

City of Dearborn Heights, Michigan

**Financial Report
with Supplemental Information
June 30, 2015**

City of Dearborn Heights, Michigan

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City of Dearborn Heights, Michigan

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Independent Auditor's Report

To the City Council
City of Dearborn Heights, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Dearborn Heights, Michigan as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the City of Dearborn Heights, Michigan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

To the City Council
City of Dearborn Heights, Michigan

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 Heights, Michigan as of June 30, 2015 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 15 to the financial statements, during the year ended June 30, 2015, the City adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 68, *Accounting and Financial Reporting for Pensions*. As a result of implementing this pronouncement, the City's net pension liability has been recognized on the government-wide and proprietary statements and, as discussed in Note 15, the 2014 financial statements have been restated. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplemental Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dearborn Heights, Michigan's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

To the City Council
City of Dearborn Heights, Michigan

The other supplemental information, as identified in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information, as identified in the table of contents, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2015 on our consideration of the City of Dearborn Heights, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Dearborn Heights, Michigan's internal control over financial reporting and compliance.

Plante & Morse, PLLC

November 3, 2015

City of Dearborn Heights, Michigan

Management's Discussion and Analysis

Our discussion and analysis of the City of Dearborn Heights, Michigan's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2015. Please read it in conjunction with the City's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2015:

- Property taxes related to governmental operations are the number one revenue source for the City. Property tax revenue increased by approximately \$1,000,000 (in the Corporate Fund) for the fiscal year ended June 30, 2015.
- State-shared revenue is the City's second largest source of revenue. State-shared revenue has decreased significantly since 2002. However, in the prior and current fiscal year, this trend has reversed. For the fiscal year ended June 30, 2015, there was an increase of approximately \$83,000.
- The mayor and department heads are continuing to work closely with each other and are reducing all expenditures as much as possible without affecting services to the citizens of the City. This includes significant changes to employee and retiree healthcare benefits and 10 percent salary and wage reductions across the board, including furlough days. The savings in health care and salaries were implemented in 2011 and continue today.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. The fiduciary fund 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.

City of Dearborn Heights, Michigan

Management's Discussion and Analysis (Continued)

The City as a Whole

The following table shows, in a condensed format, the current year's net position and changes in net position, compared to the prior year:

	Governmental Activities		Business-type Activities		Total	
	2014	2015	2014	2015	2014	2015
Assets						
Current and other assets	\$ 8,992,538	\$ 11,302,731	\$ 19,941,511	\$ 17,692,990	\$ 28,934,049	\$ 28,995,721
Capital assets	<u>82,281,765</u>	<u>83,557,900</u>	<u>91,173,496</u>	<u>94,432,357</u>	<u>173,455,261</u>	<u>177,990,257</u>
Total assets	91,274,303	94,860,631	111,115,007	112,125,347	202,389,310	206,985,978
Deferred Outflows of Resources	-	12,463,243	219,578	729,392	219,578	13,192,635
Liabilities						
Current liabilities	5,133,709	3,240,809	5,196,301	6,652,903	10,330,010	9,893,712
Long-term liabilities	<u>55,327,608</u>	<u>83,164,726</u>	<u>22,011,916</u>	<u>21,930,610</u>	<u>77,339,524</u>	<u>105,095,336</u>
Total liabilities	<u>60,461,317</u>	<u>86,405,535</u>	<u>27,208,217</u>	<u>28,583,513</u>	<u>87,669,534</u>	<u>114,989,048</u>
Net Position						
Net investment in capital assets	72,280,187	74,045,912	68,066,501	74,787,353	140,346,688	148,833,265
Restricted	6,700,454	6,221,393	12,976,651	11,560,309	19,677,105	17,781,702
Unrestricted	<u>(48,167,655)</u>	<u>(59,348,966)</u>	<u>3,083,216</u>	<u>(2,076,436)</u>	<u>(45,084,439)</u>	<u>(61,425,402)</u>
Total net position	<u>\$ 30,812,986</u>	<u>\$ 20,918,339</u>	<u>\$ 84,126,368</u>	<u>\$ 84,271,226</u>	<u>\$ 114,939,354</u>	<u>\$ 105,189,565</u>

The City's combined net position decreased by over 8 percent from a year ago, decreasing from \$114.9 million to \$105.2 million.

