>			
Accounts payable	2,568	597	-
Due to primary government	3,729	11,208	420,734
Accrued liabilities	-	2,428	-
Current portion of long-term debt	-	-	255,184
Noncurrent liabilities:			
Due in more than one year	-	99	737,931
Bonds payable	-	-	10,517,952
Total liabilities	<u>6,297</u>	<u>14,332</u>	<u>11,931,801</u>
<b>Net Assets - Unrestricted</b>	<u>\$ 795,998</u>	<u>\$ 2,484,891</u>	<u>\$ (10,300,637) (1)</u>

(1) See Note 15

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

**Statement of Net Assets  
Component Units  
June 30, 2011**

Economic Development Corporation	Total
\$ 280,409	\$ 3,171,127
-	420,733
-	398
1,282	14,502
38,806	438,718
-	1,207,701
<u>320,497</u>	<u>5,253,179</u>
-	3,165
-	435,671
-	2,428
-	255,184
-	738,030
-	10,517,952
<u>-</u>	<u>11,952,430</u>
<u>\$ 320,497</u>	<u>\$ (6,699,251)</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
<b>West Dearborn Development Authority -</b> Community improvement	\$ 696,218	\$ -	\$ -
<b>East Dearborn Development Authority -</b> Community improvement	640,418	-	-
<b>Brownfield Redevelopment Authority -</b> Community improvement	1,831,839	-	-
<b>Economic Development Corporation -</b> Community improvement	4,790	-	-
Total component units	<u>\$ 3,173,265</u>	<u>\$ -</u>	<u>\$ -</u>

- General revenues:
- Taxes
- Federal sources
- Investment earnings
- Miscellaneous
- Transfers
- 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, 2011**

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
\$ (696,218)	\$ -	\$ -	\$ -	\$ (696,218)
-	(640,418)	-	-	(640,418)
-	-	(1,831,839)	-	(1,831,839)
-	-	-	(4,790)	(4,790)
<u>(696,218)</u>	<u>(640,418)</u>	<u>(1,831,839)</u>	<u>(4,790)</u>	<u>(3,173,265)</u>
687,392	578,383	540,388	-	1,806,163
-	-	200,000	-	200,000
2,610	9,185	3,712	1,192	16,699
190	7,607	-	-	7,797
-	-	148,065	-	148,065
<u>690,192</u>	<u>595,175</u>	<u>892,165</u>	<u>1,192</u>	<u>2,178,724</u>
(6,026)	(45,243)	(939,674)	(3,598)	(994,541)
802,024	2,530,134	(9,360,963)	324,095	(5,704,710)
<u>\$ 795,998</u>	<u>\$ 2,484,891</u>	<u>\$ (10,300,637)</u>	<u>\$ 320,497</u>	<u>\$ (6,699,251)</u>

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

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## Note 1 – Summary of Significant Accounting Policies

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

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

### A. Reporting Entity

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

### Discretely Presented Component Units

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

#### **Brownfield Redevelopment Authority (BRA)**

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

#### **The Economic Development Corporation of Dearborn (EDC)**

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

#### **East Dearborn Downtown Development Authority (EDDDA)**

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

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

### Discretely Presented Component Units (continued)

#### West Dearborn Downtown Development Authority (WDDDA)

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

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

### B. Basic Financial Statements

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

#### Government-wide Financial Statements

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

The City first utilizes restricted resources to finance qualifying activities.

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

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

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

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

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

### Fund Financial Statements

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

The following fund types are used by the City:

#### **Governmental Funds**

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

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

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

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

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

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

### Proprietary Funds

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

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

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

### Enterprise Funds

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

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

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

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

### Internal Service Funds

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

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

### Fiduciary Funds

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

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

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

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

### **C. Measurement Focus and Basis of Accounting**

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

#### **Accrual**

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

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

### Modified Accrual

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

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

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

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

### D. Financial Statement Amounts

#### Cash and Investments

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

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

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

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

#### Accounts Receivable

Receivables as of June 30, 2011 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	\$ 1,739,528	\$ 98,264	\$ 1,079,014	\$ 2,916,806
Accounts	<u>1,614,863</u>	<u>151,397</u>	<u>369,866</u>	<u>2,136,126</u>
Net receivables	<u>\$ 3,354,391</u>	<u>\$249,661</u>	<u>\$ 1,448,880</u>	<u>\$ 5,052,932</u>

Revenues are reported net of uncollectible amounts. The amount in the allowance for uncollectibles in the General fund at June 30, 2011 is \$395,000 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	\$ 732,739
SMART	681,683
Other	<u>771,449</u>
Total deferred revenue	<u>\$ 2,185,871</u>

The unbilled accounts receivable in the Enterprise funds were for unbilled consumption of water and sewer as of June 30, 2011.

### 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 \$11.2 million and the Community Development fund has approximately \$2.1 million invested in land inventory at June 30, 2011.

#### 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 2010 levy that financed operations for the fiscal year ended June 30, 2011 had a taxable value of \$4,213,586,639. The City millage for the fiscal year ended June 30, 2011 was 19.58 mills, consisting of 13.62 mills operating, 1.38 mills for garbage and rubbish and 4.58 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, 2011 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.

### Fund Equity

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 on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications

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

– nonspendable, restricted, committed, assigned, and unassigned. The City implemented Statement No. 54 during the year.

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

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

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

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

## Note 2 – Deposits and Investments

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

## Note 2 –Deposits and Investments (Continued)

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

State statutes and the System's board policies permit the System to use investments of the plan to enter into securities lending transactions – loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. The System's securities custodians are agents in lending the plans' securities for cash collateral of at least 100 percent of market value of the loaned securities. Securities on loan at year end are presented as non-categorized in the balance sheet presentation of custodial credit risk. At year end, the System has a minimum amount of credit risk to borrowers in the amount of \$83,450 because the aggregate amount the System owes the borrowers is less than the aggregate amount 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.

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 \$7,388,999 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

## Note 2 –Deposits and Investments (Continued)

### Custodial Credit Risk of Investments

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

### Interest Rate Risk

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

<u>Primary Government Investment Types</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Federal Agency/Instrumentality	\$9,498,243	.92 years
U.S. Government Obligations	93,531,810	.66 years

<u>Fiduciary Investment Types</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Corporate Bonds	\$19,240,311	12.37 years
Federal Agency/Instrumentality	6,554,355	25.45 years
U.S. Government Obligations	6,826,333	4.53 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	\$7,125,286	N/R	
Bank Investment Pool	20,540,704	N/R	
Federal Agency/Instrumentality	9,319,910	AA+	S & P
Federal Agency/Instrumentality	178,333	N/R	

<u>Fiduciary Investment Types</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Bank Investment Pool	\$11,953,603	N/R	
Bank Investment Pool	554,627	N/R	
Securities Lending Short-term Collateral Investment Pool	17,085,603	N/R	
Corporate Bonds	3,057,987	AAA	S & P
Corporate Bonds	968,567	AA+	S & P
Corporate Bonds	1,491,150	AA	S & P
Corporate Bonds	421,231	AA-	
Corporate Bonds	2,187,609	A+	S & P
Corporate Bonds	3,359,490	A	S & P
Corporate Bonds	2,620,569	A-	S & P
Corporate Bonds	995,538	BBB+	S & P
Corporate Bonds	855,783	BBB	S & P
Corporate Bonds	1,211,330	BBB-	S & P
Corporate Bonds	95,156	BB	S & P
Corporate Bonds	1,975,902	N/R	
Federal Agency/Instrumentality	6,554,355	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, 2011, the City had more than 5% of its investments in the following:

#### **Governmental Funds**

Federal National Loan Mortgage	5.27%
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#### **Business-Type Funds**

Federal National Loan Mortgage	5.44%
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#### **General Fund**

Federal National Loan Mortgage	5.44%
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#### **Capital Projects Funds**

Federal National Loan Mortgage	5.44%
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#### **Parking System Funds**

Federal National Loan Mortgage	5.44%
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#### **Sewer Funds**

Federal National Loan Mortgage	5.21%
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#### **Aggregate Funds**

Federal National Loan Mortgage	5.25%
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#### **Water Funds**

Federal National Loan Mortgage	5.44%
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### Note 2 –Deposits and Investments (Continued)

#### Component Units

The component units did not have bank deposits subject to custodial credit risk (uninsured and uncollateralized). No investment securities were held by the counterparty (or the counterparty's trust department), but not in the component unit's name. United States Treasuries, Notes and Bonds totaling \$3,569,656 had a weighted average maturity in years of .38. The component units did not have a concentration of credit risk.

### Note 3 – Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

#### Governmental Activities

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Assets not being depreciated:					
Land	\$ 4,167,781	\$ 2,600	\$ -	\$ -	\$ 4,170,381
Right of Ways	37,818	-	-	-	37,818
Construction in progress	668,382	655,974	(416,326)	(132,457)	775,573
Total capital assets not being depreciated	<u>4,873,981</u>	<u>658,574</u>	<u>(416,326)</u>	<u>(132,457)</u>	<u>4,983,772</u>
Other capital assets:					
Building & improvements	114,645,053	58,761	-	-	114,703,814
Equipment	41,005,324	762,794	(295,541)	132,457	41,605,034
Infrastructure assets	83,989,455	6,215,184	-	-	90,204,639
Subtotal	<u>239,639,832</u>	<u>7,036,739</u>	<u>(295,541)</u>	<u>132,457</u>	<u>246,513,487</u>
Accumulated depreciation:					
Building & improvements	45,480,553	2,773,633	-	-	48,254,186
Equipment	27,992,815	2,981,414	(207,231)	-	30,766,998
Infrastructure assets	32,279,686	3,350,486	-	-	35,630,172
Subtotal	<u>105,753,054</u>	<u>9,105,533</u>	<u>(207,231)</u>	<u>-</u>	<u>114,651,356</u>
Net other capital assets	<u>133,886,778</u>	<u>(2,068,794)</u>	<u>(88,310)</u>	<u>132,457</u>	<u>131,862,131</u>
Net capital assets	<u>\$ 138,760,759</u>	<u>\$ (1,410,220)</u>	<u>\$ (504,636)</u>	<u>\$ -</u>	<u>\$ 136,845,903</u>

Depreciation was charged to functions as follows:

Governmental activities:	
General government	\$ 576,745
Public safety	1,928,079
Public works	4,431,136
Health & welfare	1,074
Recreation & culture	2,165,453
Community improvement	<u>3,046</u>
Total governmental activities depreciation expense	<u>\$ 9,105,533</u>

### Note 3 – Capital Assets (Continued)

#### Business-type Activities

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Assets not being depreciated:					
Land	\$ 5,139,592	\$ 812,920	\$ -	\$ -	\$ 5,952,512
Construction in progress	240,285,509	41,473,369	(31,682,581)	-	250,076,297
Total capital assets not being depreciated	<u>245,425,101</u>	<u>42,286,289</u>	<u>(31,682,581)</u>	<u>-</u>	<u>256,028,809</u>
Other capital assets:					
Land improvements	20,578,621	-	-	-	20,578,621
Buildings	25,730,114	5,791,406	-	-	31,521,520
Equipment	4,592,694	370,975	(56,134)	-	4,907,535
Water system	83,472,704	3,350,238	(312,409)	-	86,510,533
Sewer system	53,226,106	9,927,309	(120,611)	-	63,032,804
Subtotal	<u>187,600,239</u>	<u>19,439,928</u>	<u>(489,154)</u>	<u>-</u>	<u>206,551,013</u>
Accumulated depreciation:					
Land improvements	5,381,594	676,720	1	-	6,058,315
Buildings	11,337,684	640,820	2	-	11,978,506
Equipment	3,123,119	305,426	(39,467)	-	3,389,078
Water system	38,175,172	1,129,619	(310,841)	-	38,993,950
Sewer system	26,156,149	691,626	(119,870)	-	26,727,905
Subtotal	<u>84,173,718</u>	<u>3,444,211</u>	<u>(470,175)</u>	<u>-</u>	<u>87,147,754</u>
Net other capital assets	<u>103,426,521</u>	<u>15,995,717</u>	<u>(18,979)</u>	<u>-</u>	<u>119,403,259</u>
Net capital assets	<u>\$ 348,851,622</u>	<u>\$ 58,282,006</u>	<u>\$ (31,701,560)</u>	<u>\$ -</u>	<u>\$ 375,432,068</u>

Depreciation was charged to functions as follows:

Business-type activities:	
Parking System	\$ 569,075
Housing	269,035
Golf Course	254,092
Sewer	1,136,083
Water	<u>1,215,926</u>
Total business-type activities depreciation expense	<u>\$ 3,444,211</u>

### Note 4 – Long-term Debt

#### Outstanding Debt

The following is a summary of the debt outstanding of the City as of June 30, 2011:

	Principal Outstanding	
	Governmental Activities	Business-type Activities
2007 General Obligation Unlimited Tax Refunding Bonds, 3.5% to 4.0%, dated April 5, 2007	\$ 4,111,574	\$ -
2004 General Obligation Limited Tax Refunding Bonds, 2.00% to 4.00%, dated April 23, 2004	3,971,395	
2008 General Obligation Limited Tax Refunding Bonds, 3.25% to 3.75%, dated February 7, 2008	2,194,299	
2004 Capital Improvement General Obligation Limited Tax Bonds, Series A (Non-taxable), 2.75% to 4.55%, dated June 24, 2004		4,717,033
2004 Capital Improvement General Obligation Limited Tax Bonds, Series B (Taxable), 5.90% to 6.00%, dated June 24, 2004		630,052
2006 General Obligation Limited Tax Refunding Bonds, (Taxable), 5.5% to 5.8%, dated April 25, 2006		2,459,684
2008 General Obligation Limited Tax Refunding Bonds, 3.25% to 3.75% dated February 7, 2008		1,513,960
Sewage Disposal System Revenue Bonds, 2%, dated September 29, 1994		595,000
Sewage Disposal System Revenue Refunding Bonds, 2.0% to 4.0%, dated February 17, 2004		8,286,492
Sewage Disposal System Revenue Bonds, 2.25%, dated September 28, 1995		40,000
Sewage Disposal System Revenue Bonds, 2.5%, dated March 28, 2002		3,950,000

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

#### Outstanding Debt

The following is a summary of the debt outstanding of the City as of June 30, 2011:

	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	\$ -	\$ 21,272,357
2004 Sewage Disposal System General Obligation Unlimited Tax Bonds, 2.125%, dated September 23, 2004		33,754,705
2005 Sewage Disposal System General Obligation Unlimited Tax Bonds, 1.625% dated September 12, 2005		54,670,676
2006 Sewage Disposal System General Obligation Unlimited Tax Bonds, 1.625%, dated June 22, 2006		5,887,942
2007 Sewage Disposal System General Obligation Unlimited Tax Bonds, 1.625% dated September 20, 2007		87,627,664
2009 Sewage Disposal System General Obligation Unlimited Tax Bonds, 2.50% dated September 28, 2009		5,648,772
2009 Water Supply System Revenue Bonds, 2.50% dated September 28, 2009		717,871
Subtotal	10,277,268	231,772,208
Accumulated sick, vacation and PTO benefits	6,663,291	582,354
Total	\$ 16,940,559	\$ 232,354,562

# City of Dearborn, Michigan

## Notes to Financial Statements June 30, 2011

### 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, 2011 the City's general obligation debt margin amounted to approximately \$215,000,000.

#### Changes in Long-term Debt

The following is a summary of long-term debt transactions of the City for the year ended June 30, 2011:

##### Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Bonds & notes payable - General obligation bonds	\$ 13,703,672	\$ -	\$ (3,426,404)	\$ 10,277,268	\$ 3,512,024
Other liabilities - Compensated absences	6,738,751	449,374	(524,834)	6,663,291	445,247
<b>Total governmental activities</b>	<b>\$ 20,442,423</b>	<b>\$ 449,374</b>	<b>\$ (3,951,238)</b>	<b>\$ 16,940,559</b>	<b>\$ 3,957,271</b>

##### Business-type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Bonds & notes payable - General obligation bonds	\$ 194,324,037	\$ 35,726,453	\$ (11,867,645)	\$ 218,182,845	\$ 12,448,944
Revenue bonds	15,011,788	775,871	(2,198,296)	13,589,363	2,025,296
Subtotal	209,335,825	36,502,324	(14,065,941)	231,772,208	14,474,240
Other liabilities - Compensated absences	586,394	54,513	(58,553)	582,354	51,294
<b>Total business-type activities</b>	<b>\$ 209,922,219</b>	<b>\$ 36,556,837</b>	<b>\$ (14,124,494)</b>	<b>\$ 232,354,562</b>	<b>\$ 14,525,534</b>

Compensated absences have historically been liquidated through the General fund.

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

#### Debt Service Requirements

The annual requirements to service all debt outstanding as of June 30, 2011 (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
2012	\$ 3,512,024	\$ 400,840	\$ 14,474,240	\$ 5,088,487
2013	3,584,263	266,416	14,806,190	4,765,627
2014	1,554,423	118,712	15,140,465	4,431,712
2015	818,279	64,400	15,446,716	4,088,085
2016	808,279	32,000	15,741,727	3,725,795
2017-2021	-	-	70,560,413	13,750,584
2022-2026	-	-	58,271,517	7,106,129
2027-2031	-	-	23,026,643	2,501,049
2032-2036	-	-	4,304,297	425,925
Total	<u>\$ 10,277,268</u>	<u>\$ 882,368</u>	<u>\$ 231,772,208</u>	<u>\$ 45,883,393</u>

#### Description of Long-term Debt

##### Primary Government

On March 18, 1998, the City of Dearborn Municipal Building Authority issued \$11,975,000 of General Obligation Limited Tax Bonds. A total of \$8,500,000 of the bond proceeds was used to finance the cost of expansion and renovation of Adray Ice Arena, Ford Woods Park and the Cultural Center HVAC Powerhouse. The remaining \$3,475,000 was used to refund \$3,140,000 of the \$3,653,100 outstanding City of Dearborn Municipal Building Authority Golf Course Limited Tax General Obligation Bonds. Those proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Golf Course Limited Tax General Obligation Bonds. As a result, at June 30, 2011, \$1,520,000 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 continued 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 \$9,405,250. During the current year, net revenues of the system were \$5,619,973 compared to the annual debt requirements of \$1,907,350 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, 2011 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, 2011 the City has drawn down \$64,165,676 of the total authorized amount.

On June 22, 2006, the City of Dearborn and the Michigan Municipal Bond Authority entered into an agreement whereby the City of Dearborn would issue, and the Michigan Municipal Bond Authority would purchase, up to \$7,450,000 in principal of General Obligation Sewer Bonds, Series 2006 (Unlimited Tax General Obligation) for the construction of the Combined Sewer Overflow project. 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, 2011 the City has drawn down \$7,182,942 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, 2011 the City has drawn down \$94,360,091 of the total authorized amount.

On September 28, 2009, the City of Dearborn and the Michigan Municipal Bond Authority entered into an agreement whereby the City of Dearborn would issue, and the Michigan Municipal Bond Authority would purchase, up to \$9,460,000 in principal of General Obligation Sewer Bonds, Series 2009 (Unlimited Tax General Obligation) for the construction of the Combined Sewer Overflow project. The City is obligated to pay interest at 2.50% per annum commencing April 1, 2010 and semiannually thereafter. The first principal payment is due April 1, 2012 and will continue to be due April 1 through 2031. As of June 30, 2011, the City has drawn down \$9,432,772 of the total authorized amount. Of the authorized amount, \$3,784,000 is considered an American Recovery and Reinvestment Act (ARRA) grant. The maximum principal repayment will be \$5,676,000.