The unrestricted deficit in net position of the governmental activities (the part of net position that can be used to finance day-to-day operations) increased by approximately \$11.2 million.

City of Dearborn Heights, Michigan

Management's Discussion and Analysis (Continued)

Governmental Activities

The following table shows the changes in net position of governmental activities during the current year, compared to the prior year:

	2014	2015	Change
Revenue			
Program revenue:			
Charges for services	\$ 7,746,534	\$ 8,291,982	\$ 545,448
Operating grants	5,145,044	5,619,551	474,507
Capital grants	1,036,735	1,518,445	481,710
General revenue:			
Property taxes	23,434,274	25,518,833	2,084,559
State-shared revenue	5,280,245	5,363,443	83,198
Investment earnings	17,420	18,081	661
Donated assets	794,598	-	(794,598)
Franchise fees and miscellaneous	1,148,021	1,160,128	12,107
Total revenue	<u>44,602,871</u>	<u>47,490,463</u>	<u>2,887,592</u>
Expenses			
General government	9,320,435	9,973,505	653,070
District Court	-	51,002	51,002
Public safety	26,243,091	29,649,927	3,406,836
Public works	8,263,651	8,633,734	370,083
Community and economic development	1,260,246	1,081,771	(178,475)
Recreation and cultural	2,281,954	2,565,763	283,809
Interest on long-term debt	96,390	91,805	(4,585)
Total expenses	<u>47,465,767</u>	<u>52,047,507</u>	<u>4,581,740</u>
Change in Net Position	<u>\$ (2,862,896)</u>	<u>\$ (4,557,044)</u>	<u>\$ (1,694,148)</u>

Reviewing the above chart, it can be noted that overall revenue increased by approximately 6.5 percent, while expenses increased by approximately 9.7 percent.

City of Dearborn Heights, Michigan

Management's Discussion and Analysis (Continued)

Business-type Activities

The following table shows the changes in net position of business type activities during the current year, compared to the prior year:

	<u>2014</u>	<u>2015</u>	<u>Change</u>
Operating revenue	\$ 17,989,721	\$ 17,828,545	\$ (161,176)
Operating expenses - Other than depreciation	15,218,375	17,049,671	1,831,296
Depreciation and amortization	<u>2,649,803</u>	<u>2,834,035</u>	<u>184,232</u>
Operating Income (Loss)	121,543	(2,055,161)	(2,176,704)
Property tax revenue	3,630,523	3,430,463	(200,060)
Interest income	16,069	38,428	22,359
Interest expense	732,413	667,214	(65,199)
Nonoperating expenses	-	-	-
Capital grants and contributions	<u>662,395</u>	<u>437,994</u>	<u>(224,401)</u>
Change in Net Position	<u>\$ 3,698,117</u>	<u>\$ 1,184,510</u>	<u>\$ (2,513,607)</u>
Total Revenue	<u>\$ 22,298,708</u>	<u>\$ 21,735,430</u>	<u>\$ (563,278)</u>

The City's business-type activities consist of the Water and Sewer Fund. The City maintains transmission lines that allow customers to receive water from the City of Detroit water system, delivered to our residents. Sewage treatment is provided through Wayne County's Rouge Valley and Downriver Sewage Disposal Systems.

Per review of the above chart, it can be noted that operating revenue decreased by 0.9 percent, while operating expenses, including depreciation and amortization, increased by approximately 12 percent. The majority of the increase in operating activities is related to the Water and Sewer Fund recording its portion of the insurance accruals as well as pension liabilities.

The City's Funds

The analysis of the City's major funds follows the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities. The City's major fund for 2015 was the Corporate Fund.

City of Dearborn Heights, Michigan

Management's Discussion and Analysis (Continued)

Corporate Fund Budgetary Highlights

The Corporate Fund accounts for all police, fire, public works, planning and zoning, and administrative functions of the City. The budget is essentially a maintenance budget, which means it usually increases modestly from year to year. The budget is monitored closely and amended when needed.

As in the past, the budget was amended to account for changes in revenue, such as state-shared revenue and grants. In addition, the expenditures side of the budget was increased for the general government, public safety, and other departments as needed.

Capital Asset and Debt Administration

At the end of fiscal year 2015, the City (excluding component units) had approximately \$178.0 million (net of depreciation) invested in a broad range of capital assets, including buildings, police and fire equipment, infrastructure, and water and sewer lines. The debt balances related to the acquisition and construction of these assets at June 30, 2015 was approximately \$29.7 million. Additional information regarding capital assets and related debt is available in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The City of Dearborn Heights has been applying the maximum millage rate that is possible under the Headlee amendment for the past few years. During the year ended June 30, 2013, the City requested the voters to approve a Headlee override, which was approved during the November 2011 election, and resulted in an increase of 2.9449 mills (which increased the Corporate Fund property tax revenue by \$2.4 million during the fiscal year ended June 30, 2013).

For the fiscal year ended June 30, 2015, state-shared revenue increased by \$83,000; this trend is expected to continue in the year ending June 30, 2016. Employee counts have held firm from prior years, and only positions lost through retirements or terminations are being replaced. All cost-cutting implemented in prior years, such as pay cuts and healthcare reductions, are still in place and will continue for 2016. In addition, property tax values are expected to hold at current levels with a possible 2 percent increase in 2016.

Contacting City Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the City's comptroller's office at 6045 Fenton, Dearborn Heights, Michigan 48127, or via the City's website at vmacari@ci.dearborn-heights.mi.us.

City of Dearborn Heights, Michigan

Statement of Net Position June 30, 2015

	Primary Government			Component Units
	Governmental	Business-type	Total	
	Activities	Activities		
Assets				
Cash and cash equivalents (Note 3)	\$ 5,978,574	\$ 3,460,284	\$ 9,438,858	\$ 2,590,531
Receivables:				
Property taxes receivable	108,849	-	108,849	-
Receivables from sales to customers on account	-	6,906,037	6,906,037	-
Due from other governmental units	1,769,849	-	1,769,849	-
Other receivables	1,044,075	-	1,044,075	-
Due from fiduciary funds	3,110,761	-	3,110,761	-
Due from component units	3,057	-	3,057	-
Internal balances	(1,629,014)	1,629,014	-	-
Inventory	57,500	464,560	522,060	-
Restricted assets	64,644	5,233,095	5,297,739	-
Capital assets:				
Assets not subject to depreciation (Note 4)	6,650,050	2,264,763	8,914,813	2,769,084
Assets subject to depreciation (Note 4)	76,907,850	92,167,594	169,075,444	16,018,853
Other assets	794,436	-	794,436	973
Total assets	94,860,631	112,125,347	206,985,978	21,379,441
Deferred Outflows of Resources				
Bond refunding loss being amortized	-	142,078	142,078	331,250
Pensions (Notes 11 and 12)	12,463,243	587,314	13,050,557	-
Total deferred outflows of resources	12,463,243	729,392	13,192,635	331,250
Liabilities				
Accounts payable	2,274,162	2,840,655	5,114,817	59,380
Due to other governmental units	22,915	-	22,915	-
Due to primary government	-	-	-	3,057
Refundable deposits, bonds, etc.	-	129,084	129,084	-
Accrued liabilities and other	919,032	160,880	1,079,912	165,540
Unearned revenue	24,700	-	24,700	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 6)	1,387,832	56,620	1,444,452	-
Provision for general and medical claims (Note 7)	569,536	244,504	814,040	-
Workers' compensation (Note 7)	36,732	-	36,732	-
Current portion of long-term debt (Note 6)	479,929	3,558,935	4,038,864	960,000
Due in more than one year:				
Compensated absences (Note 6)	5,551,326	226,481	5,777,807	-
Provision for general and medical claims (Note 7)	505,472	318,081	823,553	-
Workers' compensation (Note 7)	220,189	65,224	285,413	-
Net OPEB obligation (Note 13)	46,305,865	2,461,031	48,766,896	-
Net pension liability (Note 12)	19,011,142	1,897,449	20,908,591	-
Long-term debt (Note 6)	9,096,703	16,624,569	25,721,272	15,785,000
Total liabilities	86,405,535	28,583,513	114,989,048	16,972,977