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

On September 28, 2009, the City of Dearborn and the Michigan Municipal Bond Authority entered into an agreement whereby the City of Dearborn would issue, and the Michigan Municipal Bond Authority would purchase, up to \$1,655,000 in principal of Water Supply System Revenue Bonds, Series 2009 (Limited Tax General Obligation) for the construction and installing improvements to the City's water supply system. The City is obligated to pay interest at 2.50% per annum commencing April 1, 2010 and semiannually thereafter. The first principal payment is due April 1, 2011 and will continue to be due April 1 through 2024. As of June 30, 2011, the City has drawn down \$1,437,871 of the total authorized amount. Of the authorized amount, \$662,000 is considered an American Recovery and Reinvestment Act (ARRA) grant. The maximum principal repayment will be \$993,000.

### 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, 2011:

	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	\$ 10,062	\$ -	\$ 9,688,136	\$ (9,816)
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	185,000
Loan due to DCC (see Note 15)	1,017,930	1	(200,000)	817,931	80,000
Subtotal	11,701,004	10,063	(200,000)	11,511,067	255,184
Other Liabilities - Compensated Absences	132	-	(33)	99	-
Total Component Unit Activities	<u>\$ 11,701,136</u>	<u>\$ 10,063</u>	<u>\$ (200,033)</u>	<u>\$ 11,511,166</u>	<u>\$ 255,184</u>

### Debt Service Requirements – Component Units

The annual requirements to service all component unit debt outstanding as of June 30, 2011 (excluding sick, vacation and PTO benefits), including both principal and interest, are as follows:

Year Ending June 30	Component Units	
	Principal	Interest
2012	\$ 255,184	\$ 565,602
2013	185,446	559,868
2014	190,719	552,847
2015	283,000	844,848
2016	288,304	535,713
2017-2021	1,616,710	2,509,250
2022-2026	1,756,305	2,163,000
2027-2031	2,106,155	1,690,425
2032-2036	2,774,244	1,039,500
2037-2040	2,055,000	229,900
Total	<u>\$ 11,511,067</u>	<u>\$ 10,690,953</u>

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

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

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

### Note 5 – Interfund Receivables and Payables

The following balances at June 30, 2011 represent interfund receivables and payables:

Receivable Fund	Payable Fund	Amount
<b>Due from/to Other Funds</b>		
General	Nonmajor governmental funds	\$ 82,591
	Nonmajor enterprise funds	8,000
	Total General	<u>90,591</u>
Capital projects	Nonmajor governmental funds	3,006
Nonmajor governmental funds	General	7,000
	Nonmajor governmental funds	190,997
	Total Nonmajor governmental funds	<u>197,997</u>
Sewer	Internal service funds	2,550
Water	Internal service funds	5,576
Internal service funds	General	851,338
	Water	233
	Nonmajor governmental funds	2,516
	Total Internal service funds	<u>854,087</u>
<b>Total</b>		<u><u>\$ 1,153,807</u></u>
<b>Due from/to Component Units</b>		
General	Component units	\$ 208,328
Capital projects	Component units	14,916
Internal service funds	Component units	21
Fiduciary agency funds	Component units	212,406
<b>Total</b>		<u><u>\$ 435,671</u></u>

### 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, 2011 represent interfund transfers in and out:

Transferred In Fund	Transferred Out Fund	Amount
General	Nonmajor governmental funds	\$ 796,312
	Capital projects	880,000
	Parking system	700,000
	Internal service funds	2,437,500
	Fiduciary agency funds	1,250,000
	Total General	<u>6,063,812</u>
Capital projects	General	901,450
	Nonmajor governmental funds	341,537
	Sewer	5,054
	Water	5,054
	Total Capital projects	<u>1,253,095</u>
Nonmajor governmental funds	General	2,180,447
	Nonmajor governmental funds	3,400,988
	Capital projects	3,611
	Total Nonmajor governmental funds	<u>5,585,046</u>
Sewer	Water	8,000,000
Water	Nonmajor governmental funds	516,393
Nonmajor enterprise funds	General	175,000
Internal service funds	General	4,764,500
	Nonmajor governmental funds	2,616
	Total internal service funds	<u>4,767,116</u>
<b>Total</b>		<u><u>\$ 26,360,462</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, 2011, the Camp Dearborn Operating Fund transferred \$750,000, the Capital Projects Fund transferred \$880,000, the Parking Systems Fund transferred \$700,000, the Workers' Compensation fund transferred \$1,500,000, the Employee Insurance Fund transferred \$937,500 and the Retiree Death Benefit Fund transferred \$1,250,000 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 plan does not issue a separate stand-alone financial statement.

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

At June 30, 2010, 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	562	300	94
Terminated employees entitled to benefits but not yet receiving them	70	8	-
Current active employees	309	258	-

### 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 collective bargaining units. Police and fire employees participating in the Revised Police and Fire Retirement System contribute five percent of covered wages. General employees participating in the General Employees' Retirement System do not pay into their pension system.

#### Annual Pension Cost

For the year ended June 30, 2011, the City's annual pension cost of \$11,351,242 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, 2009, using the entry age normal method. Significant actuarial assumptions used include (a) a 7.00 to 7.25 percent investment rate of return and (b) projected salary increases of 3.75 percent to 7.05 percent per year, depending on the system. Both (a) and (b) include an inflation component of 3.75 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. Remaining amortization periods are: Chapter 21 plan – zero years; Chapter 22 plan – 24 years; Chapter 23 plan – 20 years. Unfunded actuarial accrued liability for the three pension plans as of June 30, 2010, is as follows:

Chapter 21 plan	-
Chapter 22 plan	\$24,708,908
Chapter 23 plan	\$34,146,428

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,		
	2009	2010	2011
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,		
	2009	2010	2011
Annual pension cost	\$3,922,488	\$3,715,449	\$4,206,874
Percentage of APC contributed	100	100	100
Net pension obligation	-	-	-

#### Chapter 23 Plan

	Fiscal Year Ended June 30,		
	2009	2010	2011
Annual pension cost	\$6,473,115	\$6,004,270	\$7,144,368
Percentage of APC contributed	100	100	100
Net pension obligation	-	-	-

#### Funded Status and Funding Progress

	Actuarial Valuation as of June 30, 2010		
	Chapter 21	Chapter 22	Chapter 23
Actuarial value of assets	\$ 32,947,926	\$ 139,370,456	\$ 252,131,506
Actuarial accrued liability	22,322,796	164,079,365	286,277,934
Unfunded AAL	(10,625,130)	24,708,909	34,146,428
Funded ratio	147.6%	84.9%	88.1%
Covered payroll	N/A	17,490,000	20,040,000
UAAL as a percentage of covered payroll	N/A	141.3%	170.4%

#### Reserves

In accordance with legal requirements, the pension plans segregate member contributions and accumulated interest. As of June 30, 2011, the reserves are fully funded as follows:

Chapter 21 plan	None Required
Chapter 22 plan	\$ 628,440
Chapter 23 plan	\$ 10,148,275

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

**Financial Statement Information**

As of June 30, 2011 the Statement of Net Assets for the three pension plans is as follows:

	General Employees' Retirement System Fund	Revised Police & Fire Retirement System Fund	Policemen's & Firemen's Retirement System Fund
<b>Assets</b>			
Current Assets:			
Cash and cash equivalents	\$ 314,879	\$ 410,862	\$ 73,186
Investments - short-term	4,309,231	2,314,562	1,600,229
Accrued interest receivable	186,837	229,659	70,247
Accounts receivable (Net)	117,480	295,273	11,523
Total current assets	<u>4,928,427</u>	<u>3,250,356</u>	<u>1,755,185</u>
Noncurrent assets - investments:			
Long-term bonds	44,321,675	72,506,174	15,060,756
Common stock	32,458,601	74,900,683	6,099,472
Collateral pledged on securities loaned	4,448,035	11,417,495	1,220,073
Real estate properties	5,116,358	9,067,411	1,648,767
Commingled mutual funds	51,944,435	92,602,054	6,398,274
Total noncurrent assets	<u>138,289,104</u>	<u>260,493,817</u>	<u>30,427,342</u>
Total assets	<u>143,217,531</u>	<u>263,744,173</u>	<u>32,182,527</u>
<b>Liabilities</b>			
Accounts payable	160,217	235,861	51,178
Deferred revenue	-	1,001	-
Amounts due to broker under securities lending agreement	4,448,035	11,417,495	1,220,073
Other liabilities	-	-	12,125
Total liabilities	<u>4,608,252</u>	<u>11,654,357</u>	<u>1,283,376</u>
<b>Net Assets</b>			
Held in trust for pension benefits and other employee benefits	<u>\$ 138,609,279</u>	<u>\$ 252,089,816</u>	<u>\$ 30,899,151</u>

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

For the year ended June 30, 2011 the Statement of Changes in Net Assets for the three pension plans is as follows:

	General Employees' Retirement System Fund	Revised Police & Fire Retirement System Fund	Policemen's & Firemen's Retirement System Fund
<b>Additions</b>			
Investment income:			
Interest and dividends	\$ 3,284,870	\$ 4,994,503	\$ 975,204
Net increase in value of investments	18,135,727	35,794,723	3,666,797
Administrative expenses	(498,089)	(1,027,617)	(126,596)
Net investment income	<u>20,922,508</u>	<u>39,761,609</u>	<u>4,515,405</u>
Contributions:			
Employer	4,206,874	7,144,368	-
Employee	57,429	1,045,539	-
Reimbursements	-	-	-
Total contributions	<u>4,264,303</u>	<u>8,189,907</u>	<u>-</u>
Total additions	25,186,811	47,951,516	4,515,405
<b>Deductions</b>			
Benefit payments	10,086,612	13,361,599	2,947,602
Refunds of contributions	241,047	2,081,871	-
Return of excess assets to City	-	-	-
Total deductions	<u>10,327,659</u>	<u>15,443,470</u>	<u>2,947,602</u>
<b>Change in Net Assets</b>	14,859,152	32,508,046	1,567,803
<b>Net Assets - Beginning of Year</b>	123,750,127	219,581,770	29,331,348
<b>Net Assets - End of Year</b>	<u>\$ 138,609,279</u>	<u>\$ 252,089,816</u>	<u>\$ 30,899,151</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 contributions to the plan on April 1, 2009. Pension cost is as follows:

	Fiscal Year Ended June 30,		
	2009	2010	2011
Annual required contribution (recommended)	\$ 86,208	\$ 371,921	\$ 460,742
Interest on net pension obligation	-	1,056	1,141
Annual pension cost	86,208	372,977	461,883
Amounts contributed:			
Payments of current expenses	(73,005)	(371,921)	(476,142)
Increase in net pension obligation	13,203	1,056	(14,259)
Pension obligation - beginning of the year	-	13,203	14,259
Pension obligation - end of the year	\$ 13,203	\$ 14,259	\$ -

	Fiscal Year Ended June 30,		
	2009	2010	2011
Annual pension cost	\$ 86,208	\$ 372,977	\$ 461,883
Percentage of APC contributed	84.7%	99.7%	103.1%
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>12/31/2010</u>
Actuarial value of assets	\$2,265,031
Actuarial accrued liability	1,490,602
Unfunded actuarial accrued liability	(774,429)
Funded ratio	152.0%
Annual covered payroll	3,622,893
Ratio of UAAL to covered payroll	21.4%

**Actuarial Methods and Assumptions**

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

## 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. Qualified employees become eligible for these benefits through age and years of service. At June 30, 2011 there were 847 retirees or surviving beneficiaries eligible to such coverage.

This is a single employer defined benefit plan administered by the City. The benefits are provided under applicable salary plans or union contracts. The plan does not issue a separate stand-alone financial statement.

#### Funding Policy

The benefits are established under provisions of applicable salary plans or union contracts. Employees are not required to contribute to the trust. The City has no obligation to make contributions in advance of when incurred costs are due for payment and the plan may be financed on a “pay-as-you-go” basis. The City may make contributions to advance-fund these benefits as determined by the City Council through annual budget resolutions. The costs of administering the plan are borne by the trust.

#### Funding Progress

For the year ended June 30, 2011 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 of 26 years. Based on that valuation, the City contributed \$9,609,484 in the year ended June 30, 2011 which represents 67.5% of the annual required contribution. An additional \$370,305 was contributed from the Federal Government. This represents an additional 2.6% of the annual required contribution.

Annual required contribution (recommended)	\$ 14,241,851
Interest on the prior year's net OPEB obligation	416,198
Less adjustment to the annual required contribution	<u>(310,633)</u>
Annual OPEB cost	14,347,416
Amounts contributed:	
Payments of current expenses	9,609,484
Advance funding - Medicare reimbursement	<u>(370,305)</u>
Increase in net OPEB obligation	4,367,627
OPEB obligation - beginning of the year	5,740,660
OPEB obligation - end of the year	<u><u>\$ 10,108,287</u></u>

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

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Annual OPEB Costs	\$ 13,047,957	\$ 13,066,259	\$ 14,347,416
Percentage contributed:			
City of Dearborn	73.9%	104.9%	67.0%
Federal Government	3.0%	2.6%	2.6%
Total contributions	<u>76.9%</u>	<u>107.5%</u>	<u>69.6%</u>
Net OPEB obligation	\$ 6,726,109	\$ 5,740,660	\$ 10,108,287

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

Valuation as of June 30, 2010:

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

The following are condensed financial statements for the Postemployment Health Insurance Fund as of June 30, 2011:

#### Statement of Net Assets

Assets	
Cash and investments	\$ 40,592,521
Other assets	513,278
Liabilities	(537,213)
Net assets	<u>\$ 40,568,586</u>

#### Statement of Changes in Net Assets

Net investment income	\$ 5,891,942
Contributions	8,725,296
Benefit payments	(9,526,069)
Administrative expenses	(197,033)
Change in net assets	<u>\$ 4,894,136</u>

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

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

In the June 30, 2010 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 7.25 percent investment rate of return (net of administrative expenses), which is the expected long-term investment return on plan assets, and an annual healthcare cost trend rate of 9 percent initially, reduced to an ultimate rate of 3.75 percent after ten years. The actuarial value of assets was equal to the market value of investments. The UAAL is being amortized as a level percentage of projected payroll on a closed basis over 26 years.

Retiree life insurance benefits are paid from the City's Retiree Death Benefit fund. Retirees electing such coverage pay premiums which, when combined with amounts contributed by the City, pay the cost of the benefits. The cost of claims paid for life insurance benefits for the year ended June 30, 2011 was approximately \$42,500.

The following are condensed financial statements for the Retiree Death Benefit Fund as of June 30, 2011:

#### Statement of Net Assets

Assets		
Cash and investments	\$	493,015
Other assets		1,981
Liabilities		(1,000)
Net assets	\$	<u>493,996</u>

#### Statement of Changes in Net Assets

Net investment income	\$	6,028
Contributions		12,734
Benefit payments		(42,500)
Return of excess assets to City		(1,250,000)
Change in net assets	\$	<u>(1,273,738)</u>

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

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

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

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

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

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

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

In accordance with the above requirements, the City contributed \$57,625 during the current year and employees contributed \$9,825.

## Note 9 – Deferred Compensation Plan

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

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

## Note 10 – Defined Contribution Pension Plan

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

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

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

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

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

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

In accordance with the above requirements, the City contributed \$439,743 during the current year and employees contributed \$527,854.

## Note 11 – Risk Management

### Commercial Insurance

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

## Note 11 – Risk Management (Continued)

### Self-insurance

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

### Unemployment Compensation

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

### Workers' Compensation

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

### Employee Insurance

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

### Fleet and General Liability Insurance Fund

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

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

### Note 11 – Risk Management (Continued)

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

	Unemployment Compensation	Workers' Compensation	Employee Insurance	Fleet & General Liability
Claims liability - July 1, 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	-	1,359,167	214,095	2,532,509
Claims incurred during the year	104,411	332,299	19,212,698	2,123,627
Changes in estimates for claims of prior periods	-	(720,788)	13,918	1,001,407
Payments on claims	<u>(104,411)</u>	<u>(61,817)</u>	<u>(19,212,698)</u>	<u>(2,670,796)</u>
Claims liability - June 30, 2011	<u>\$ -</u>	<u>\$ 908,861</u>	<u>\$ 228,013</u>	<u>\$ 2,986,747</u>

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

Provision for certain claims (see Note 11) and assessments asserted against the City, estimable in amount and probable of payment has been made in the applicable funds.

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

The City receives funds from other governmental units to finance specific programs. The final determination of allowable amounts is subject to financial and compliance audit by the responsible agencies. As of June 30, 2011, the audits of certain programs were not completed. Accordingly, the City's compliance with applicable grant requirements and the amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time. The City believes that amounts disallowed, if any, from pending or future audits would not be material.

### Note 13 – Commitments for Construction – 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 \$20 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 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.

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 has explored an alternative in case there is a need to abandon the caisson at the Contract 5 site. The alternative involves installing 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 substantially complete with some punch list items.

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.

CSO Outfalls 10, 11, and 12 are sewer separation projects and construction is complete. 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. The first phase of sewer separation in west Dearborn will be procured in

## Note 13 – Commitments for Construction – Proprietary Funds (continued)

2011/2012, identified as CSO 004 Sewer Separation, Phase 1, East of Telegraph, South of Cherry Hill.

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, 2011 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 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 the prior fiscal year. An additional expense of \$5.5 million was expensed for the current fiscal year which is expected to be the final portion of the non-performing assets. 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). In the last two years, we have noticed that the allocation of DWRF is limited and Dearborn water main projects did score high to receive funding. The City of Dearborn, contingent upon the availability of DWRF financing, is ready to construct between 12,000 and 15,000 linear feet of water mains and related gate valves and fire hydrants with construction expenditures to be in the range of \$2,500,000 to \$3,000,000 annually. The water mains in the CSO sewer separation areas will be replaced simultaneously with the sewer separation projects.

### Note 14 – Construction Code Fees

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

Shortfall at July 1, 2010			\$ (11,125,927)
Total code enforcement revenue		\$ 3,955,117	
Related expenses:			
Direct costs	\$ 2,965,390		
Estimated indirect costs	<u>593,339</u>		
Total code enforcement expenses		<u>3,558,729</u>	
Current year surplus			<u>396,388</u>
Shortfall at June 30, 2011			<u><u>\$ (10,729,539)</u></u>

### Note 15 – Brownfield Redevelopment Fund

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

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

In October, 2007, the City Council approved BRA Plan #7—Redico Redevelopment project. BRA Plan #7 allowed the BRA to borrow \$600,000 interest-free from the Downriver Community Conference (DCC) and to use the BRA local site remediation revolving fund to repay this loan. The DCC authorized loan amount was increased by \$300,000 in FY09 and another \$140,000 in FY10. The actual remediation costs covered by the DCC loan were \$1,017,931. Upon completion of this project, the DCC converted \$200,000 of the loan amount into a grant. The BRA will make the first loan repayment of \$80,000 in October 2011 and the remaining nine annual payments will become due beginning March 1, 2015.