City of Dearborn Heights, Michigan

Statement of Net Position (Continued) June 30, 2015

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Net Position				
Net investment in capital assets	\$ 74,045,912	\$ 74,787,353	\$ 148,833,265	\$ 2,042,937
Restricted for:				
Roads	2,474,061	-	2,474,061	-
Debt service and capital projects	-	4,694,595	4,694,595	-
Neighborhood stabilization	68,375	-	68,375	-
Housing commission	6,489	-	6,489	-
Special levy	-	6,865,714	6,865,714	-
Drug enforcement	210,836	-	210,836	-
Traffic immobilization	9,725	-	9,725	-
Library	1,350,699	-	1,350,699	-
Capital projects	64,644	-	64,644	-
Sanitation levy reserves	548,103	-	548,103	-
Cable PEG fees	667,449	-	667,449	-
Transportation-SMART	240,245	-	240,245	-
Act 345 Levy	580,767	-	580,767	-
Unrestricted (deficit)	(59,348,966)	(2,076,436)	(61,425,402)	2,694,777
	<u>\$ 20,918,339</u>	<u>\$ 84,271,226</u>	<u>\$ 105,189,565</u>	<u>\$ 4,737,714</u>
Total net position				

City of Dearborn Heights, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 9,973,505	\$ 903,333	\$ 291,457	\$ -
District Court	51,002	-	-	-
Public safety	29,649,927	5,260,664	548,533	814,875
Public works	8,633,734	1,799,909	3,728,474	482,584
Community and economic development	1,081,771	-	989,990	-
Recreation and culture	2,565,763	328,076	61,097	220,986
Interest on long-term debt	91,805	-	-	-
Total governmental activities	52,047,507	8,291,982	5,619,551	1,518,445
Business-type activities - Water and sewer	20,550,920	17,828,545	-	437,994
Total primary government	<u>\$ 72,598,427</u>	<u>\$ 26,120,527</u>	<u>\$ 5,619,551</u>	<u>\$ 1,956,439</u>
Component units:				
Tax Increment Financing Authority	\$ 2,186,593	\$ -	\$ 262,800	\$ -
Brownfield Redevelopment Authority	17,538	-	-	-
Total component units	<u>\$ 2,204,131</u>	<u>\$ -</u>	<u>\$ 262,800</u>	<u>\$ -</u>

General revenue:
 Property taxes
 State-shared revenue
 Unrestricted investment income
 Unrestricted cable revenue
 Other miscellaneous income

 Total general revenue

Change in Net Position

Net Position - As restated - Beginning of year (Note 15)

Net Position - End of year

Statement of Activities
Year Ended June 30, 2015

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (8,778,715)	\$ -	\$ (8,778,715)	\$ -
(51,002)	-	(51,002)	-
(23,025,855)	-	(23,025,855)	-
(2,622,767)	-	(2,622,767)	-
(91,781)	-	(91,781)	-
(1,955,604)	-	(1,955,604)	-
(91,805)	-	(91,805)	-
(36,617,529)	-	(36,617,529)	-
-	(2,284,381)	(2,284,381)	-
(36,617,529)	(2,284,381)	(38,901,910)	-
-	-	-	(1,923,793)
-	-	-	(17,538)
-	-	-	(1,941,331)
25,518,833	3,430,463	28,949,296	2,111,887
5,363,443	-	5,363,443	-
18,081	38,428	56,509	4,608
1,011,391	-	1,011,391	-
148,737	-	148,737	57,619
32,060,485	3,468,891	35,529,376	2,174,114
(4,557,044)	1,184,510	(3,372,534)	232,783
25,475,383	83,086,716	108,562,099	4,504,931
\$ 20,918,339	\$ 84,271,226	\$ 105,189,565	\$ 4,737,714