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

## Note 15 – 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.

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

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

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

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

## Note 16 – Upcoming Reporting Changes

The GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* in November 2010. This Statement addresses financial reporting related to service concession arrangements which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (whether a government or nongovernment) in which the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset in exchange for significant consideration and the operator collects and is compensated by fees from third parties. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the City's 2012 fiscal year.

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

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, was issued in December 2010. This Statement incorporates into GASB literature certain accounting and financial reporting guidance

## Note 16 – Upcoming Reporting Changes (continued)

issued on or before November 30, 1989 that is included in FASB Statements and Interpretations, APB Opinions, and Accounting Research Bulletins of the AICPA Committee on Accounting Procedure. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the City's 2013 fiscal year.

The GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, was issued by the GASB in June 2011 and will be effective for the City's 2013 fiscal year. The statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position. Once implemented, this statement will impact the format and reporting of the balance sheet at the government-wide level and also at the fund level.

## **Required Supplementary Information**

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# City of Dearborn, Michigan

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/2005	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
6/30/2010	33.0	22.3	(10.7)	1.476	-	N/A

### Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2006	\$ -	N/A
2007	-	N/A
2008	-	N/A
2009	-	N/A
2010	-	N/A
2011	-	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, 2010, 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
6/30/2005	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
6/30/2010	139.4	164.1	24.7	0.849	17.5	141.3

### Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
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
2011	4,206,874	100

The information presented above was determined as part of the actuarial valuations for the years then ended. Additional information as of June 30, 2010, the latest actuarial valuation, follows:

Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	24 years
Asset valuation method	5-year smoothed market 80%/120% corridor
Actuarial assumptions:	
Investment rate of return*	7.25%
Projected salary increases*	3.75% - 7.05%
*Includes inflation at	3.75%
Cost of living adjustment	N/A

# City of Dearborn, Michigan

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll
6/30/2005	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
6/30/2010	252.1	286.3	34.2	0.881	20.0	170.4

### Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
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
2011	7,144,368	100

The information presented above was determined as part of the actuarial valuations for the years then ended. Additional information as of June 30, 2010, the latest actuarial valuation, follows:

Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	20 years
Asset valuation method	5-year smoothed market 80%/120% corridor
Actuarial assumptions:	
Investment rate of return*	7.25%
Projected salary increases*	3.75%
*Includes inflation at	3.75%
Cost of living adjustment	Varies by labor contract

# City of Dearborn, Michigan

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Ratio (Percent) (a/b)	Covered Payroll (c)	Percentage of Covered Payroll
6/30/2005	23.7	223.4	199.7	10.6	47.9	417.2
6/30/2006	27.0	191.3	164.3	14.2	48.3	339.7
6/30/2008	31.7	186.8	155.1	17.0	49.1	316.0
6/30/2010	35.7	192.0	156.3	18.6	48.2	324.4

## Schedule of Employer Contributions

Year Ended June 30,	Actual Valuation Date	Annual Required Contribution	Percentage Contributed
2007	6/30/2005	\$ 15,868,774	51.5
2008	6/30/2006	12,971,247	67.9
2009	6/30/2006	12,971,247	74.3
2010	6/30/2008	12,997,215	106.0
2011	6/30/2008	14,241,851	67.5

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

Actuarial cost method	Individual entry age
Amortization method	Level percent closed
Amortization period	26 years
Asset valuation method	Market
Actuarial assumptions:	
Investment rate of return	6.48%
Projected salary increases	3.75% - 7.8%
Health care cost trend rate	9.0% Initial 3.75% Ultimate

# City of Dearborn, Michigan

## Budgetary Comparison Schedule – General Fund Year Ended June 30, 2011

	Budgeted Amounts		Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
	Original	Final				
<b>Revenues</b>						
<b>Taxes and Penalties on Taxes</b>						
Current property taxes	\$ 58,564,357	\$ 58,564,357	\$ 60,053,351	\$ 1,488,994	\$ -	\$ 60,053,351
Property tax administration fee	2,131,305	2,131,305	2,293,558	162,253	-	2,293,558
Penalties and interest on taxes	1,400,000	1,400,000	2,756,395	1,356,395	-	2,756,395
Payments in lieu of taxes	1,072,828	1,072,828	1,397,023	324,195	-	1,397,023
Total taxes and penalties on taxes	63,168,490	63,168,490	66,500,327	3,331,837	-	66,500,327
<b>Licenses and Permits</b>						
Business licenses and permits	252,000	252,000	222,895	(29,105)	-	222,895
Nonbusiness licenses and permits	1,400,825	1,400,825	2,383,291	982,466	-	2,383,291
Total licenses and permits	1,652,825	1,652,825	2,606,186	953,361	-	2,606,186
<b>Intergovernmental Revenues</b>						
State sources:						
Sales and use tax	8,018,590	8,018,590	8,175,957	157,367	-	8,175,957
Liquor licenses	65,000	65,000	68,061	3,061	-	68,061
Operators' licenses	3,010	3,010	3,780	770	-	3,780
Judges' salaries	137,000	137,000	137,172	172	-	137,172
Alcohol caseload rebate	30,000	30,000	20,192	(9,808)	-	20,192
Other state sources	479,414	508,448	492,428	(16,020)	-	492,428
Total state sources	8,733,014	8,762,048	8,897,590	135,542	-	8,897,590
Other governmental:						
Federal grants	72,522	2,791,160	892,866	(1,898,294)	-	892,866
Wayne County library fines	83,000	83,000	77,153	(5,847)	-	77,153
Other organizations	100,000	100,000	104,237	4,237	-	104,237
Total other governmental	255,522	2,974,160	1,074,256	(1,899,904)	-	1,074,256
Total intergovernmental revenues	8,988,536	11,736,208	9,971,846	(1,764,362)	-	9,971,846
<b>Charges for Services</b>						
General government:						
Birth and death records	240,000	240,000	192,722	(47,278)	-	192,722
City service fee	1,048,940	1,048,940	1,048,940	-	-	1,048,940
Other	150,200	151,074	134,285	(16,789)	-	134,285
Total general government	1,439,140	1,440,014	1,375,947	(64,067)	-	1,375,947
Public safety:						
Annual safety inspection	1,341,050	1,341,050	1,480,062	139,012	-	1,480,062
Annual maintenance inspection	631,850	631,850	367,192	(264,658)	-	367,192
Ambulance services	1,720,000	1,720,000	1,908,370	188,370	-	1,908,370
Additional police patrols	164,000	164,000	259,625	95,625	-	259,625
Other	225,650	225,650	235,877	10,227	-	235,877
Total public safety	4,082,550	4,082,550	4,251,126	168,576	-	4,251,126
Health	166,250	166,250	135,546	(30,704)	-	135,546
Public works	10,800	10,800	12,975	2,175	-	12,975
Recreation and culture:						
Programs and activities sales	605,429	605,429	620,928	15,499	-	620,928
Sales	169,882	169,882	152,190	(17,692)	-	152,190
Use and admission fees	1,933,186	1,933,186	1,861,238	(71,948)	-	1,861,238
Total recreation and culture	2,708,497	2,708,497	2,634,356	(74,141)	-	2,634,356
Total charges for services	8,407,237	8,408,111	8,409,950	1,839	-	8,409,950
<b>Fines and Forfeitures</b>						
Parking fines	270,000	270,000	310,062	40,062	-	310,062
19th District Court fines	2,769,800	2,769,800	2,962,264	192,464	-	2,962,264
Library fines and forfeits	94,000	94,000	101,279	7,279	-	101,279
Other fines and forfeits	6,500	6,500	4,270	(2,230)	-	4,270
Total fines and forfeitures	3,140,300	3,140,300	3,377,875	237,575	-	3,377,875
<b>Miscellaneous Revenue</b>						
Franchise fees	20,788	20,788	20,714	(74)	-	20,714
Rents and lease agreements	3,126,235	3,126,235	3,259,931	133,696	-	3,259,931
Reimbursements	43,300	43,300	208,606	165,306	-	208,606
Other revenue	288,579	289,759	290,833	1,074	-	290,833
Total miscellaneous revenue	3,478,902	3,480,082	3,780,084	300,002	-	3,780,084
<b>Investment Income</b>						
	308,393	308,393	169,900	(138,493)	-	169,900
Total revenues	89,144,683	91,894,409	94,816,168	2,921,759	-	94,816,168

# City of Dearborn, Michigan

## Budgetary Comparison Schedule – General Fund Year Ended June 30, 2011

	Budgeted Amounts		Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
	Original	Final				
<b>Other Financing Sources</b>						
Camp Dearborn Operating Fund	\$ 750,000	\$ 750,000	\$ 750,000	\$ -	\$ -	\$ 750,000
General Capital Improvement Fund	880,000	880,000	880,000	-	-	880,000
East Dearborn Parking System	700,000	700,000	700,000	-	-	700,000
Workers Compensation Fund	2,000,000	2,000,000	1,500,000	(500,000)	-	1,500,000
Employee Insurance Fund	1,250,000	1,250,000	937,500	(312,500)	-	937,500
Retiree Death Benefit Fund	1,250,000	1,250,000	1,250,000	-	-	1,250,000
Designated Purposes Fund	-	-	46,312	46,312	-	46,312
Total other financing sources	6,830,000	6,830,000	6,063,812	(766,188)	-	6,063,812
<b>Total revenues and other sources</b>	<b>\$ 95,974,683</b>	<b>\$ 98,724,409</b>	<b>\$ 100,879,980</b>	<b>\$ 2,155,571</b>	<b>\$ -</b>	<b>\$ 100,879,980</b>
<b>Expenditures</b>						
<b>General Government</b>						
Council	\$ 465,818	\$ 465,818	\$ 410,799	\$ 55,019	\$ (273)	\$ 410,526
District Court	3,586,733	3,606,733	3,503,697	103,036	-	3,503,697
Mayor	1,037,071	1,037,071	987,456	49,615	(7,255)	980,201
City Clerk	1,062,727	1,062,727	980,199	82,528	-	980,199
Law	1,689,639	1,789,639	1,750,318	39,321	(135,246)	1,615,072
Human resources	885,857	885,857	845,330	40,527	(7,172)	838,158
Public works/building services and maintenance	387,094	387,094	387,094	-	-	387,094
Assessment	1,240,019	1,276,474	1,100,838	175,636	(95,607)	1,005,231
Finance:						
Accounting	1,354,568	1,379,568	1,293,763	85,805	-	1,293,763
Purchasing	446,814	446,814	378,347	68,467	-	378,347
Treasurer	757,961	757,961	730,180	27,781	(1,950)	728,230
Total general government	12,914,301	13,095,756	12,368,021	727,735	(247,503)	12,120,518
<b>Public Safety</b>						
Police:						
Operations	33,793,850	33,830,343	32,141,581	1,688,762	(21,210)	32,120,371
Ordinance enforcement	681,858	696,560	715,901	(19,341)	-	715,901
Fire:						
Operations	17,602,841	17,547,959	17,318,951	229,008	(28,683)	17,290,268
Civil preparedness	156,930	156,930	155,453	1,477	-	155,453
Residential Services	1,994,453	1,994,453	1,840,985	153,468	(30,381)	1,810,604
Commercial Services	1,047,387	1,076,048	1,051,271	24,777	(1,175)	1,050,096
Neighborhood Services	870,127	880,291	775,601	104,690	(1,254)	774,347
Total public safety	56,147,446	56,182,584	53,999,743	2,182,841	(82,703)	53,917,040
<b>Public Works</b>						
Administrative	466,594	466,594	453,428	13,166	-	453,428
Highways	3,981,541	4,240,541	4,170,347	70,194	-	4,170,347
Central Garage	226,090	207,195	(259,985)	467,180	(4,776)	(264,761)
Sanitation	5,108,600	5,108,600	4,924,232	184,368	(6,654)	4,917,578
Line	549,858	549,858	503,761	46,097	-	503,761
Total public works	10,332,683	10,572,788	9,791,783	781,005	(11,430)	9,780,353
<b>Health and Welfare</b>						
Health	393,232	393,232	345,274	47,958	-	345,274
<b>Recreation and Culture</b>						
Libraries	5,102,172	5,062,459	4,891,299	171,160	(1,355)	4,889,944
Public works	3,543,588	3,543,588	3,299,272	244,316	(68,043)	3,231,229
Recreation:						
Administrative	955,061	955,311	934,614	20,697	-	934,614
Programs	952,357	952,357	765,692	186,665	(611)	765,081
Outdoor pools	784,910	784,907	598,261	186,646	(82)	598,179
Community center:						
Admin/Athletics	2,542,708	2,700,252	2,503,138	197,114	(2,304)	2,500,834
Cultural arts	1,079,390	1,079,390	993,457	85,933	(2,200)	991,257
Senior services	648,847	643,492	613,863	29,629	-	613,863
Sports arena	1,167,261	1,167,261	1,072,484	94,777	(57)	1,072,427
Historical commission	373,915	373,915	341,043	32,872	(432)	340,611
Total recreation and culture	17,150,209	17,262,932	16,013,123	1,249,809	(75,084)	15,938,039
<b>Community Improvement</b>						
Community improvement	576,379	619,879	528,198	91,681	-	528,198
City plan	490,852	490,852	460,873	29,979	(60)	460,813
Total community improvement	1,067,231	1,110,731	989,071	121,660	(60)	989,011
<b>Capital Outlay</b>						
	540,000	659,911	654,757	5,154	(31,825)	622,932
Total expenditures	98,545,102	99,277,934	94,161,772	5,116,162	(448,605)	93,713,167
Other Uses - Transfers out	2,514,778	8,073,633	8,021,397	52,236	-	8,021,397
<b>Total expenditures and other uses</b>	<b>\$ 101,059,880</b>	<b>\$ 107,351,567</b>	<b>\$ 102,183,169</b>	<b>\$ 5,168,398</b>	<b>\$ (448,605)</b>	<b>\$ 101,734,564</b>

### 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 restrictions, commitments or assignments of fund balances and do not constitute expenditures or liabilities because the commitment will be honored during the subsequent year. The amount of encumbrances outstanding at year end is \$6,270,872.

# City of Dearborn, Michigan

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## Notes to Required Supplementary Information June 30, 2011

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.

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## **Other Supplementary Information**

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### Special Revenue Funds

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

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

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

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

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

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

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

### Debt Service Fund

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

### Enterprise Funds

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

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

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

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

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

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

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

# City of Dearborn, Michigan

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## Description of Nonmajor Funds Year Ended June 30, 2011

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

### **Fiduciary Funds**

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

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

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

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

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

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

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

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

# City of Dearborn, Michigan

Nonmajor

	Major Street & Trunkline Fund	Local Street Fund	Camp Dearborn Operating Fund	Drug Law Enforcement Fund	Community Development Fund
<b>Assets</b>					
Cash and cash equivalents	\$ 1,925,967	\$ 2,462,922	\$ 1,347,843	\$ 2,538,338	\$ -
Accounts receivable (Net)	11,424	-	22,998	-	14,235
Property taxes receivable	-	-	-	-	-
Accrued interest receivable	8,808	11,264	6,163	11,481	-
Due from other funds	-	190,997	-	-	-
Due from other governments	772,748	215,797	-	-	90,469
Prepaid items	425	-	-	-	-
Inventories	-	-	7,923	-	2,095,400
Investments, long-term	266,696	341,050	186,606	347,616	-
<b>Total assets</b>	<b>\$ 2,986,068</b>	<b>\$ 3,222,030</b>	<b>\$ 1,571,533</b>	<b>\$ 2,897,435</b>	<b>\$ 2,200,104</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 143,165	\$ 280,039	\$ 131,329	\$ 9,054	\$ 5,031
Accrued liabilities	-	-	166,803	-	-
Deposits/refunds payable	-	-	231,780	-	2,847
Due to other funds	190,997	-	-	5,522	82,591
Due to other governments	-	-	1,656	-	-
Debt obligations	-	-	-	-	-
Deferred revenue	-	-	-	-	14,235
Claims payable	-	-	-	-	-
<b>Total liabilities</b>	<b>334,162</b>	<b>280,039</b>	<b>531,568</b>	<b>14,576</b>	<b>104,704</b>
Fund Balances:					
Nonspendable:					
Inventories	-	-	7,923	-	2,095,400
Prepaid expense	425	-	-	-	-
Restricted for:					
Law enforcement activities	-	-	-	2,882,859	-
Road construction, preservation, maintenance	2,651,481	2,941,991	-	-	-
Debt service	-	-	-	-	-
Historical museum activities	-	-	-	-	-
Committed for:					
Capital projects	-	-	886,831	-	-
Fund Purpose	-	-	145,211	-	-
<b>Total fund balances</b>	<b>2,651,906</b>	<b>2,941,991</b>	<b>1,039,965</b>	<b>2,882,859</b>	<b>2,095,400</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,986,068</b>	<b>\$ 3,222,030</b>	<b>\$ 1,571,533</b>	<b>\$ 2,897,435</b>	<b>\$ 2,200,104</b>

**Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2011**

Special Revenue Funds

	Tele-communications Fund	Designated Purposes Fund	Total Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
\$	1,109,017	\$ 1,667,375	\$11,051,462	\$ 129,989	\$ 11,181,451
	279,919	41,290	369,866	-	369,866
	-	-	-	24,991	24,991
	5,077	96	42,889	542	43,431
	-	-	190,997	7,000	197,997
	-	-	1,079,014	-	1,079,014
	-	-	425	-	425
	-	-	2,103,323	-	2,103,323
	153,710	90,002	1,385,680	-	1,385,680
<b>\$</b>	<b>1,547,723</b>	<b>\$ 1,798,763</b>	<b>\$16,223,656</b>	<b>\$ 162,522</b>	<b>\$ 16,386,178</b>
\$	3,729	\$ 9,899	\$ 582,246	\$ -	\$ 582,246
	13,779	35	180,617	-	180,617
	-	156,273	390,900	-	390,900
	-	-	279,110	-	279,110
	12	189	1,857	-	1,857
	-	-	-	86,734	86,734
	-	-	14,235	25,900	40,135
	-	-	-	49,505	49,505
	17,520	166,396	1,448,965	162,139	1,611,104
	-	-	2,103,323	-	2,103,323
	-	-	425	-	425
	-	-	2,882,859	-	2,882,859
	-	-	5,593,472	-	5,593,472
	-	-	-	383	383
	-	1,014,447	1,014,447	-	1,014,447
	1,750	-	888,581	-	888,581
	1,528,453	617,920	2,291,584	-	2,291,584
	1,530,203	1,632,367	14,774,691	383	14,775,074
<b>\$</b>	<b>1,547,723</b>	<b>\$ 1,798,763</b>	<b>\$16,223,656</b>	<b>\$ 162,522</b>	<b>\$ 16,386,178</b>