City of Dearborn Heights, Michigan

Governmental Funds Balance Sheet June 30, 2015

	Corporate Fund	Nonmajor Governmental Funds	Total
Assets			
Cash and cash equivalents (Note 3)	\$ 2,053,366	\$ 3,925,208	\$ 5,978,574
Receivables:			
Property taxes receivable	108,849	-	108,849
Due from other governmental units	884,582	885,267	1,769,849
Other receivables	1,044,075	-	1,044,075
Due from fiduciary funds	3,110,761	-	3,110,761
Due from component units	3,057	-	3,057
Due from other funds (Note 5)	288,986	213,038	502,024
Housing inventory	-	57,500	57,500
Restricted assets	-	64,644	64,644
Other assets	794,436	-	794,436
	<u>\$ 8,288,112</u>	<u>\$ 5,145,657</u>	<u>\$ 13,433,769</u>
Total assets			
Liabilities			
Accounts payable	\$ 1,887,653	\$ 386,509	\$ 2,274,162
Due to other governmental units	22,915	-	22,915
Due to other funds (Note 5)	213,244	317,794	531,038
Advances from other funds (Note 5)	1,600,000	-	1,600,000
Accrued liabilities and other	782,284	43,487	825,771
Unearned revenue	24,700	-	24,700
	<u>4,530,796</u>	<u>747,790</u>	<u>5,278,586</u>
Total liabilities			
Fund Balances			
Nonspendable-MMRMA deposits	379,261	-	379,261
Restricted:			
Roads	-	2,474,061	2,474,061
Cable PEG fees	667,449	-	667,449
Transportation	240,245	-	240,245
Drug enforcement	-	210,836	210,836
Neighborhood stabilization	-	68,375	68,375
Sanitation levy	548,103	-	548,103
Act 345 levy	580,767	-	580,767
Housing commission	-	6,489	6,489
Traffic immobilization	-	9,725	9,725
Library	-	1,350,699	1,350,699
Capital projects	-	64,644	64,644
Committed - Building authority	-	213,038	213,038
Unassigned	1,341,491	-	1,341,491
	<u>3,757,316</u>	<u>4,397,867</u>	<u>8,155,183</u>
Total fund balances			
Total liabilities and fund balances	<u>\$ 8,288,112</u>	<u>\$ 5,145,657</u>	<u>\$ 13,433,769</u>

City of Dearborn Heights, Michigan

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position June 30, 2015

Fund Balance Reported in Governmental Funds	\$ 8,155,183
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	83,557,900
Net pension liabilities, pension-related deferred outflows, and net OPEB obligations are not current financial resources and are not reported in the funds	(52,853,764)
Long-term liabilities are not due and payable in the current period and are not reported in the funds - Bonds payable	(9,576,632)
Accrued interest is not due and payable in the current period and is not reported in the funds	(93,261)
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	(6,939,158)
General insurance liability is not included as a liability of the funds	(1,075,008)
Workers' compensation liability is not included as a liability of the funds	<u>(256,921)</u>
Net Position of Governmental Activities	<u>\$ 20,918,339</u>

City of Dearborn Heights, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2015

	Corporate Fund	Nonmajor Governmental Funds	Total
Revenue			
Property taxes	\$ 23,424,324	\$ 2,094,509	\$ 25,518,833
Licenses and permits	1,689,210	-	1,689,210
Federal grants	554,829	1,427,228	1,982,057
State-shared revenue and grants	5,610,387	3,885,955	9,496,342
Charges for services	1,850,760	-	1,850,760
Fines and forfeitures	3,727,561	416,510	4,144,071
Interest income	11,038	7,183	18,221
Other revenue:			
Cable revenue	1,011,391	-	1,011,391
Other miscellaneous income	1,994,330	267,665	2,261,995
Total revenue	39,873,830	8,099,050	47,972,880
Expenditures			
Current:			
General government	9,850,719	-	9,850,719
Drug enforcement	-	337,894	337,894
Public safety	21,429,185	330,339	21,759,524
Public works	5,603,207	4,246,264	9,849,471
Community and economic development	94,717	1,011,755	1,106,472
Library	-	1,510,804	1,510,804
Recreation and culture	690,866	-	690,866
Other capital outlay	-	279,904	279,904
Debt service	79,550	739,483	819,033
Total expenditures	37,748,244	8,456,443	46,204,687
Excess of Revenue Over (Under) Expenditures	2,125,586	(357,393)	1,768,193
Other Financing Sources (Uses)			
Transfers in (Note 5)	-	218,289	218,289
Transfers out (Note 5)	(218,289)	-	(218,289)
Total other financing (uses) sources	(218,289)	218,289	-
Net Changes in Fund Balances	1,907,297	(139,104)	1,768,193
Fund Balances - Beginning of year	1,850,019	4,536,971	6,386,990
Fund Balances - End of year	<u>\$ 3,757,316</u>	<u>\$ 4,397,867</u>	<u>\$ 8,155,183</u>

City of Dearborn Heights, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) of Governmental Funds to the Statement of Activities Year Ended June 30, 2015

Net Change in Fund Balances - Total Governmental Funds \$ 1,768,193

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

Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capital outlay	5,821,941
Depreciation expense	(4,545,807)

Governmental funds report expenditures for pension and other postemployment benefits as they make contributions; in the statement of activities, the OPEB cost is recognized as contributions are required and the change in net pension liability does not require the use of current financial resources (8,296,305)

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 489,550

Change in estimated workers' compensation liability is recorded in the statement of activities 377,509

Change in estimated general liability claims is recorded in the statement of activities 291,417

Increase in accumulated employee sick and vacation pay and other similar expenses reported in the statement of activities do not require the use of current resources and therefore, are not reported in the fund statements until they come due for payment (465,027)

Governmental funds report interest expense based on amounts paid in cash during the fiscal year; in the statement of activities, interest expense is expensed based upon accrued expense 1,485

Change in Net Position of Governmental Activities **\$ (4,557,044)**

City of Dearborn Heights, Michigan

Proprietary Funds Statement of Net Position June 30, 2015

	Enterprise - Water and Sewer Fund
Assets	
Current assets:	
Cash and cash equivalents (Note 3)	\$ 3,460,284
Receivables	6,906,037
Due from other funds (Note 5)	29,014
Inventory	464,560
Advances to other funds (Note 5)	1,600,000
Total current assets	12,459,895
Noncurrent assets:	
Restricted assets	5,233,095
Capital assets (Note 4)	94,432,357
Total noncurrent assets	99,665,452
Total assets	112,125,347
Deferred Outflows of Resources	
Bond refunding loss being amortized	142,078
Pension (Notes 11 and 12)	587,314
Total deferred outflows	729,392
Liabilities	
Current liabilities:	
Accounts payable	2,840,655
Refundable deposits, bonds, etc.	129,084
Accrued liabilities and other	160,880
Compensated absences (Note 6)	56,620
Provision for general and medical claims (Note 7)	244,504
Current portion of long-term debt (Note 6)	3,558,935
Total current liabilities	6,990,678
Noncurrent liabilities:	
Compensated absences (Note 6)	226,481
Provision for general and medical claims (Note 7)	318,081
Workers' compensation (Note 7)	65,224
Net OPEB obligation (Note 13)	2,461,031
Net pension liability (Notes 11 and 12)	1,897,449
Long-term debt (Note 6)	16,624,569
Total noncurrent liabilities	21,592,835
Total liabilities	28,583,513
Net Position	
Net investment in capital assets	74,787,353
Restricted:	
Debt service and capital projects	4,694,595
Special levy	6,865,714
Unrestricted	(2,076,436)
Total net position	\$ 84,271,226

The Notes to Financial Statements are an
Integral Part of this Statement.