# City of Dearborn, Michigan

	Nonmajor				
	Major Street & Trunkline Fund	Local Street Fund	Camp Dearborn Operating Fund	Drug Law Enforcement Fund	Community Development Fund
<b>Revenues</b>					
Taxes, assessments and penalties on taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues:					
State sources	4,610,700	1,612,959	-	-	-
Federal sources	1,091,831	-	-	-	3,659,591
Wayne County parks millage	-	-	-	-	-
Charges for services	-	-	358,401	-	-
Fines and forfeits	-	-	355	772,538	-
Rents and royalties	-	-	1,521,962	-	-
Miscellaneous revenue	23,650	-	16,780	27,086	26,119
Private source contributions	-	-	-	-	-
Investment income	9,136	9,751	7,937	10,713	-
<b>Total revenues</b>	<b>5,735,317</b>	<b>1,622,710</b>	<b>1,905,435</b>	<b>810,337</b>	<b>3,685,710</b>
<b>Expenditures</b>					
General government	-	-	-	-	-
Public safety	-	-	-	330,488	-
Public works	3,522,100	5,646,269	-	-	-
Recreation and culture	-	-	1,878,385	-	-
Community improvement	-	-	-	-	1,049,756
Utilities	-	-	263,700	41,738	-
Capital outlay	-	-	134,804	303,560	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
<b>Total expenditures</b>	<b>3,522,100</b>	<b>5,646,269</b>	<b>2,276,889</b>	<b>675,786</b>	<b>1,049,756</b>
<b>Revenues Over (Under) Expenditures</b>	<b>2,213,217</b>	<b>(4,023,559)</b>	<b>(371,454)</b>	<b>134,551</b>	<b>2,635,954</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	16,030	3,806,106	-	-	-
Transfers out	(2,283,727)	(4,870)	(750,000)	(107,910)	(1,641,416)
<b>Total other financing sources (uses)</b>	<b>(2,267,697)</b>	<b>3,801,236</b>	<b>(750,000)</b>	<b>(107,910)</b>	<b>(1,641,416)</b>
<b>Net Change in Fund Balances</b>	<b>(54,480)</b>	<b>(222,323)</b>	<b>(1,121,454)</b>	<b>26,641</b>	<b>994,538</b>
<b>Fund Balances - Beginning of Year</b>	<b>2,706,386</b>	<b>3,164,314</b>	<b>2,161,419</b>	<b>2,856,218</b>	<b>1,100,862</b>
<b>Fund Balances - End of Year</b>	<b>\$ 2,651,906</b>	<b>\$ 2,941,991</b>	<b>\$ 1,039,965</b>	<b>\$ 2,882,859</b>	<b>\$ 2,095,400</b>

**Combining Statement of Revenues, Expenditures, and  
Changes in Fund Balance  
Nonmajor Governmental Funds  
Year Ended June 30, 2011**

Special Revenue Funds

Tele- communications Fund	Designated Purposes Fund	Total Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 2,134,510	\$ 2,134,510
-	-	6,223,659	-	6,223,659
-	-	4,751,422	-	4,751,422
-	25,000	25,000	-	25,000
-	79,403	437,804	-	437,804
-	-	772,893	-	772,893
1,087,969	-	2,609,931	-	2,609,931
8,123	60,647	162,405	-	162,405
-	30,888	30,888	-	30,888
4,398	1,604	43,539	3,461	47,000
<u>1,100,490</u>	<u>197,542</u>	<u>15,057,541</u>	<u>2,137,971</u>	<u>17,195,512</u>
472,403	42,339	514,742	106,949	621,691
-	7,627	338,115	-	338,115
-	9,677	9,178,046	-	9,178,046
477,635	239,880	2,595,900	-	2,595,900
-	-	1,049,756	-	1,049,756
-	-	305,438	-	305,438
-	25,000	463,364	-	463,364
-	-	-	3,294,095	3,294,095
-	-	-	473,257	473,257
<u>950,038</u>	<u>324,523</u>	<u>14,445,361</u>	<u>3,874,301</u>	<u>18,319,662</u>
150,452	(126,981)	612,180	(1,736,330)	(1,124,150)
16,628	46,956	3,885,720	1,699,326	5,585,046
(28,853)	(241,070)	(5,057,846)	-	(5,057,846)
<u>(12,225)</u>	<u>(194,114)</u>	<u>(1,172,126)</u>	<u>1,699,326</u>	<u>527,200</u>
138,227	(321,095)	(559,946)	(37,004)	(596,950)
<u>1,391,976</u>	<u>1,953,462</u>	<u>15,334,637</u>	<u>37,387</u>	<u>15,372,024</u>
<u>\$ 1,530,203</u>	<u>\$ 1,632,367</u>	<u>\$ 14,774,691</u>	<u>\$ 383</u>	<u>\$ 14,775,074</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, 2011

	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
<b>Revenues</b>					
Intergovernmental revenues:					
State sources	\$ 4,466,955	\$ 4,610,700	\$ 143,745	\$ -	\$ 4,610,700
Federal sources	2,885,035	1,091,831	(1,793,204)	-	1,091,831
Miscellaneous revenue	41,443	23,650	(17,793)	-	23,650
Investment income	13,630	9,136	(4,494)	-	9,136
Total revenues	7,407,063	5,735,317	(1,671,746)	-	5,735,317
<b>Expenditures - Public works</b>	<b>7,562,448</b>	<b>5,592,364</b>	<b>1,970,084</b>	<b>(2,070,264)</b>	<b>3,522,100</b>
<b>Revenues Over (Under) Expenditures</b>	<b>(155,385)</b>	<b>142,953</b>	<b>298,338</b>	<b>2,070,264</b>	<b>2,213,217</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	105,530	16,030	(89,500)	-	16,030
Transfers out	(2,235,456)	(2,283,727)	(48,271)	-	(2,283,727)
Total other financing sources (uses)	(2,129,926)	(2,267,697)	(137,771)	-	(2,267,697)
<b>Net Change in Fund Balances</b>	<b>(2,285,311)</b>	<b>(2,124,744)</b>	<b>160,567</b>	<b>2,070,264</b>	<b>(54,480)</b>
<b>Fund Balances - Beginning of Year</b>	<b>2,706,386</b>	<b>2,706,386</b>	<b>-</b>	<b>-</b>	<b>2,706,386</b>
<b>Reserved for Encumbrances</b>	<b>-</b>	<b>2,070,264</b>	<b>2,070,264</b>	<b>(2,070,264)</b>	<b>-</b>
<b>Fund Balances - End of Year</b>	<b>\$ 421,075</b>	<b>\$ 2,651,906</b>	<b>\$ 2,230,831</b>	<b>\$ -</b>	<b>\$ 2,651,906</b>

# City of Dearborn, Michigan

## Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Local Street Fund Year Ended June 30, 2011

	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
<b>Revenues</b>					
Intergovernmental revenues:					
State sources	\$ 1,592,000	\$ 1,612,959	\$ 20,959	\$ -	\$ 1,612,959
Investment income	21,963	9,751	(12,212)	-	9,751
Total revenues	1,613,963	1,622,710	8,747	-	1,622,710
<b>Expenditures - Public works</b>	8,924,342	7,168,426	1,755,916	(1,522,157)	5,646,269
<b>Revenues Over (Under) Expenditures</b>	(7,310,379)	(5,545,716)	1,764,663	1,522,157	(4,023,559)
<b>Other Financing Sources (Uses)</b>					
Transfers in	4,309,283	3,806,106	(503,177)	-	3,806,106
Transfers out	(27,995)	(4,870)	23,125	-	(4,870)
Total other financing sources (uses)	4,281,288	3,801,236	(480,052)	-	3,801,236
<b>Net Change in Fund Balances</b>	(3,029,091)	(1,744,480)	1,284,611	1,522,157	(222,323)
<b>Fund Balances - Beginning of Year</b>	3,164,314	3,164,314	-	-	3,164,314
<b>Reserved for Encumbrances</b>	-	1,522,157	1,522,157	(1,522,157)	-
<b>Fund Balances - End of Year</b>	\$ 135,223	\$ 2,941,991	\$ 2,806,768	\$ -	\$ 2,941,991

# City of Dearborn, Michigan

## Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Camp Dearborn Operating Fund Year Ended June 30, 2011

	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
<b>Revenues</b>					
Intergovernmental revenues:					
State sources	\$ 309,870	\$ -	\$ (309,870)	\$ -	\$ -
Charges for Services:					
Use and admission	256,400	215,665	(40,735)	-	215,665
Sales	170,100	142,736	(27,364)	-	142,736
Fines and forfeits	1,000	355	(645)	-	355
Rents and royalties:					
Golf course	184,682	178,824	(5,858)	-	178,824
Oil exploration	99,000	76,517	(22,483)	-	76,517
Facilities	1,327,400	1,266,621	(60,779)	-	1,266,621
Miscellaneous revenue	30,850	16,780	(14,070)	-	16,780
Investment income	22,327	7,937	(14,390)	-	7,937
<b>Total revenues</b>	<b>2,401,629</b>	<b>1,905,435</b>	<b>(496,194)</b>	<b>-</b>	<b>1,905,435</b>
<b>Expenditures</b>					
Recreation and culture	1,877,259	1,882,909	(5,650)	(4,524)	1,878,385
Utilities	312,514	263,700	48,814	-	263,700
Capital outlay	1,331,505	145,288	1,186,217	(10,484)	134,804
<b>Total expenditures</b>	<b>3,521,278</b>	<b>2,291,897</b>	<b>1,229,381</b>	<b>(15,008)</b>	<b>2,276,889</b>
<b>Revenues Over (Under) Expenditures</b>	<b>(1,119,649)</b>	<b>(386,462)</b>	<b>733,187</b>	<b>15,008</b>	<b>(371,454)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	-	-	-	-
Transfers out	(750,000)	(750,000)	-	-	(750,000)
<b>Total other financing sources (uses)</b>	<b>(750,000)</b>	<b>(750,000)</b>	<b>-</b>	<b>-</b>	<b>(750,000)</b>
<b>Net Change in Fund Balances</b>	<b>(1,869,649)</b>	<b>(1,136,462)</b>	<b>733,187</b>	<b>15,008</b>	<b>(1,121,454)</b>
<b>Fund Balances - Beginning of Year</b>	<b>2,161,419</b>	<b>2,161,419</b>	<b>-</b>	<b>-</b>	<b>2,161,419</b>
<b>Reserved for Encumbrances</b>	<b>-</b>	<b>15,008</b>	<b>15,008</b>	<b>(15,008)</b>	<b>-</b>
<b>Fund Balances - End of Year</b>	<b>\$ 291,770</b>	<b>\$ 1,039,965</b>	<b>\$ 748,195</b>	<b>\$ -</b>	<b>\$ 1,039,965</b>

# City of Dearborn, Michigan

## Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Drug Law Enforcement Fund Year Ended June 30, 2011

	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
<b>Revenues</b>					
Fines and forfeits	\$ 387,422	\$ 772,538	\$ 385,116	\$ -	\$ 772,538
Miscellaneous revenue	18,959	27,086	8,127	-	27,086
Investment income	29,114	10,713	(18,401)	-	10,713
Total revenues	435,495	810,337	374,842	-	810,337
<b>Expenditures</b>					
Public safety	594,123	338,398	255,725	(7,910)	330,488
Utilities	43,000	41,738	1,262	-	41,738
Capital outlay	610,117	428,332	181,785	(124,772)	303,560
Total expenditures	1,247,240	808,468	438,772	(132,682)	675,786
<b>Revenues Over (Under) Expenditures</b>	(811,745)	1,869	813,614	132,682	134,551
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	-	-	-	-
Transfers out	(263,297)	(107,910)	155,387	-	(107,910)
Total other financing sources (uses)	(263,297)	(107,910)	155,387	-	(107,910)
<b>Net Change in Fund Balances</b>	(1,075,042)	(106,041)	969,001	132,682	26,641
<b>Fund Balances - Beginning of Year</b>	2,856,218	2,856,218	-	-	2,856,218
<b>Reserved for Encumbrances</b>	-	132,682	132,682	(132,682)	-
<b>Fund Balances - End of Year</b>	<u>\$ 1,781,176</u>	<u>\$ 2,882,859</u>	<u>\$ 1,101,683</u>	<u>\$ -</u>	<u>\$ 2,882,859</u>

# City of Dearborn, Michigan

## Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Community Development Fund Year Ended June 30, 2011

	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
<b>Revenues</b>					
Intergovernmental revenues:					
Federal sources	\$ 6,844,736	\$ 3,659,591	\$ (3,185,145)	\$ -	\$ 3,659,591
Miscellaneous revenue	89,986	40,354	(49,632)	-	40,354
Sale of land inventory	500,000	(14,235)	(514,235)	-	(14,235)
Total revenues	7,434,722	3,685,710	(3,749,012)	-	3,685,710
<b>Expenditures</b>					
Community improvement	2,989,056	1,191,287	1,797,769	(141,531)	1,049,756
Total expenditures	2,989,056	1,191,287	1,797,769	(141,531)	1,049,756
<b>Revenues Over (Under) Expenditures</b>	4,445,666	2,494,423	(1,951,243)	141,531	2,635,954
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	-	-	-	-
Transfers out	(4,073,703)	(2,574,968)	1,498,735	933,552	(1,641,416)
Total other financing sources (uses)	(4,073,703)	(2,574,968)	1,498,735	933,552	(1,641,416)
<b>Net Change in Fund Balances</b>	371,963	(80,545)	(452,508)	1,075,083	994,538
<b>Fund Balances - Beginning of Year</b>	1,100,862	1,100,862	-	-	1,100,862
<b>Reserved for Encumbrances</b>	-	1,075,083	1,075,083	(1,075,083)	-
<b>Fund Balances - End of Year</b>	<u>\$ 1,472,825</u>	<u>\$ 2,095,400</u>	<u>\$ 622,575</u>	<u>\$ -</u>	<u>\$ 2,095,400</u>

# City of Dearborn, Michigan

## Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Telecommunications Fund Year Ended June 30, 2011

	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
<b>Revenues</b>					
Rents and royalties	\$ 955,000	\$ 1,087,969	\$ 132,969	\$ -	\$ 1,087,969
Miscellaneous revenue	7,100	8,123	1,023	-	8,123
Investment income	11,450	4,398	(7,052)	-	4,398
Total revenues	973,550	1,100,490	126,940	-	1,100,490
<b>Expenditures</b>					
Recreation and culture	492,248	477,885	14,363	(250)	477,635
General Government	610,955	472,403	138,552	-	472,403
Capital outlay	850	-	850	-	-
Total expenditures	1,104,053	950,288	153,765	(250)	950,038
<b>Revenues Over (Under) Expenditures</b>	(130,503)	150,202	280,705	250	150,452
<b>Other Financing Sources (Uses)</b>					
Transfers in	48,000	16,628	(31,372)	-	16,628
Transfers out	(60,770)	(28,853)	31,917	-	(28,853)
Total other financing sources (uses)	(12,770)	(12,225)	545	-	(12,225)
<b>Net Change in Fund Balances</b>	(143,273)	137,977	281,250	250	138,227
<b>Fund Balances - Beginning of Year</b>	1,391,976	1,391,976	-	-	1,391,976
<b>Reserved for Encumbrances</b>	-	250	250	(250)	-
<b>Fund Balances - End of Year</b>	<u>\$ 1,248,703</u>	<u>\$ 1,530,203</u>	<u>\$ 281,500</u>	<u>\$ -</u>	<u>\$ 1,530,203</u>

# City of Dearborn, Michigan

## Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Designated Purposes Fund Year Ended June 30, 2011

	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
<b>Revenues</b>					
Intergovernmental revenues:					
Wayne County Parks Millage	\$ 25,000	\$ 25,000	\$ -	\$ -	\$ 25,000
Charges for services	80,534	79,403	(1,131)	-	79,403
Miscellaneous revenue	60,630	60,647	17	-	60,647
Investment income	1,604	1,604	-	-	1,604
Private source contributions	30,888	30,888	-	-	30,888
	<u>198,656</u>	<u>197,542</u>	<u>(1,114)</u>	<u>-</u>	<u>197,542</u>
<b>Expenditures</b>					
General government	136,738	42,339	94,399	-	42,339
Public safety	44,203	7,627	36,576	-	7,627
Public works	206,553	9,677	196,876	-	9,677
Health and welfare	785	-	785	-	-
Recreation and culture	555,335	307,240	248,095	(67,360)	239,880
Capital outlay	25,000	25,000	-	-	25,000
	<u>968,614</u>	<u>391,883</u>	<u>576,731</u>	<u>(67,360)</u>	<u>324,523</u>
<b>Revenues Over (Under) Expenditures</b>	<b>(769,958)</b>	<b>(194,341)</b>	<b>575,617</b>	<b>67,360</b>	<b>(126,981)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	71,811	46,956	(24,855)	-	46,956
Transfers out	(1,255,315)	(241,070)	1,014,245	-	(241,070)
	<u>(1,183,504)</u>	<u>(194,114)</u>	<u>989,390</u>	<u>-</u>	<u>(194,114)</u>
<b>Net Change in Fund Balances</b>	<b>(1,953,462)</b>	<b>(388,455)</b>	<b>1,565,007</b>	<b>67,360</b>	<b>(321,095)</b>
<b>Fund Balances - Beginning of Year</b>	<b>1,953,462</b>	<b>1,953,462</b>	<b>-</b>	<b>-</b>	<b>1,953,462</b>
<b>Reserved for Encumbrances</b>	<b>-</b>	<b>67,360</b>	<b>67,360</b>	<b>(67,360)</b>	<b>-</b>
<b>Fund Balances - End of Year</b>	<b>\$ -</b>	<b>\$ 1,632,367</b>	<b>\$ 1,632,367</b>	<b>\$ -</b>	<b>\$ 1,632,367</b>

# City of Dearborn, Michigan

## Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Debt Service Fund Year Ended June 30, 2011

	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
<b>Revenues</b>					
Taxes, assessments and penalties on taxes	\$ 2,106,516	\$ 2,134,510	\$ 27,994	\$ -	\$ 2,134,510
Investment income	7,171	3,461	(3,710)	-	3,461
Total revenues	2,113,687	2,137,971	24,284	-	2,137,971
<b>Expenditures</b>					
General government	91,203	106,949	(15,746)	-	106,949
Debt service:					
Principal	3,294,095	3,294,095	-	-	3,294,095
Interest and fiscal charges	478,097	473,257	4,840	-	473,257
Total expenditures	3,863,395	3,874,301	(10,906)	-	3,874,301
<b>Revenues Over (Under) Expenditures</b>	(1,749,708)	(1,736,330)	13,378	-	(1,736,330)
<b>Other Financing Sources (Uses)</b>					
Transfers in	1,699,328	1,699,326	2	-	1,699,326
Transfers out	-	-	-	-	-
Total other financing sources (uses)	1,699,328	1,699,326	2	-	1,699,326
<b>Net Change in Fund Balances</b>	(50,380)	(37,004)	(13,376)	-	(37,004)
<b>Fund Balances - Beginning of Year</b>	37,387	37,387	-	-	37,387
<b>Fund Balances - End of Year</b>	\$ (12,993)	\$ 383	13,376	\$ -	\$ 383

# City of Dearborn, Michigan

## Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Capital Projects Fund Year Ended June 30, 2011

	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
<b>Revenues</b>					
Intergovernmental revenues:					
State sources	\$ 109,359	53,356	\$ (56,003)	\$ -	\$ 53,356
Federal sources	1,843,369	699,910	(1,143,459)	-	699,910
Wayne County parks millage	90,000	-	(90,000)	-	-
Charges for services	92,678	71,685	(20,993)	-	71,685
Miscellaneous revenue	2,208,682	17,684	(2,190,998)	-	17,684
Private source contributions	15,115,345	17,994	(15,097,351)	-	17,994
Investment income	136,000	35,445	(100,555)	-	35,445
<b>Total revenues</b>	<b>19,595,433</b>	<b>896,074</b>	<b>(18,699,359)</b>	<b>-</b>	<b>896,074</b>
<b>Expenditures</b>					
Capital outlay	27,369,555	2,525,354	24,844,201	(673,454)	1,851,900
Unrealized loss on land held for resale	2,500,000	2,500,000	-	-	2,500,000
<b>Total expenditures</b>	<b>29,869,555</b>	<b>5,025,354</b>	<b>24,844,201</b>	<b>(673,454)</b>	<b>4,351,900</b>
<b>Revenues Over (Under) Expenditures</b>	<b>(10,274,122)</b>	<b>(4,129,280)</b>	<b>6,144,842</b>	<b>673,454</b>	<b>(3,455,826)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	2,379,709	1,253,095	(1,126,614)	-	1,253,095
Transfers out	(887,578)	(883,611)	3,967	-	(883,611)
<b>Total other financing sources (uses)</b>	<b>1,492,131</b>	<b>369,484</b>	<b>(1,122,647)</b>	<b>-</b>	<b>369,484</b>
<b>Net Change in Fund Balances</b>	<b>(8,781,991)</b>	<b>(3,759,796)</b>	<b>5,022,195</b>	<b>673,454</b>	<b>(3,086,342)</b>
<b>Fund Balances - Beginning of Year</b>	<b>22,685,103</b>	<b>22,685,103</b>	<b>-</b>	<b>-</b>	<b>22,685,103</b>
<b>Reserved for Encumbrances</b>	<b>-</b>	<b>673,454</b>	<b>673,454</b>	<b>(673,454)</b>	<b>-</b>
<b>Fund Balances - End of Year</b>	<b>\$13,903,112</b>	<b>\$19,598,761</b>	<b>\$ 5,695,649</b>	<b>\$ -</b>	<b>\$19,598,761</b>

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# City of Dearborn, Michigan

## Combining Statement of Net Assets Nonmajor Enterprise Funds June 30, 2011

	Golf Course	Seniors Apartment Operating Fund	Dearborn Towers Fund	Total Nonmajor Enterprise Funds
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 783	\$ 7,520,721	\$ 329,800	\$ 7,851,304
Accounts receivable (Net)	1,106	9,990	2,436	13,532
Accrued interest receivable	649	34,410	1,495	36,554
Due from other governments	-	89,806	-	89,806
Prepaid items	-	27,374	80,420	107,794
Inventories	67,429	-	-	67,429
Total current assets	<u>69,967</u>	<u>7,682,301</u>	<u>414,151</u>	<u>8,166,419</u>
Noncurrent assets:				
Restricted cash and investments:				
Debt service	173,129	-	-	173,129
Investments, long-term	-	1,041,882	45,253	1,087,135
Capital assets (Net)	2,258,452	3,211,286	587,030	6,056,768
Total noncurrent assets	<u>2,431,581</u>	<u>4,253,168</u>	<u>632,283</u>	<u>7,317,032</u>
Total assets	<u>2,501,548</u>	<u>11,935,469</u>	<u>1,046,434</u>	<u>15,483,451</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	11,402	42,989	10,936	65,327
Accrued interest payable	5,473	-	-	5,473
Accrued liabilities	17,526	40,065	-	57,591
Deposits/refunds payable	78,127	120,180	27,075	225,382
Due to other governments	3,661	-	-	3,661
Due to other funds	8,000	-	-	8,000
Deferred revenue	32,575	6,064	4,360	42,999
Current portion of long-term debt	79,941	26,981	-	106,922
Total current liabilities	<u>236,705</u>	<u>236,279</u>	<u>42,371</u>	<u>515,355</u>
Noncurrent liabilities:				
Current portion of long-term debt payable with restricted assets	173,129	-	-	173,129
Other liabilities	35,981	148,264	-	184,245
Long-term debt, net of current portion	1,260,890	-	-	1,260,890
Total noncurrent liabilities	<u>1,470,000</u>	<u>148,264</u>	<u>-</u>	<u>1,618,264</u>
Total liabilities	<u>1,706,705</u>	<u>384,543</u>	<u>42,371</u>	<u>2,133,619</u>
<b>Net Assets</b>				
Invested in capital assets, net of debt	917,621	3,211,286	587,030	4,715,937
Unrestricted	(122,778)	8,339,640	417,033	8,633,895
Total net assets	<u>\$ 794,843</u>	<u>\$ 11,550,926</u>	<u>\$ 1,004,063</u>	<u>\$ 13,349,832</u>

# City of Dearborn, Michigan

## Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets Nonmajor Enterprise Funds Year Ended June 30, 2011

	Golf Course	Seniors Apartment Operating Fund	Dearborn Towers Fund	Total Nonmajor Enterprise Funds
<b>Operating Revenues</b>				
Sales	\$ 504,293	\$ -	\$ -	\$ 504,293
Charges for services	363,967	953,189	-	1,317,156
Rents and royalties	181,528	1,629,664	516,346	2,327,538
Miscellaneous	71,431	24,390	2,198	98,019
Total operating revenues	<u>1,121,219</u>	<u>2,607,243</u>	<u>518,544</u>	<u>4,247,006</u>
<b>Operating Expenses</b>				
Personnel services	640,132	1,446,860	-	2,086,992
Contractual services	80,549	115,581	177,441	373,571
Insurance and bonds	10,736	71,608	135,547	217,891
Utilities	42,716	394,950	116,266	553,932
Repair and maintenance	7,760	206,869	105,954	320,583
Supplies	79,286	41,397	26,330	147,013
Cost of sales	153,124	-	-	153,124
Cost of rentals	23,459	71,883	-	95,342
Taxes	-	-	117,668	117,668
Depreciation	254,092	238,071	30,964	523,127
Other	46,576	2,064	1,080	49,720
Total operating expenses	<u>1,338,430</u>	<u>2,589,283</u>	<u>711,250</u>	<u>4,638,963</u>
<b>Operating Income (Loss)</b>	(217,211)	17,960	(192,706)	(391,957)
<b>Nonoperating Revenues (Expenses)</b>				
Investment income	1,098	30,861	1,843	33,802
Other interest	(34,073)	-	-	(34,073)
Total nonoperating revenues (expenses)	<u>(32,975)</u>	<u>30,861</u>	<u>1,843</u>	<u>(271)</u>
<b>Income (Loss) before Transfers</b>	(250,186)	48,821	(190,863)	(392,228)
<b>Transfers</b>				
Transfers in	175,000	-	-	175,000
Transfers out	-	-	-	-
Net transfers	<u>175,000</u>	<u>-</u>	<u>-</u>	<u>175,000</u>
<b>Net Income (Loss)</b>	(75,186)	48,821	(190,863)	(217,228)
<b>Net Assets - Beginning of Year</b>	<u>870,029</u>	<u>11,502,105</u>	<u>1,194,926</u>	<u>13,567,060</u>
<b>Net Assets - End of Year</b>	<u>\$ 794,843</u>	<u>\$ 11,550,926</u>	<u>\$ 1,004,063</u>	<u>\$ 13,349,832</u>

# City of Dearborn, Michigan

## Combining Statement of Cash Flows Nonmajor Enterprise Funds Year Ended June 30, 2011

	Golf Course	Seniors Apartment Operating Fund	Dearborn Towers Fund	Total Nonmajor Enterprise Funds
<b>Cash Flows from Operating Activities</b>				
Receipts from customers	\$ 1,037,326	\$ 2,556,001	\$ 518,774	\$ 4,112,101
Payments to suppliers	(452,201)	(909,575)	(686,064)	(2,047,840)
Payments to employees	(636,913)	(1,443,075)	-	(2,079,988)
Internal activity	8,000	(64)	-	7,936
Other receipts (payments)	24,855	22,326	1,118	48,299
Net cash provided (used) by operating activities	(18,933)	225,613	(166,172)	40,508
<b>Cash Flows from Noncapital Financing Activities</b>				
Transfers in	175,000	-	-	175,000
Net cash provided by noncapital financing activities	175,000	-	-	175,000
<b>Cash Flows from Capital and Related Financing Activities</b>				
Principal paid on debt	(247,771)	-	-	(247,771)
Interest paid on debt	(35,407)	-	-	(35,407)
Net cash provided (used) by capital and related financing activities	(283,178)	-	-	(283,178)
<b>Cash Flows from Investing Activities</b>				
Net sale (purchase) of investments	-	1,677,635	129,304	1,806,939
Investment income	1,918	37,956	3,012	42,886
Net cash provided (used) by investing activities	1,918	1,715,591	132,316	1,849,825
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(125,193)	1,941,204	(33,856)	1,782,155
<b>Cash and Cash Equivalents - Beginning of Year</b>	299,105	5,579,517	363,656	6,242,278
<b>Cash and Cash Equivalents - End of Year</b>	\$ 173,912	\$ 7,520,721	\$ 329,800	\$ 8,024,433
Cash and Cash Equivalents - Unrestricted	\$ 783	\$ 7,520,721	\$ 329,800	\$ 7,851,304
Cash and Cash Equivalents - Restricted	173,129	-	-	173,129
<b>Cash and Cash Equivalents - End of Year</b>	\$ 173,912	\$ 7,520,721	\$ 329,800	\$ 8,024,433

# City of Dearborn, Michigan

## Combining Statement of Cash Flows Nonmajor Enterprise Funds Year Ended June 30, 2011

	Golf Course	Seniors Apartment Operating Fund	Dearborn Towers Fund	Total Nonmajor Enterprise Funds
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating income (loss)	\$ (217,211)	\$ 17,960	\$ (192,706)	\$ (391,957)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	254,092	238,071	30,965	523,128
Change in assets and liabilities:				
Accounts receivable	(1,106)	(9,118)	(989)	(11,213)
Due from other governments	-	(25,961)	-	(25,961)
Prepaid items	-	799	(360)	439
Inventories	(2,310)	-	-	(2,310)
Accounts payable	(33,697)	998	(6,499)	(39,198)
Accrued liabilities	(16,835)	(9,084)	-	(25,919)
Customer deposits	(7,330)	2,163	(943)	(6,110)
Accrued vacation and sick leave	3,219	3,785	-	7,004
Due to other funds	8,000	(64)	-	7,936
Due to other governments	(1,729)	-	-	(1,729)
Deferred revenue	(4,026)	6,064	4,360	6,398
Net cash provided (used) by operating activities	<u>\$ (18,933)</u>	<u>\$ 225,613</u>	<u>\$ (166,172)</u>	<u>\$ 40,508</u>

# City of Dearborn, Michigan

	Information Systems Fund	Facilities Fund	Fleet Replacement Fund
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 3,754,268	\$ 2,263,893	\$ 3,194,612
Accounts receivable (Net)	-	-	-
Accrued interest receivable	17,199	10,405	14,611
Due from other funds	391	3,696	-
Due from component unit	21	-	-
Prepaid items	-	-	-
Total current assets	<u>3,771,879</u>	<u>2,277,994</u>	<u>3,209,223</u>
Noncurrent assets:			
Investments, long-term	520,745	315,051	442,370
Property, Plant and Equipment - net	595,489	60,141,501	5,390,204
Total noncurrent assets	<u>1,116,234</u>	<u>60,456,552</u>	<u>5,832,574</u>
Total assets	<u>4,888,113</u>	<u>62,734,546</u>	<u>9,041,797</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	27,245	327,628	-
Accrued interest payable	-	2,216	-
Accrued liabilities	29,566	84,391	-
Accrued vacation and sick	42,889	28,951	-
Due for tax appeals	-	-	-
Due to other governments	-	-	-
Due to other funds	-	-	8,126
Current portion of long-term debt	-	101,820	-
Total current liabilities	<u>99,700</u>	<u>545,006</u>	<u>8,126</u>
Noncurrent liabilities:			
Long-term debt, net of current portion	-	213,769	-
Other liabilities	91,120	151,240	-
Claims payable	-	-	-
Total noncurrent liabilities	<u>91,120</u>	<u>365,009</u>	<u>-</u>
Total liabilities	<u>190,820</u>	<u>910,015</u>	<u>8,126</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	595,489	59,825,912	5,390,204
Unrestricted	4,101,804	1,998,619	3,643,467
Total net assets	<u>\$ 4,697,293</u>	<u>\$ 61,824,531</u>	<u>\$ 9,033,671</u>

# City of Dearborn, Michigan

## Combining Statement of Net Assets Internal Service Funds June 30, 2011

Workers' Compensation and Employee Insurance Fund	Fleet & General Liability Insurance Fund	Total
\$ 3,548,238	\$ 2,239,094	\$ 15,000,105
248,611	-	248,611
15,758	11,544	69,517
-	850,000	854,087
-	-	21
619,117	-	619,117
<u>4,431,724</u>	<u>3,100,638</u>	<u>16,791,458</u>
477,097	349,491	2,104,754
-	-	66,127,194
<u>477,097</u>	<u>349,491</u>	<u>68,231,948</u>
<u>4,908,821</u>	<u>3,450,129</u>	<u>85,023,406</u>
222,772	42,589	620,234
-	-	2,216
-	-	113,957
-	-	71,840
-	1,530,469	1,530,469
-	-	-
-	-	8,126
-	-	101,820
<u>222,772</u>	<u>1,573,058</u>	<u>2,448,662</u>
-	-	213,769
-	-	242,360
<u>1,136,874</u>	<u>1,456,278</u>	<u>2,593,152</u>
<u>1,136,874</u>	<u>1,456,278</u>	<u>3,049,281</u>
<u>1,359,646</u>	<u>3,029,336</u>	<u>5,497,943</u>
-	-	65,811,605
<u>3,549,175</u>	<u>420,793</u>	<u>13,713,858</u>
<u>\$ 3,549,175</u>	<u>\$ 420,793</u>	<u>\$ 79,525,463</u>

# City of Dearborn, Michigan

	Information Systems Fund	Facilities Fund	Fleet Replacement Fund
<b>Operating Revenues</b>			
Charges for services: other funds	\$ 2,128,215	\$ 5,140,706	\$ -
Rents and royalties	447,307	548,909	-
City contributions for insurance premiums	-	-	-
Miscellaneous	5,167	1,791	20,347
Total operating revenues	<u>2,580,689</u>	<u>5,691,406</u>	<u>20,347</u>
<b>Operating Expenses</b>			
Contractual services	2,030,526	1,563,635	-
Utilities	-	1,448,708	-
Repair and maintenance	-	2,157,972	-
Cost of sales	-	-	6,801
Depreciation	282,239	2,378,104	1,622,618
Insurance and bonds	-	-	-
Insurance benefits	-	-	-
Claims and judgments	-	-	-
Other	-	-	-
Total operating expenses	<u>2,312,765</u>	<u>7,548,419</u>	<u>1,629,419</u>
<b>Operating Income (Loss)</b>	267,924	(1,857,013)	(1,609,072)
<b>Nonoperating Revenues (Expenses)</b>			
Investment income	15,265	10,248	13,524
Other interest	-	(17,181)	-
Loss on disposal of assets	-	-	(72,279)
Total nonoperating revenues (expenses)	<u>15,265</u>	<u>(6,933)</u>	<u>(58,755)</u>
<b>Income (Loss) before Operating Transfers</b>	283,189	(1,863,946)	(1,667,827)
<b>Capital Contributions</b>	-	(415,277)	-
<b>Transfers</b>			
Transfers in	-	22,116	-
Transfers out	-	-	-
Net transfers	<u>-</u>	<u>22,116</u>	<u>-</u>
<b>Net Income (Loss)</b>	283,189	(2,257,107)	(1,667,827)
<b>Net Assets - Beginning of Year</b>	4,414,104	64,081,638	10,701,498
<b>Net Assets - End of Year</b>	<u>\$ 4,697,293</u>	<u>\$ 61,824,531</u>	<u>\$ 9,033,671</u>

# City of Dearborn, Michigan

## Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets Internal Service Funds Year Ended June 30, 2011

Workers' Compensation and Employee Insurance Fund	Fleet & General Liability Insurance Fund	Total
\$ -	\$ -	\$ 7,268,921
-	-	996,216
17,633,570	1,508,092	19,141,662
915,483	-	942,788
<u>18,549,053</u>	<u>1,508,092</u>	<u>28,349,587</u>
357,198	203,978	4,155,337
-	-	1,448,708
-	-	2,157,972
-	-	6,801
-	-	4,282,961
179,675	980,023	1,159,698
61,817	-	61,817
18,167,585	5,513,168	23,680,753
107,830	78,163	185,993
<u>18,874,105</u>	<u>6,775,332</u>	<u>37,140,040</u>
(325,052)	(5,267,240)	(8,790,453)
20,759	8,377	68,173
-	-	(17,181)
-	-	(72,279)
<u>20,759</u>	<u>8,377</u>	<u>(21,287)</u>
(304,293)	(5,258,863)	(8,811,740)
-	-	(415,277)
-	4,745,000	4,767,116
(2,437,500)	-	(2,437,500)
<u>(2,437,500)</u>	<u>4,745,000</u>	<u>2,329,616</u>
(2,741,793)	(513,863)	(6,897,401)
6,290,968	934,656	86,422,864
<u>\$ 3,549,175</u>	<u>\$ 420,793</u>	<u>\$ 79,525,463</u>

# City of Dearborn, Michigan

	Information Systems Fund	Facilities Fund	Fleet Replacement Fund
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 2,575,522	\$ 5,681,158	\$ -
Payments to suppliers	(2,034,926)	(4,802,389)	(22,777)
Payments to employees	-	-	-
Internal activity	(412)	(751,264)	8,126
Claims paid	-	-	-
Other receipts (payments)	5,167	10,248	20,347
Net cash provided (used) by operating activities	<u>545,351</u>	<u>137,753</u>	<u>5,696</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Transfers in	-	22,116	-
Transfers out	-	-	-
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>22,116</u>	<u>-</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Principal paid on debt	-	(99,688)	-
Prepaid interest on debt	-	(14,965)	-
Acquisition and construction of capital assets	(118,850)	(301,365)	(77,215)
Net cash provided (used) by capital and related financing activities	<u>(118,850)</u>	<u>(416,018)</u>	<u>(77,215)</u>
<b>Cash Flows from Investing Activities</b>			
Net sale (purchase) of investments	734,777	609,444	767,222
Investment income	17,228	13,953	17,374
Net cash provided (used) by investing activities	<u>752,005</u>	<u>623,397</u>	<u>784,596</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	1,178,506	367,248	713,077
<b>Cash and Cash Equivalents - Beginning of Year</b>	2,575,762	1,896,645	2,481,535
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 3,754,268</u>	<u>\$ 2,263,893</u>	<u>\$ 3,194,612</u>

**Combining Statement of Cash Flows  
Internal Service Funds  
Year Ended June 30, 2011**

Workers' Compensation and Employee Insurance Fund	Fleet & General Liability Insurance Fund	Total
\$ 17,402,267	\$ 1,508,092	\$ 27,167,039
(605,316)	(1,025,759)	(8,491,167)
-	-	-
-	(850,000)	(1,593,550)
(17,641,208)	(5,389,399)	(23,030,607)
807,653	(78,163)	765,252
<u>(36,604)</u>	<u>(5,835,229)</u>	<u>(5,183,033)</u>
-	4,745,000	4,767,116
<u>(2,437,500)</u>	<u>-</u>	<u>(2,437,500)</u>
<u>(2,437,500)</u>	<u>4,745,000</u>	<u>2,329,616</u>
-	-	(99,688)
-	-	(14,965)
-	-	(497,430)
<u>-</u>	<u>-</u>	<u>(612,083)</u>
1,609,038	851,099	4,571,580
36,839	15,156	100,550
<u>1,645,877</u>	<u>866,255</u>	<u>4,672,130</u>
(828,227)	(223,974)	1,206,630
4,376,465	2,463,068	13,793,475
<u>\$ 3,548,238</u>	<u>\$ 2,239,094</u>	<u>\$ 15,000,105</u>