City of Dearborn Heights, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2015

	Enterprise - Water and Sewer Fund
Operating Revenue	
Water and sewer services	\$ 16,524,922
Other operating revenue	1,303,623
Total operating revenue	<u>17,828,545</u>
Operating Expenses	
Water and sewage disposal charges	8,957,506
Transmission and distribution expense	2,326,390
Billing and administrative costs	5,000,959
Other operating expenses	764,816
Depreciation	2,834,035
Total operating expenses	<u>19,883,706</u>
Operating Loss	(2,055,161)
Nonoperating Revenue (Expenses)	
Property tax revenue	3,430,463
Interest earned on investments	38,428
Interest expense	(667,214)
Total nonoperating revenue	<u>2,801,677</u>
Income - Before capital contributions	746,516
Capital Contributions	<u>437,994</u>
Change in Net Position	1,184,510
Net Position (As Restated) - Beginning of year (Note 15)	<u>83,086,716</u>
Net Position - End of year	<u><u>\$ 84,271,226</u></u>

City of Dearborn Heights, Michigan

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

Cash Flows from Operating Activities	
Receipts from customers	\$ 17,794,635
Payments to suppliers	(12,013,891)
Payments to employees	(1,979,594)
Claims	627,809
Other receipts	84,823
Net cash provided by operating activities	4,513,782
Cash Flows from Capital and Related Financing Activities	
Proceeds from property tax levy (restricted for debt service)	3,430,463
Purchase of capital assets (direct purchases by the City)	(5,466,037)
Principal and interest paid on long-term debt (direct payments by the City)	(1,638,822)
Distributions to the County related to special tax levy collections (restricted for debt service)	(2,149,236)
Net cash used in capital and related financing activities	(5,823,632)
Cash Flows from Investing Activities	
Unrestricted interest received (directly by the City) on investments held by the City	1,804
Proceeds from advances to other funds	2,000,099
Net cash provided by investing activities	2,001,903
Net Increase in Cash and Cash Equivalents	
	692,053
Cash and Cash Equivalents - Beginning of year	
	2,768,231
Cash and Cash Equivalents - End of year	
	\$ 3,460,284
Reconciliation of Operating Income to Net Cash from Operating Activities	
Operating loss	\$ (2,055,161)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation	2,834,035
Changes in assets and liabilities:	
Receivables	2,083
Other assets	40,506
Inventory	(19,154)
Accounts payable	1,460,926
Estimated claims liability	627,809
Accrued liabilities and other	1,622,738
Net cash provided by operating activities	\$ 4,513,782

Noncash Investing, Capital, and Financing Activities - During the year ended June 30, 2015, the City received constructed water line improvements with a value of \$437,994. Wayne County used \$2,204,221 of deposits held on behalf of the City to retire debt and pay interest costs. The County issued new debt on behalf of the City in the amount of \$637,768. The debt proceeds are being used for the construction of various improvements. Interest income totaling \$36,624 was earned on funds held at Wayne County.

City of Dearborn Heights, Michigan

Fiduciary Funds Statement of Fiduciary Net Position June 30, 2015

	Pension and Other Employee Benefits	Agency Funds
Assets		
Cash and cash equivalents (Note 3)	\$ 9,836,323	\$ 757,472
Investments (Note 3):		
U.S. government securities	3,646,753	-
Common stock	91,804,541	-
Corporate bonds	7,150,030	-
Real estate	1,680,049	-
Limited partnerships	1,742,364	-
Mutual funds	101,462,687	-
Receivables:		
Other receivables	276,064	-
Due from other governmental units	-	25
Due from primary government	-	21,951
	217,598,811	\$ 779,448
Liabilities		
Accounts payable	145,167	\$ 600
Due to other governmental units	-	428,332
Due to primary government	3,110,761	-
Accrued liabilities and other	-	350,516
Collateral for securities lending (Note 3)	1,210,003	-
	4,465,931	\$ 779,448
Net Position Held in Trust for Pension and Other Employee Benefits	\$ 213,132,880	