# City of Dearborn, Michigan

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	Information Systems Fund	Facilities Fund	Fleet Replacement Fund
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ 267,924	\$ (1,857,013)	\$ (1,609,072)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	282,239	2,378,104	1,622,618
Change in assets and liabilities:			
Accounts receivable	-	-	-
Due from other funds	(412)	(3,696)	8,126
Prepaid items	-	-	-
Accounts payable	3,835	103,344	(15,970)
Accrued liabilities	(8,221)	264,582	(6)
Accrued vacation and sick leave	-	-	-
Due to other funds	-	(747,568)	-
Due to other governments	(14)	-	-
Claims payable	-	-	-
	<hr/>	<hr/>	<hr/>
Net cash provided (used) by operating activities	<u>\$ 545,351</u>	<u>\$ 137,753</u>	<u>\$ 5,696</u>

**Combining Statement of Cash Flows  
Internal Service Funds  
Year Ended June 30, 2011**

Workers' Compensation and Employee Insurance Fund	Fleet & General Liability Insurance Fund	Total
\$ (325,052)	\$ (5,267,240)	\$ (8,790,453)
-	-	4,282,961
(231,303)	-	(231,303)
-	(850,000)	(845,982)
832,101	-	832,101
124,038	(172,227)	43,020
-	-	256,355
-	-	-
-	-	(747,568)
-	330,469	330,455
(436,388)	123,769	(312,619)
<u>\$ (36,604)</u>	<u>\$ (5,835,229)</u>	<u>\$ (5,183,033)</u>

# City of Dearborn, Michigan

	General Employees' Retirement System Fund	Revised Police & Fire Retirement System Fund	Policemen's & Firemen's Retirement System Fund
<b>Assets</b>			
Current Assets:			
Cash and cash equivalents	\$ 314,879	\$ 410,862	\$ 73,186
Investments - short-term	4,309,231	2,314,562	1,600,229
Accrued interest receivable	186,837	229,659	70,247
Accounts receivable (Net)	117,480	295,273	11,523
Total current assets	<u>4,928,427</u>	<u>3,250,356</u>	<u>1,755,185</u>
Noncurrent assets - investments:			
Long-term bonds	44,321,675	72,506,174	15,060,756
Common stock	32,458,601	74,900,683	6,099,472
Collateral pledged on securities loaned	4,448,035	11,417,495	1,220,073
Real estate properties	5,116,358	9,067,411	1,648,767
Commingled mutual funds	51,944,435	92,602,054	6,398,274
Total noncurrent assets	<u>138,289,104</u>	<u>260,493,817</u>	<u>30,427,342</u>
Total assets	<u>143,217,531</u>	<u>263,744,173</u>	<u>32,182,527</u>
<b>Liabilities</b>			
Accounts payable	160,217	235,861	51,178
Deferred revenue	-	1,001	-
Amounts due to broker under securities lending agreement	4,448,035	11,417,495	1,220,073
Other liabilities	-	-	12,125
Total liabilities	<u>4,608,252</u>	<u>11,654,357</u>	<u>1,283,376</u>
<b>Net Assets</b>			
Held in trust for pension benefits and other employee benefits	<u>\$ 138,609,279</u>	<u>\$ 252,089,816</u>	<u>\$ 30,899,151</u>

**Combining Statement of Net Assets  
Fiduciary Pension & Other Employee Benefits Funds  
June 30, 2011**

Retiree Death Benefit Fund	Postemployment Healthcare Fund	Total
\$ 433,049	\$ 622,440	\$ 1,854,416
-	4,653,981	12,878,003
1,981	256,324	745,048
-	256,954	681,230
<u>435,030</u>	<u>5,789,699</u>	<u>16,158,697</u>
59,966	13,961,029	145,909,600
-	21,355,071	134,813,827
-	-	17,085,603
-	-	15,832,536
-	-	150,944,763
<u>59,966</u>	<u>35,316,100</u>	<u>464,586,329</u>
<u>494,996</u>	<u>41,105,799</u>	<u>480,745,026</u>
1,000	85,727	533,983
-	451,486	452,487
-	-	17,085,603
-	-	12,125
<u>1,000</u>	<u>537,213</u>	<u>18,084,198</u>
<u>\$ 493,996</u>	<u>\$ 40,568,586</u>	<u>\$ 462,660,828</u>

# City of Dearborn, Michigan

	General Employees' Retirement System Fund	Revised Police & Fire Retirement System Fund	Policemen's & Firemen's Retirement System Fund
<b>Additions</b>			
Investment income:			
Interest and dividends	\$ 3,284,870	\$ 4,994,503	\$ 975,204
Net increase in value of investments	18,135,727	35,794,723	3,666,797
Administrative expenses	(498,089)	(1,027,617)	(126,596)
Net investment income	<u>20,922,508</u>	<u>39,761,609</u>	<u>4,515,405</u>
Contributions:			
Employer	4,206,874	7,144,368	-
Employee	57,429	1,045,539	-
Reimbursements	-	-	-
Total contributions	<u>4,264,303</u>	<u>8,189,907</u>	<u>-</u>
Total additions	25,186,811	47,951,516	4,515,405
<b>Deductions</b>			
Benefit payments	10,086,612	13,361,599	2,947,602
Refunds of contributions	241,047	2,081,871	-
Return of excess assets to City	-	-	-
Total deductions	<u>10,327,659</u>	<u>15,443,470</u>	<u>2,947,602</u>
<b>Change in Net Assets</b>	14,859,152	32,508,046	1,567,803
<b>Net Assets - Beginning of Year</b>	123,750,127	219,581,770	29,331,348
<b>Net Assets - End of Year</b>	<u>\$ 138,609,279</u>	<u>\$ 252,089,816</u>	<u>\$ 30,899,151</u>

**Combining Statement of Changes in Fiduciary Net Assets  
Fiduciary Pension & Other Employee Benefits Funds  
Year Ended June 30, 2011**

Retiree Death Benefit Fund	Postemployment Healthcare Fund	Total
\$ 6,028	\$ 2,292,271	\$ 11,552,876
-	3,599,671	61,196,918
-	(197,033)	(1,849,335)
<u>6,028</u>	<u>5,694,909</u>	<u>70,900,459</u>
-	8,354,991	19,706,233
12,734	-	1,115,702
-	370,305	370,305
<u>12,734</u>	<u>8,725,296</u>	<u>21,192,240</u>
18,762	14,420,205	92,092,699
42,500	9,526,069	35,964,382
-	-	2,322,918
1,250,000	-	1,250,000
<u>1,292,500</u>	<u>9,526,069</u>	<u>39,537,300</u>
(1,273,738)	4,894,136	52,555,399
1,767,734	35,674,450	410,105,429
<u>\$ 493,996</u>	<u>\$ 40,568,586</u>	<u>\$ 462,660,828</u>

# City of Dearborn, Michigan

## Combining Statement of Net Assets Fiduciary Agency Funds June 30, 2011

	Agency Fund	Imprest Payroll Fund	District Court Fund	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 8,634,227	\$ 536,788	\$ 55,800	\$ 9,226,815
Accounts receivable (Net)	6,320	-	244,094	250,414
Due from other governments	104,692	-	-	104,692
Due from component units	212,406	-	-	212,406
Total assets	<u>\$ 8,957,645</u>	<u>\$ 536,788</u>	<u>\$ 299,894</u>	<u>\$ 9,794,327</u>
<b>Liabilities</b>				
Accounts payable	\$ 466,369	\$ -	\$ 58,085	\$ 524,454
Payroll deductions payable	-	47,326	-	47,326
Deposits/refunds payable	8,028,087	-	-	8,028,087
Due to other governments	345,881	489,462	241,809	1,077,152
Other liabilities	117,308	-	-	117,308
Total liabilities	<u>\$ 8,957,645</u>	<u>\$ 536,788</u>	<u>\$ 299,894</u>	<u>\$ 9,794,327</u>

# City of Dearborn, Michigan

## Statement of Changes in Assets and Liabilities Fiduciary Agency Funds Year Ended June 30, 2011

### Agency Fund:

	Balance June 30, 2010	Additions	Deductions	Balance June 30, 2011
<b>Assets</b>				
Cash and cash equivalents	\$ 11,369,416	\$ 295,328,295	\$ 298,063,484	\$ 8,634,227
Accounts receivable (Net)	8,288	51,320	53,288	6,320
Due from other funds	7,764	87,202	94,966	-
Due from other governments	6,762	104,692	6,762	104,692
Due from component units	-	212,406	-	212,406
Total assets	<u>\$ 11,392,230</u>	<u>\$ 295,783,915</u>	<u>\$ 298,218,500</u>	<u>\$ 8,957,645</u>
<b>Liabilities</b>				
Accounts payable	\$ 373,700	\$ 143,658,166	\$ 143,565,497	\$ 466,369
Deposits/refunds payable	10,998,699	13,880,030	16,850,642	8,028,087
Special programs	-	85,920	85,920	-
Due to other funds	4,097	-	4,097	-
Due to other governments	231	137,789,232	137,443,582	345,881
Other liabilities	15,503	370,567	268,762	117,308
Total liabilities	<u>\$ 11,392,230</u>	<u>\$ 295,783,915</u>	<u>\$ 298,218,500</u>	<u>\$ 8,957,645</u>

### Imprest Payroll Fund:

	Balance June 30, 2010	Additions	Deductions	Balance June 30, 2011
<b>Assets</b>				
Cash and cash equivalents	\$ 447,836	\$ 46,442,456	\$ 46,353,504	\$ 536,788
Total assets	<u>\$ 447,836</u>	<u>\$ 46,442,456</u>	<u>\$ 46,353,504</u>	<u>\$ 536,788</u>
<b>Liabilities</b>				
Payroll deductions payable	\$ 29,698	\$ 5,640,746	\$ 5,623,118	\$ 47,326
Due to other funds	-	20,431,004	20,431,004	-
Due to other governments	418,138	17,223,684	17,152,360	489,462
Other liabilities	-	3,147,022	3,147,022	-
Total liabilities	<u>\$ 447,836</u>	<u>\$ 46,442,456</u>	<u>\$ 46,353,504</u>	<u>\$ 536,788</u>

# City of Dearborn, Michigan

## Statement of Changes in Assets and Liabilities Fiduciary Agency Funds Year Ended June 30, 2011

### District Court Fund:

	Balance June 30, 2010	Additions	Deductions	Balance June 30, 2011
<b>Assets</b>				
Cash and cash equivalents	\$ 55,800	\$ 5,070,178	\$ 5,070,178	\$ 55,800
Accounts receivable (Net)	179,619	1,126,028	1,061,553	244,094
Total assets	<u>\$ 235,419</u>	<u>\$ 6,196,206</u>	<u>\$ 6,131,731</u>	<u>\$ 299,894</u>
<b>Liabilities</b>				
Accounts payable	\$ 59,184	\$ 3,613,556	\$ 3,614,655	\$ 58,085
Due to other governments	176,235	2,582,650	2,517,076	241,809
Total liabilities	<u>\$ 235,419</u>	<u>\$ 6,196,206</u>	<u>\$ 6,131,731</u>	<u>\$ 299,894</u>

### Total - All Fiduciary Agency Funds:

	Balance June 30, 2010	Additions	Deductions	Balance June 30, 2011
<b>Assets</b>				
Cash and cash equivalents	\$ 11,873,052	\$ 346,840,929	\$ 349,487,166	\$ 9,226,815
Accounts receivable (Net)	187,907	1,177,348	1,114,841	250,414
Due from component units	-	212,406	-	212,406
Due from other funds	7,764	87,202	94,966	-
Due from other governments	6,762	104,692	6,762	104,692
Total assets	<u>\$ 12,075,485</u>	<u>\$ 348,422,577</u>	<u>\$ 350,703,735</u>	<u>\$ 9,794,327</u>
<b>Liabilities</b>				
Accounts payable	\$ 432,884	\$ 147,271,722	\$ 147,180,152	\$ 524,454
Payroll deductions payable	29,698	5,640,746	5,623,118	47,326
Deposits/refunds payable	10,998,699	13,880,030	16,850,642	8,028,087
Special programs	-	85,920	85,920	-
Due to other funds	4,097	20,431,004	20,435,101	-
Due to other governments	594,604	157,595,566	157,113,018	1,077,152
Other liabilities	15,503	3,517,589	3,415,784	117,308
Total liabilities	<u>\$ 12,075,485</u>	<u>\$ 348,422,577</u>	<u>\$ 350,703,735</u>	<u>\$ 9,794,327</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.....	154-162
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.....	163-164
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 .....	166-171
These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

# City of Dearborn, Michigan

	Fiscal Year Ended June 30,			
	2002	2003	2004	2005
<b>Governmental Activities:</b>				
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>
<b>Business Type Activities:</b>				
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>
<b>Primary government in total:</b>				
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 Ten Fiscal Years (accrual basis of accounting)

2006	2007	2008	2009	2010	2011
\$ 107,826,375	\$ 114,134,870	\$ 117,712,886	\$ 122,778,610	\$ 125,057,087	\$ 126,568,635
31,205,744	31,206,122	28,024,207	34,250,362	34,203,674	9,491,161
50,220,578	52,858,376	55,653,280	42,313,022	36,180,495	46,286,480
<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>	<u>\$ 182,346,276</u>
\$ 133,916,701	\$ 147,719,265	\$ 165,847,821	\$ 186,175,486	\$ 139,515,797	\$ 144,425,891
17,366,288	23,528,470	24,264,408	17,411,175	21,003,170	9,525,175
30,746,205	27,502,015	32,338,924	42,209,231	44,559,441	68,270,100
<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>	<u>\$ 222,221,166</u>
\$ 241,743,076	\$ 261,854,135	\$ 283,560,707	\$ 308,954,096	\$ 264,572,884	\$ 270,994,526
48,572,032	54,734,592	52,288,615	51,661,537	55,206,844	19,016,336
80,966,783	80,360,391	87,992,204	84,522,253	80,739,936	114,556,580
<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>	<u>\$ 404,567,442</u>

# City of Dearborn, Michigan

	Fiscal Year Ended June 30,			
	2002	2003	2004	2005
<b>Expenses</b>				
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>
<b>Program revenues</b>				
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>
<b>Net (expense) revenue</b>	<u>(78,947,729)</u>	<u>(71,082,806)</u>	<u>(73,764,173)</u>	<u>(81,155,512)</u>
<b>General revenues</b>				
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
<b>Total general revenues</b>	<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)
<b>Change in net assets</b>	<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 Ten Fiscal Years (accrual basis of accounting)

		Fiscal Year Ended June 30,									
		2006	2007	2008	2009	2010	2011				
\$	17,970,243	\$	18,558,136	\$	18,623,714	\$	18,905,374	\$	12,376,173	\$	14,127,212
	53,815,679		49,236,224		53,534,358		56,413,381		57,738,469		61,181,574
	15,735,740		17,551,174		18,240,387		17,062,196		18,683,274		17,336,111
	1,033,980		1,004,187		884,660		899,100		382,038		368,182
	20,887,064		19,233,843		20,284,890		20,056,955		21,540,832		21,921,935
	3,057,027		2,269,759		2,263,778		2,840,908		2,726,471		5,273,033
	1,207,120		1,298,032		969,908		692,610		575,506		436,484
	<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>		<u>120,644,531</u>
	3,688,843		4,014,763		3,987,138		4,060,655		3,433,331		3,568,250
	7,604,854		7,290,859		7,279,165		7,183,233		6,058,870		8,746,633
	1,784,182		1,989,214		2,589,058		808,008		240,855		192,735
	182,536		176,345		170,208		187,589		220,888		151,598
	6,138,877		6,373,706		6,459,188		6,198,247		6,228,878		6,178,886
	7,692		14,000		139,747		41,900		15,942		28,632
	<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>		<u>18,866,734</u>
	11,220,655		10,438,719		9,304,569		9,668,790		11,580,040		11,248,838
	4,890,813		1,324,987		1,040,365		1,354,205		3,054,980		3,605,055
	<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>33,720,627</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>		<u>(86,923,904)</u>
	72,786,959		73,631,345		74,411,232		74,177,428		70,861,323		65,008,877
	9,967,910		9,594,061		9,520,440		9,154,795		8,087,313		8,257,255
	3,761,071		4,442,283		4,484,831		2,800,349		825,396		252,343
	127,871		341,677		120,281		339,860		310,711		291,734
	<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>		<u>73,810,209</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>18,715</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>	\$	<u>(13,094,980)</u>

# City of Dearborn, Michigan

	Fiscal Year Ended June 30,			
	2002	2003	2004	2005
<b>Expenses</b>				
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
<b>Program revenues</b>				
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
<b>Net (expense) revenue</b>	3,023,167	2,091,599	4,030,287	11,381,016
<b>General revenues</b>				
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
<b>Total general revenues</b>	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
<b>Change in net assets</b>	\$ 7,660,789	\$ 4,285,516	\$ 3,764,507	\$ 13,625,832
<b>Change in Primary Government net assets</b>				
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
<b>Total Change in Primary Government net assets</b>	\$ 3,642,309	\$ 15,308,819	\$ 10,943,372	\$ 15,794,967

# City of Dearborn, Michigan

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

		Fiscal Year Ended June 30,					
		2006	2007	2008	2009	2010	2011
\$	3,227,297	\$ 3,394,571	\$ 3,322,742	\$ 3,458,115	\$ 4,325,517	\$ 3,300,533	
	1,563,400	1,557,375	1,588,253	1,453,587	1,400,042	1,372,503	
	608,254	1,934,091	2,360,226	2,176,678	2,163,670	2,111,898	
	16,737,924	16,963,805	17,779,531	18,675,598	17,339,277	23,319,895	
	10,717,015	11,518,094	11,525,968	14,551,370	13,489,834	15,331,842	
	32,853,890	35,367,936	36,576,720	40,315,348	38,718,340	45,436,671	
	3,370,818	3,311,667	3,424,466	3,280,655	2,986,372	3,099,199	
	1,300,202	1,322,504	1,283,463	1,200,615	1,180,309	1,049,788	
	389,658	1,103,913	1,640,449	1,369,973	1,212,763	1,257,440	
	19,660,321	20,252,157	22,867,177	26,435,810	23,143,181	25,420,282	
	15,047,237	14,071,679	16,282,194	18,010,410	16,161,503	16,348,307	
	39,768,236	40,061,920	45,497,749	50,297,463	44,684,128	47,175,016	
	-	-	-	-	-	-	
	7,084,833	3,720,899	1,641,423	1,295,426	-	4,840,836	
	46,853,069	43,782,819	47,139,172	51,592,889	44,684,128	52,015,852	
	13,999,179	8,414,883	10,562,452	11,277,541	5,965,788	6,579,181	
	3,218,635	3,540,409	7,408,825	7,413,464	9,834,080	15,647,451	
	-	10,950	503,887	-	-	-	
	2,016,375	3,038,305	3,550,346	1,946,237	841,748	292,533	
	1,075,790	182,076	162,371	1,554,583	1,168,875	127,128	
	6,310,800	6,771,740	11,625,429	10,914,284	11,844,703	16,067,112	
	-	-	-	-	675,523	(18,977)	
	-	-	-	-	(60,000,000)	(5,465,843)	
	2,769,698	1,533,933	1,513,522	1,152,914	796,502	(18,715)	
\$	23,079,677	\$ 16,720,556	\$ 23,701,403	\$ 23,344,739	\$ (40,717,484)	\$ 17,142,758	
\$	5,470,712	\$ 8,946,671	\$ 3,191,005	\$ (2,048,379)	\$ (3,900,738)	\$ (13,094,980)	
	23,079,677	16,720,556	23,701,403	23,344,739	(40,717,484)	17,142,758	
\$	28,550,389	\$ 25,667,227	\$ 26,892,408	\$ 21,296,360	\$ (44,618,222)	\$ 4,047,778	

# City of Dearborn, Michigan

	As of June 30,			
	2002	2003	2004	2005
<b>General fund</b>				
Reserved	\$ 6,076,610	\$ 10,115,777	\$ 11,183,559	\$ 8,433,491
Unreserved	30,274,711	28,042,650	32,060,409	34,158,361
Nonspendable	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total general fund	<u>\$ 36,351,321</u>	<u>\$ 38,158,427</u>	<u>\$ 43,243,968</u>	<u>\$ 42,591,852</u>
<b>All other governmental funds</b>				
Reserved	\$ 21,238,669	\$ 24,799,034	\$ 28,425,497	\$ 31,208,243
Unreserved, reported in:				
Special revenue funds	3,396,018	2,639,359	3,033,591	1,003,246
Debt service fund	291,545	350,940	325,862	-
Capital projects fund	5,100,079	4,351,008	2,225,393	-
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Total all other governmental funds	<u>\$ 30,026,311</u>	<u>\$ 32,140,341</u>	<u>\$ 34,010,343</u>	<u>\$ 32,211,489</u>

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

# City of Dearborn, Michigan

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

As of June 30,					
2006	2007	2008	2009	2010	2011 (1)
\$ 11,631,922	\$ 8,057,877	\$ 2,903,603	\$ 4,565,604	\$ 2,773,477	\$ -
24,705,707	27,656,144	27,091,088	23,822,046	19,649,622	-
-	-	-	-	-	203,754
-	-	-	-	-	5,707,125
-	-	-	-	-	15,657,636
<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>	<u>\$ 21,568,515</u>
\$ 35,197,980	\$ 36,093,486	\$ 36,269,424	\$ 34,249,675	\$ 33,578,417	\$ -
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	-
-	-	-	-	-	13,282,980
-	-	-	-	-	9,491,161
-	-	-	-	-	3,180,165
-	-	-	-	-	8,419,529
<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>	<u>\$ 34,373,835</u>

# City of Dearborn, Michigan

	Year Ended June 30,			
	2002	2003	2004	2005
<b>Revenues</b>				
Taxes, assessments and penalties on taxes	\$ 65,368,159	\$ 68,535,593	\$ 71,225,476	\$ 71,636,846
Licenses and permits	2,194,914	2,567,285	3,012,402	2,484,862
Intergovernmental revenues:				
State sources	18,273,158	18,445,599	18,144,074	17,556,775
Federal sources	4,392,843	3,128,156	4,201,011	4,286,267
Wayne County parks millage	-	-	-	-
Other sources	201,261	176,453	158,521	174,776
Charges for services	7,807,213	8,576,251	9,910,066	9,605,652
Fines and forfeits	4,951,743	4,093,236	3,722,143	3,615,747
Rents and royalties	4,441,195	4,824,692	4,860,730	5,066,367
Miscellaneous revenue	1,985,055	2,083,898	1,779,416	2,070,831
Private source contributions	347,662	286,271	395,049	553,421
Investment income	2,633,805	1,623,318	1,071,016	2,108,961
Total revenues	<u>112,597,008</u>	<u>114,340,752</u>	<u>118,479,904</u>	<u>119,160,505</u>
<b>Expenditures</b>				
General government	19,636,300	16,607,919	17,137,937	17,802,197
Public safety	38,231,736	39,361,005	40,209,968	47,448,269
Public works	21,290,195	18,421,532	19,752,523	18,740,517
Health and welfare	1,245,330	985,036	898,637	951,384
Recreation and culture	15,577,675	15,490,932	15,719,462	16,625,373
Community improvement	2,044,095	2,097,139	4,017,796	1,856,829
Utilities	3,670,306	3,987,263	3,840,690	4,060,359
Capital outlay	12,523,615	6,888,289	4,120,128	8,373,440
Debt service - principal	2,215,000	2,340,000	2,465,000	2,630,000
Debt service - interest and fiscal charges	1,839,548	1,707,568	1,842,076	1,347,823
Unrealized loss on land held for resale	-	-	-	-
Total expenditures	<u>118,273,800</u>	<u>107,886,683</u>	<u>110,004,217</u>	<u>119,836,191</u>
<b>Revenues Over (Under) Expenditures</b>	(5,676,792)	6,454,069	8,475,687	(675,686)
<b>Other Financing Sources (Uses)</b>				
Issuance of debt	-	-	-	-
Bond premium and other	-	-	8,630,000	-
Payments from (to) escrow agent	-	-	(8,475,000)	-
Transfers in	15,160,852	10,984,992	11,636,915	8,000,313
Transfers out	(17,917,036)	(13,517,923)	(13,312,059)	(9,775,597)
Contribution to component units	-	-	-	-
Total other financing sources (uses)	<u>(2,756,184)</u>	<u>(2,532,931)</u>	<u>(1,520,144)</u>	<u>(1,775,284)</u>
<b>Net Change in Fund Balances</b>	(8,432,976)	3,921,138	6,955,543	(2,450,970)
<b>Fund Balances - Beginning of year</b>	<u>74,810,606</u>	<u>66,377,630</u>	<u>70,298,768</u>	<u>77,254,311</u>
<b>Fund Balances - End of year</b>	<u>\$ 66,377,630</u>	<u>\$ 70,298,768</u>	<u>\$ 77,254,311</u>	<u>\$ 74,803,341</u>
Debt service as a percentage of noncapital expenditures	3.83%	4.01%	4.07%	3.57%

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

		Year Ended June 30,									
		2006	2007	2008	2009	2010	2011				
\$	73,074,475	\$	73,956,411	\$	74,864,544	\$	74,417,614	\$	66,898,007	\$	68,634,837
	2,211,330		2,354,012		2,103,672		1,629,179		1,456,321		2,606,186
	18,724,037		17,019,551		16,890,767		16,144,911		14,994,366		15,174,605
	5,792,025		3,019,962		1,839,525		2,477,958		5,554,459		6,344,198
	-		-		-		-		-		25,000
	116,796		120,626		232,307		234,800		205,886		181,390
	9,789,794		9,763,643		10,517,161		8,581,834		8,112,023		8,919,439
	4,480,045		4,591,880		4,734,867		5,088,268		3,907,176		4,150,768
	5,206,021		5,216,764		5,598,596		5,756,594		5,621,711		5,869,862
	2,537,007		1,251,339		1,211,475		796,671		806,946		700,242
	257,048		159,203		179,747		251,375		245,192		48,882
	3,761,071		4,442,283		4,484,831		2,800,349		825,396		252,343
	<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>		<u>112,907,752</u>
	17,625,581		16,592,671		17,243,638		16,600,757		13,266,973		12,742,209
	50,596,105		47,815,559		50,531,877		51,391,481		53,784,103		54,255,155
	20,545,286		23,264,645		22,205,870		19,685,018		18,925,016		18,958,399
	1,015,112		1,017,025		918,983		899,511		394,537		345,274
	17,158,608		15,991,058		16,742,339		16,068,221		18,877,609		18,533,939
	2,214,272		1,944,888		1,988,312		2,061,008		2,235,666		2,038,767
	4,464,391		4,302,158		4,607,915		4,320,227		323,085		305,438
	5,687,117		3,816,566		4,009,106		5,872,343		4,855,404		2,938,196
	2,765,000		3,040,000		3,025,000		3,165,000		3,296,683		3,294,095
	1,229,742		1,242,580		989,061		755,191		610,853		473,257
	-		-		-		-		-		2,500,000
	<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>		<u>116,384,729</u>
	2,648,435		2,868,524		395,391		(2,639,204)		(7,942,446)		(3,476,977)
	-		9,840,000		3,536,000		-		-		-
	-		285,831		-		-		-		-
	-		(10,125,831)		(3,520,000)		-		-		-
	13,105,908		11,823,416		14,584,454		12,380,950		8,682,846		12,901,955
	(16,303,606)		(13,683,300)		(16,347,976)		(11,983,864)		(11,392,564)		(13,962,854)
	(536,079)		-		-		-		-		-
	<u>(3,733,777)</u>		<u>(1,859,884)</u>		<u>(1,747,522)</u>		<u>397,086</u>		<u>(2,709,718)</u>		<u>(1,060,899)</u>
	(1,085,342)		1,008,640		(1,352,131)		(2,242,118)		(10,652,164)		(4,537,876)
	<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>
\$	<u>73,717,999</u>	\$	<u>74,726,639</u>	\$	<u>73,374,508</u>	\$	<u>71,132,390</u>	\$	<u>60,480,226</u>	\$	<u>55,942,350</u>
	3.40%		3.72%		3.39%		3.41%		3.50%		3.32%

# City of Dearborn, Michigan

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

<u>Fiscal Year Ending June 30,</u>	<u>Revenue Sharing Payments</u>
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	8,175,957
2012	6,540,857 (adopted budget)

# City of Dearborn, Michigan

## History of Sewage System Rates Last Ten Fiscal Years

Fiscal Year Ending June 30,	Rates Effective July 1,	Sewer Commodity Rate	Quarterly Sewer Capacity Charges Range	
			From 5/8 inches	To 24 inches
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
2012	2011	31.95	28.84	17,304.00

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
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
2011	2012	1,642,189,926	842,185,870	376,592,798	83,314,750	2,944,283,344

Note: Under Michigan law, the revenue base is Taxable Value.

Note: Assessed value is determined by the City Assessor. The State of Michigan reviews the City's assessment and assigns a factor to adjust the Assessor's numbers. The State multiplies this factor by the assessed value to arrive at the State Equalized Valuation (SEV). All reported assessed values are equal to the SEV, since the factor for Dearborn is 1.00.

### Tax Base Composition

A breakdown of the City's tax year 2011 (fiscal year 2012) taxable valuation is as follows:

By Class	Taxable Valuation	Percent of total
Real Property	\$ 2,944,283,344	76.27%
Personal Property	916,034,658	23.73%
<b>Total</b>	<b>\$ 3,860,318,002</b>	<b>100.00%</b>

By Use	Taxable Valuation	Percent of total
Commercial	\$ 842,185,870	21.81%
Industrial	376,592,798	9.76%
Residential	1,642,189,926	42.54%
Personal	999,349,408	25.89%
<b>Total</b>	<b>\$ 3,860,318,002</b>	<b>100.00%</b>

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

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

### Personal Property Taxable Value

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

# 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
<b>Dearborn School District</b>								
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	8.7266	3.0000	3.4643
2011	2012	15.0000	5.2100	1.6900	21.9000	5.6483 *	3.0000	3.4643

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

## Westwood School District

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	8.7266	2.4769	3.4643
2011	2012	15.0000	5.2100	1.6900	21.9000	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
2010	16.0000*	no limit	2.7254

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

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

Source: City of Dearborn Departments of Assessment and Finance

## Direct and Overlapping Property Tax Rates Last Ten Fiscal Years

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	34.1693	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	40.7709	9.9012	50.6721	22.8400	63.6109
6.0000	40.0126	10.9582	50.9708	23.3600	TBD *
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	40.2478	-	40.2478	18.0000	58.2478
6.0000	37.0126	-	37.0126	18.0000	TBD *

# City of Dearborn, Michigan

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

Taxpayer	2011			2010			2009		
	Taxable Value	Rank	Percent of total	Taxable Value	Rank	Percent of total	Taxable Value	Rank	Percent of total
Ford Motor Company	\$ 852,048,906	1	22.07%	\$ 1,138,590,230	1	26.45%	\$ 1,007,996,190	1	24.78%
Severstal Steel Company	266,595,900	2	6.91%	347,957,652	2	8.08%	-	-	-
Dearborn Industrial Generation	109,614,258	3	2.84%	164,543,084	3	3.82%	-	-	-
Fairlane Town Center	37,012,900	4	0.96%	40,246,260	4	0.93%	47,931,750	4	1.18%
Detroit Edison	30,911,054	5	0.80%	26,544,766	7	0.62%	42,099,765	5	1.04%
HRP NOM LP (Hallwood Mgmt Co)	28,311,512	6	0.73%	38,841,748	5	0.90%	41,610,023	6	1.02%
The ACG (AAA of Michigan)	26,957,850	7	0.70%	30,002,600	6	0.70%	37,194,753	7	0.91%
WCF Land LLC	13,212,150	8	0.34%	-	-	-	-	-	-
Mich-Con Gas Company	12,468,450	9	0.32%	-	-	-	-	-	-
Dearborn Schaefer Office Co LLC	12,334,000	10	0.32%	-	-	-	-	-	-
Automotive Components Holding	-	-	-	20,572,900	8	0.48%	-	-	-
Oakwood Health Services	-	-	-	18,277,050	9	0.42%	-	-	-
Ashford Hospitality Trust	-	-	-	16,863,400	10	0.39%	-	-	-
Rouge Steel Company	-	-	-	-	-	-	142,613,102	2	3.51%
Visteon	-	-	-	-	-	-	68,115,845	3	1.67%
US Equipment Leasing LLS	-	-	-	-	-	-	25,044,750	8	0.62%
Lear Corporation	-	-	-	-	-	-	20,343,750	9	0.50%
Fleet Business Credit	-	-	-	-	-	-	17,007,650	10	0.42%
<b>Total - ten largest taxpayers</b>	<b>1,389,466,980</b>		<b>35.99%</b>	<b>1,842,439,690</b>		<b>42.79%</b>	<b>1,449,957,578</b>		<b>35.65%</b>
<b>Total - all other taxpayers</b>	<b>2,470,851,022</b>		<b>64.01%</b>	<b>2,463,014,940</b>		<b>57.21%</b>	<b>2,617,167,650</b>		<b>64.35%</b>
<b>Total - all taxpayers</b>	<b>\$ 3,860,318,002</b>		<b>100.00%</b>	<b>\$ 4,305,454,630</b>		<b>100.00%</b>	<b>\$ 4,067,125,228</b>		<b>100.00%</b>

Notes:

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

Abated Industrial Facilities taxable value for 2009 taxable year applicable to Ford Motor Company was \$0 Real and \$113,095,375 Personal Property and Rouge Steel was \$1,378,700 Real and \$11,637,275 Personal Property.

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 Industrial Generation (DIG) was \$3,003,612 Real and \$50,412,433 Personal Property.

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

Source: City of Dearborn Department of Assessment

# City of Dearborn, Michigan

## Principal Sewage Utility Customers

Taxpayer	Fiscal Year Ended June 30, 2011		
	Estimated Sewage Volumes (in cubic feet) (1)	Rank	Estimated Sewage Disposal Charges Billed (2)
Severstal NA	64,280,700	1	\$ 2,053,767
Ford Rouge Plant	39,725,500	2	1,269,230
Oakwood Health Care	15,313,300	3	489,260
Henry Ford Village	6,573,400	4	210,020
Dearborn Schools	6,495,400	5	207,528
Ford Motor Company	6,323,500	6	202,036
Hyatt Regency Hotel	4,172,800	7	133,321
Fairlane Town Center	3,965,600	8	126,701
U of M Dearborn	3,558,500	9	113,694
Henry Ford Health Care	<u>1,927,300</u>	10	<u>61,577</u>
Total - ten largest sewage customers	<u><u>152,336,000</u></u>		<u><u>\$ 4,867,135</u></u>

Notes:

(1) Sewage customers reported - some utility customers have high water volumes, but do not have their sewage treated (i.e. TPC Michigan golf course).

(2) Sewage disposal charges billed includes commodity, capacity and IWCC charges (passed through from Detroit Water and Sewer Department based on meter size) and sewer base charges applied to fireline charges without any consumption.

Source: City of Dearborn DPW Water Division

# City of Dearborn, Michigan

Collection Period July 1 to February 28	Tax Year	Tax Levy as Adjusted	Collections Respective Tax Year	Percent Collected	Delinquent Tax
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	59,300,885	58,071,881	97.9%	1,229,004
2011-2012	2011	60,693,696	in process of collection		

Tax Year	Delinquent Tax	Collections		
		Fiscal Year 2010-2011	Prior Fiscal Years	Total
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	40	2,551,944	2,551,984
2005	2,120,203	131	1,897,838	1,897,969
2006	2,203,911	1,067	2,263,789	2,264,856
2007	2,566,053	18,452	2,585,550	2,604,002
2008	3,100,117	90,959	3,074,791	3,165,750
2009	2,825,257	2,822,190	42,547	2,864,737
2010	1,229,004	42,356	-	42,356

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

Delinquent Tax Collections/Adj.	Delinquent Balance as of June 30, 2011	Cumulative Collections & Adj. (Current and Delinquent)	Percent Collected
\$ 1,420,971	\$ -	\$ 60,993,513	100.0%
2,593,779	-	63,690,538	100.0%
1,838,135	-	64,668,527	100.0%
2,316,718	-	65,902,430	100.0%
2,119,914	289	66,781,739	100.0%
1,812,777	391,134	66,541,611	99.4%
2,520,168	45,885	67,991,538	99.9%
3,093,892	6,225	67,872,218	100.0%
2,801,587	23,670	65,070,931	100.0%
933,585	295,419	59,005,466	99.5%

Adjustments	Delinquent Balance as of June 30, 2011
\$ 252,084	\$ -
259,176	-
373,014	266,612
235,266	-
(221,945)	289
452,079	391,134
83,834	45,885
71,858	6,225
63,149	23,669

# City of Dearborn, Michigan

	Fiscal Year Ended June 30,			
	2002	2003	2004	2005
Governmental activities:				
General obligation bonds	\$ 36,090,041	\$ 33,752,890	\$ 33,611,717	\$ 30,489,918
Business type activities:				
General obligation bonds	3,108,600	2,970,000	14,889,626	47,132,660
Revenue bonds	23,794,125	27,376,520	26,723,565	24,953,267
Total business type activities	26,902,725	30,346,520	41,613,191	72,085,927
Total debt of the government	\$ 62,992,766	\$ 64,099,410	\$ 75,224,908	\$ 102,575,845
Total residential personal income	\$ 2,100,989,200	\$ 2,100,989,200	\$ 2,100,989,200	\$ 2,067,333,614
Ratio of total debt to personal income	3.00%	3.05%	3.58%	4.96%
Total population*	99,879	99,824	99,499	99,382
Total debt per capita	\$ 631	\$ 642	\$ 756	\$ 1,032

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

\* Population statistics are the SEMCOG estimates as of July 1 as published in Southeast Michigan Council of Governments' "Population and Households in Southeast Michigan, 2002-2011" except the 2010 population is from the U.S. Census Bureau.

## Ratios of Outstanding Debt Last Ten Fiscal Years

Fiscal Year Ended June 30,					
2006	2007	2008	2009	2010	2011
\$ 27,217,946	\$ 23,744,725	\$ 20,217,780	\$ 17,024,420	\$ 13,703,672	\$ 10,277,268
68,401,337	100,993,381	131,853,146	164,795,189	194,324,037	218,182,845
23,052,972	21,107,676	19,122,380	17,092,083	15,011,788	13,589,363
91,454,309	122,101,057	150,975,526	181,887,272	209,335,825	231,772,208
<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>	<u>\$ 242,049,476</u>
\$ 2,067,333,614	\$ 2,167,472,786	\$ 2,292,093,612	\$ 2,254,828,035	\$ 2,295,862,702	\$ 2,252,509,776
5.74%	6.73%	7.47%	8.82%	9.71%	10.75%
99,909	99,089	101,223	101,665	98,153	98,604
\$ 1,188	\$ 1,472	\$ 1,691	\$ 1,957	\$ 2,272	\$ 2,455

# City of Dearborn, Michigan

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Fiscal Year	Limited Tax General Obligation Bonds (LTGO)	Tax Supported Bonds (UTGO)	Less Pledged Debt Service Funds	Net General Bonded Debt	Taxable Value
2002	\$ 16,690,041	\$ 19,400,000	\$ 291,545	\$ 35,798,496	\$ 4,310,135,511
2003	18,697,890	18,025,000	350,940	36,371,950	4,554,520,178
2004	31,926,343	16,575,000	325,862	48,175,481	4,622,616,302
2005	30,179,269	47,443,309	514,528	77,108,050	4,720,784,820
2006	27,150,620	68,468,663	1,680,986	93,938,297	4,846,365,266
2007	24,695,043	100,043,063	4,817,766	119,920,340	4,766,863,713
2008	22,234,854	129,836,072	9,462,720	142,608,206	4,852,895,370
2009	20,115,036	161,704,572	10,570,738	171,248,870	4,895,209,712
2010	17,850,032	190,177,677	17,459,104	190,568,605	4,683,778,242
2011	15,486,423	212,973,690	7,065,354	221,394,759	4,305,454,630

\* Population statistics are the SEMCOG estimates as of July 1 as published in Southeast Michigan Council of Governments' "Population and Households in Southeast Michigan, 2002-2011" except the 2010 population is from the U.S. Census Bureau.

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

Debt as a Percentage of Taxable Value	Population *	Debt per Capita
0.83%	99,879	\$ 358
0.80%	99,824	364
1.04%	99,499	484
1.63%	99,382	776
1.94%	99,909	940
2.52%	99,089	1,210
2.94%	101,223	1,409
3.50%	101,665	1,684
4.07%	98,153	1,942
5.14%	98,604	2,245

# City of Dearborn, Michigan

	Fiscal Year Ended June 30,			
	2002	2003	2004	2005
Valuation base				
State equalized valuation - excluding IFT values	\$ 4,461,150,928	\$ 4,688,837,184	\$ 4,861,255,998	\$ 4,974,031,683
Plus: equivalent valuation of Act 198 exemptions	364,081,350	487,394,950	491,800,600	525,824,700
Total valuation	<u>\$ 4,825,232,278</u>	<u>\$ 5,176,232,134</u>	<u>\$ 5,353,056,598</u>	<u>\$ 5,499,856,383</u>
Legal Debt limitation - 10% of total valuation	\$ 482,523,228	\$ 517,623,213	\$ 535,305,660	\$ 549,985,638
Calculation of debt subject to limit:				
Total debt	62,992,766	64,099,410	75,224,906	102,575,845
Less: Revenue Bonds not subject to limit	(23,794,125)	(27,376,520)	(26,723,563)	(24,953,267)
Less: Amount available for repayment of general obligation bonds	(291,545)	(350,940)	(325,862)	(514,528)
Net debt subject to limit	<u>38,907,096</u>	<u>36,371,950</u>	<u>48,175,481</u>	<u>77,108,050</u>
Legal debt margin	<u>\$ 443,616,132</u>	<u>\$ 481,251,263</u>	<u>\$ 487,130,179</u>	<u>\$ 472,877,588</u>
Net debt subject to limit as % of debt limit	8.06%	7.03%	9.00%	14.02%

# City of Dearborn, Michigan

## Computation of Legal Debt Margin Last Ten Fiscal Years

Fiscal Year Ended June 30,						
2006	2007	2008	2009	2010	2011	
\$ 5,085,594,564	\$ 5,009,821,466	\$ 5,029,644,744	\$ 4,506,733,763	\$ 4,324,230,997	\$ 3,910,703,378	
560,064,200	454,363,700	424,934,650	531,658,100	568,894,850	527,237,801	
<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>	<u>\$ 4,437,941,179</u>	
\$ 564,565,876	\$ 546,418,517	\$ 545,457,939	\$ 503,839,186	\$ 489,312,585	\$ 443,794,118	
118,672,255	145,845,782	171,193,306	198,911,692	223,039,498	242,049,476	
(23,052,972)	(21,107,676)	(19,122,380)	(17,092,083)	(15,011,788)	(13,589,363)	
(159,246)	(110,036)	(321,850)	(285,649)	(37,387)	(383)	
<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>228,459,730</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>	<u>\$ 215,334,388</u>	
16.91%	22.81%	27.82%	36.03%	42.51%	51.48%	

# City of Dearborn, Michigan

## Computation of Direct and Overlapping Bonded Debt General Obligation Bonds June 30, 2011

Government Unit	Net Bonded Debt Outstanding	Percentage Applicable to Government	Amount Applicable to Government	Per Capita (2)
Direct - City of Dearborn	\$ 10,277,268	100.00%	\$ 10,277,268	\$ 104
Overlapping (1):				
Dearborn School District	190,062,000	95.32%	181,167,098	1,837
Westwood School District	1,390,000	7.10%	98,690	1
Wayne County at large	380,965,776	8.14%	31,010,614	315
Wayne County Community College	<u>9,140,000</u>	0.07%	<u>6,398</u>	<u>-</u>
Total Overlapping Debt	<u>581,557,776</u>	36.50%	<u>212,282,800</u>	<u>2,153</u>
Grand Total	<u>\$ 591,835,044</u>	37.61%	<u>\$ 222,560,068</u>	<u>\$ 2,257</u>

Sources:

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

(2) Population of 98,604 as estimated in the Southeast Michigan Council of Governments' "Population and Household estimates in Southeast Michigan", July 2011.

# 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	
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%
2011	29,363,798	19,954,770	9,409,028	2,160,000	500,563	2,660,563	354%

(1) Total operating expenses exclusive of depreciation.

# City of Dearborn, Michigan

## Water Supply System Limited Tax Revenue Bonds Revenue Bond Coverage 2011 Fiscal Year

Fiscal Year	Gross Revenues	Operating Expenses (1)	Net Revenue Available for Debt Service	Debt Service Requirement			Coverage
				Principal	Interest	Total	
2011	\$ 16,958,944	\$ 14,105,230	\$ 2,853,714	\$ 58,000	\$ 10,686	\$ 68,686	4,155%

(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)
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	98,153	2,295,862,702	23,391	10.0%
2011	98,604	2,252,509,776	22,844	8.8%

(1) \* Population statistics are the SEMCOG 2002-2009 estimates as of July 1 as published in the Southeast Michigan Council of Governments' "Population and Households in Southeast Michigan, 2002-2010" except the 2010 population is from the U.S. Census Bureau.

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

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

# City of Dearborn, Michigan

## Principal Employers Current Year and Nine Years Previous

	2010 (1)			2001 (2)		
	Employees	Rank	Percentage of Total	Employees	Rank	Percentage of Total
Ford Motor Company	7,992	1	22.28%	10,620	1	33.52%
Oakwood Hospital Corporation	5,833	2	16.26%	9,272	2	29.27%
Severstal North America, Inc	4,900	3	13.66%	-	-	-
Percepta, LLC (HQ)	4,450	4	12.41%	-	-	-
Visteon Corp (HQ)	4,300	5	11.99%	2,500	3	7.89%
Lear Corp	2,500	6	6.97%	-	-	-
Dearborn Board of Education	2,032	7	5.66%	-	-	-
Auto Club of Michigan	1,664	8	4.64%	-	-	-
United Technologies Auto (HQ)	1,200	9	3.35%	-	-	-
Henry Ford Community College	1,000	10	2.79%	-	-	-
SGC Holdings, Inc.	-	-	-	2,500	4	7.89%
Rouge Steel Company	-	-	-	2,364	5	7.46%
Commonwealth Services SLS Corp	-	-	-	1,985	6	6.27%
Meridian Automotive Systems	-	-	-	1,100	7	3.47%
City of Dearborn	-	-	-	879	8	2.77%
Coopers Standard Auto (HQ)	-	-	-	330	9	1.04%
Carhartt Inc	-	-	-	130	10	0.41%
	<u>35,871</u>			<u>31,680</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.

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# 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 Ten Fiscal Years

Full-time-Equivalent Employees						
as of July 1,						
2005	2006	2007	2008	2009	2010	2011
193.41	190.15	180.12	177.70	183.59	180.81	182.37
448.34	459.38	446.38	442.63	442.57	433.20	432.60
93.09	90.30	84.20	61.66	58.67	60.73	54.91
23.51	23.44	23.05	19.23	19.39	4.72	3.72
288.80	287.38	284.95	278.92	282.61	288.04	278.80
15.31	14.43	13.23	16.03	17.03	18.00	14.75
<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>	<u>967.15</u>
22.84	24.69	24.69	25.86	24.51	24.51	23.51
27.83	26.22	25.56	24.36	24.20	23.30	20.39
6.69	5.08	5.08	5.08	6.43	6.43	6.43
12.00	12.00	14.68	17.09	17.44	17.44	16.53
39.84	37.82	34.97	55.73	53.72	52.72	51.31
<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>118.17</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>	<u>1,085.32</u>
1.00	1.00	1.00	1.00	1.00	1.00	2.00
<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>	<u>1,087.32</u>

# City of Dearborn, Michigan

Functions/programs	Fiscal Year Ended June 30,			
	2002	2003	2004	2005
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	309.90
Number of parks in the City	42	42	42	42
Camp Dearborn (Milford) acreage	626	626	626	626
Regional Parks	1	1	1	1
Golf course	1	1	1	1
Ice surfaces	2	2	2	2
Libraries				
Branches	4	4	4	4
Collection - number of volumes	298,413	296,959	299,908	300,294
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,					
2006	2007	2008	2009	2010	2011
49	49	50	51	51	58
4	4	4	4	4	4
6	6	6	6	6	6
9	9	9	10	10	10
73.01	73.01	73.01	73.01	73.01	73.01
194.24	194.24	194.24	194.24	194.24	194.24
309.90	309.90	309.90	309.90	309.90	310.00
42	42	42	42	42	42
626	626	626	626	626	626
1	1	1	1	1	1
1	1	1	1	1	1
2	2	2	2	2	2
4	4	4	4	4	4
302,154	308,988	306,916	299,265	293,888	276,590
372.50	372.67	388.00	387.93	387.93	387.93
2,822	2,824	2,822	2,834	2,834	2,834
79.14	72.82	72.00	72.76	72.76	72.76
144.27	162.26	144.00	144.56	144.56	144.56
404.35	378.16	404.00	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 Ten Fiscal Years

Fiscal Year Ended June 30,						
2005	2006	2007	2008	2009	2010	2011
51,056	54,882	57,427	57,128	58,245	58,147	58,156
69,090	63,735	68,577	71,052	80,189	73,079	79,779
9,412	9,096	8,173	8,326	6,525	6,769	6,769
28,231	17,165	19,367	20,452	17,186	15,223	15,301
54,432	56,467	58,356	58,723	56,591	62,162	62,624
NA	22,458	21,477	16,784	14,961	14,403	18,873
NA	11,727	20,191	26,967	38,732	34,061	34,639
2,256	2,320	2,032	2,083	2,081	2,107	2,221
7,522	7,475	7,471	7,382	7,184	7,502	7,768
5.40	3.09	1.57	1.28	5.03	2.60	7.09
39,958	44,400	39,043	38,202	39,043	35,884	27,510
8,848	10,800	8,072	7,588	8,072	7,881	7,653
4,046	4,200	3,912	3,824	3,912	3,642	4,989
24,300	19,762	19,888	20,323	20,325	28,209	18,268
199,035	217,124	213,796	198,503	193,003	205,159	191,842
300,294	302,154	308,988	306,916	299,265	293,888	276,590
1,143,446	1,034,882	918,886	860,642	870,252	907,385	874,771
538,527	520,973	489,984	491,259	511,809	511,737	477,827
32,949	32,860	32,818	32,927	32,826	32,696	32,662
7,782,069	7,532,607	6,820,710	7,277,128	6,676,634	6,278,524	6,298,102
11,820,680	11,561,647	11,392,378	11,615,212	12,193,727	10,352,858	9,745,433

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# **City of Dearborn, Michigan**

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**Federal Awards  
Supplemental Information  
June 30, 2011**

# 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, 2011, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 2, 2011. 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*

December 2, 2011

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

Independent Auditor's Report

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Dearborn, Michigan (the "City") as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 2, 2011. 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

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*

December 2, 2011

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

Independent Auditor's Report

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

**Compliance**

We have audited the compliance of the City of Dearborn, Michigan 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, 2011. 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, 2011.

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.

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.

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

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*

December 2, 2011

# City of Dearborn, Michigan

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2011

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	\$ 2,480,451
ARRA Community Development Block Grant	14.253	20,262
Neighborhood Stabilization Program	14.218	<u>1,197,401</u>
Total CDBG Entitlement Grant Cluster		3,698,114
Emergency Shelter Grant	14.231	83,929
Dollar Home Sales to Local Governments Program	14.313	31,500
Passed through the Michigan State Housing Development Authority - Home Investment Partnerships Program - Home Resource Fund - Grant Year 2007		
	14.239	<u>58,162</u>
Total U.S. Department of Housing and Urban Development		3,871,705
Federal Transit Cluster - Federal Transit Administration - Passed through the Michigan Department of Transportation - Rail Passenger Station Development Grant	20.500	137,441
Emergency Food Assistance Cluster - U.S. Department of Agriculture - Passed through County of Wayne, Michigan - Emergency Food Distribution Program	10.569	64,928
U.S. Department of Justice:		
JAG Program Cluster - Passed through the Wayne County Sheriff's Department:		
2007 Edward Byrne Memorial Justice Assistance Grant Program	16.738	10,763
2008 Edward Byrne Memorial Justice Assistance Grant Program	16.738	10,241
2009 Edward Byrne Memorial Justice Assistance Grant Program	16.738	20,079
ARRA - 2009 Edward Byrne Memorial Justice Assistance Grant Program	16.804	<u>16,510</u>
Total JAG Program Cluster		57,593
Direct programs:		
Bullet Proof Vest Program	16.607	1,901
Equitable Sharing of Federally Forfeited Property	16.000	501,246
ARRA COPS Hiring Recovery Program	16.710	661,505
Passed through Detroit Community Justice Partnership - Project Safe Neighborhoods Anti-Gang Initiative		
	16.744	<u>60,799</u>
Total U.S. Department of Justice		1,283,044
Highway Safety Cluster - U.S. Department of Transportation - Passed through the Michigan Department of State Police and Downriver Community Conference - Drive Michigan Safety Task Force	20.600	17,025

# City of Dearborn, Michigan

## Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2011

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Federal Expenditures
U.S. Environmental Protection Agency:		
Passed through the County of Wayne, Michigan - Congressionally Mandated Projects - River Rouge National Wet Weather Demonstration Project - Round X, Part A	66.202	\$ 91,468
Passed through the Michigan Department of Environmental Quality - Safe Drinking Water State Revolving Fund Loan - Water Main Project Phase I	66.468	111,150
Passed through the Downriver Community Conference Brownfield Consortium: Hazardous Substances Grant	66.818	140,512
ARRA Environmental Response Act Grant	66.818	<u>249,235</u>
Total U.S. Environmental Protection Agency		592,365
U.S. Department of Energy - Direct Program - ARRA Energy Efficiency and Conservation Block Grant	81.125	94,560
Federal Emergency Management Agency:		
Direct program - Assistance to Firefighters Grant	97.044	91,280
Passed through the Michigan Department of State Police - Civil Preparedness Program	97.042	<u>53,222</u>
Total Federal Emergency Management Agency		144,502
U.S. Department of Homeland Security - Passed through the Michigan Department of State Police - 2008 Buffer Zone Protection Program	97.078	<u>79,219</u>
Total federal programs		<u><b>\$ 6,284,789</b></u>

# City of Dearborn, Michigan

## Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended June 30, 2011

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 6,344,198
Add noncash assistance	96,428
Add federal money to be recorded as a capital contribution from grants on the financial statements	91,468
Add federal money recorded as a pass-through activity in the trust and agency funds	79,159
Add federal money recorded as a liability (combined sewer overflow and watermain project)	111,150
Add federal money classified as forfeited revenue	501,246
Add federal revenue classified as miscellaneous revenue on financial statements	40,354
Add cash proceeds on sale of HUD NSP land	61,101
Add grant receivable not recorded under modified accrual accounting	66,090
Federal grants received not administered by the City	(1,091,831)
Less revenue for prior year expenditures received in current year	<u>(14,574)</u>
Federal expenditures per the schedule of expenditures of federal awards	<u><b>\$ 6,284,789</b></u>

# City of Dearborn, Michigan

## Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2011

### 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, 2011. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-87, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

### Note 2 - Noncash Assistance

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

**Summary of Noncash Assistance** - The grantee received the following noncash assistance during the year ended June 30, 2011 that is included on the schedule of expenditures of federal awards:

Federal Program	CFDA Number	Description	Amount
U.S. Department of Agriculture	10.569	Emergency Food Distribution Program	\$ 64,928
U.S. Department of Housing and Urban Development	14.313	Dollar Home Sale to Local Governments Program	31,500

# City of Dearborn, Michigan

## Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2011

### Note 3 - Subrecipient Awards

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

<u>Federal Program Title</u>	<u>CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grant	14.218	\$ 87,067
Emergency Shelter Grant	14.231	<u>79,159</u>
Total		<u>\$ 166,226</u>

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

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

# City of Dearborn, Michigan

## Schedule of Findings and Questioned Costs Year Ended June 30, 2011

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

#### Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?  Yes  No

#### Federal Awards

Internal control over major programs:

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

Type of auditor's report issued on compliance for major programs: 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
14.218, 14.253	U.S. Department of Housing and Urban Development - Community Development Block Grant Cluster
66.818	U.S. Environmental Protection Agency - Brownfield Assessment and Cleanup Cooperative Agreements
16.710	U.S. Department of Justice - COPS Hiring Recovery Program

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?  Yes  No

# **City of Dearborn, Michigan**

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## **Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2011**

### **Section II - Financial Statement Audit Findings**

None

### **Section III - Federal Program Audit Findings**

None

# City of Dearborn, Michigan

## Summary Schedule of Prior Audit Findings Year Ended June 30, 2011

Prior Year Finding Number	Federal Program	Original Finding Description	Status	Planned Corrective Action
2010-1	State Revolving Fund Loan (66.458) and Safe Drinking Water State Revolving Fund Loan (66.468)	Approximately \$4.7 million of federal expenditures related to the SRF and DWRF 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.	Completed	The City has reassigned responsibility for the SRF and DWRF projects to an accountant with extensive experience with federal programs. The City has included all SRF expenditures incurred as of year end on the SEFA, without regard to the year in which the funds were drawn down.

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