City of Dearborn Heights, Michigan

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

	Pension and Other Employee Benefits
Additions	
Investment income:	
Interest and dividends	\$ 6,417,306
Net decrease in fair value of investments	(955,702)
Investment-related expenses	(623,679)
Contributions:	
Employer	7,639,284
Employee	517,056
Total contributions	8,156,340
Total additions	12,994,265
Deductions	
Benefit payments	13,293,977
Fringe benefits	3,110,761
Total deductions	16,404,738
Net Decrease in Net Position Held in Trust	(3,410,473)
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year	<u>216,543,353</u>
Net Position Held in Trust for Pension and Other Employee Benefits - End of year	<u><u>\$ 213,132,880</u></u>

City of Dearborn Heights, Michigan

Component Units Statement of Net Position June 30, 2015

	Tax Increment Finance Authority	Brownfield Redevelopment Authority	Economic Development Corporation	Total
Assets				
Cash and cash equivalents (Note 3)	\$ 2,466,099	\$ 124,432	\$ -	\$ 2,590,531
Capital assets:				
Assets not subject to depreciation (Note 4)	2,769,084	-	-	2,769,084
Assets subject to depreciation (Note 4)	16,018,853	-	-	16,018,853
Other assets	183	-	790	973
Total assets	21,254,219	124,432	790	21,379,441
Deferred Outflows of Resources -				
Bond refunding loss being amortized	331,250	-	-	331,250
Liabilities				
Accounts payable	59,355	25	-	59,380
Due to primary government	3,057	-	-	3,057
Accrued liabilities and other:				
Accrued interest payable	165,540	-	-	165,540
Due within one year - Current portion of long-term debt (Note 6)	960,000	-	-	960,000
Due in more than one year - Long- term debt (Note 6)	15,785,000	-	-	15,785,000
Total liabilities	16,972,952	25	-	16,972,977
Net Position				
Net investment in capital assets	2,042,937	-	-	2,042,937
Unrestricted	2,569,580	124,407	790	2,694,777
Total net position	<u>\$ 4,612,517</u>	<u>\$ 124,407</u>	<u>\$ 790</u>	<u>\$ 4,737,714</u>

City of Dearborn Heights, Michigan

	Expenses	Program Revenue Operating Grants and Contributions
Functions/Programs		
Tax Increment Finance Authority:		
Public safety	\$ 516,970	\$ -
Public works	621,320	-
Community and economic development	49,445	-
Debt service	998,858	262,800
Total Tax Increment Finance Authority	2,186,593	262,800
Brownfield Redevelopment Authority - Public works	17,538	-
Economic Development Corporation	-	-
Total component units	\$ 2,204,131	\$ 262,800
General revenue:		
		Property taxes
		Investment income
		Other miscellaneous income
		Total general revenue
Change in Net Position		
Net Position - Beginning of year		
Net Position - End of year		

**Component Units
Statement of Activities
Year Ended June 30, 2015**

Net (Expense) Revenue and Changes in Net Position			
Tax Increment Finance Authority	Brownfield Redevelopment Authority	Economic Development Corporation	Total
\$ (516,970)	\$ -	\$ -	\$ (516,970)
(621,320)	-	-	(621,320)
(49,445)	-	-	(49,445)
(736,058)	-	-	(736,058)
(1,923,793)	-	-	(1,923,793)
-	(17,538)	-	(17,538)
-	-	-	-
(1,923,793)	(17,538)	-	(1,941,331)
2,111,887	-	-	2,111,887
4,608	-	-	4,608
-	57,619	-	57,619
2,116,495	57,619	-	2,174,114
192,702	40,081	-	232,783
4,419,815	84,326	790	4,504,931
\$ 4,612,517	\$ 124,407	\$ 790	\$ 4,737,714

City of Dearborn Heights, Michigan

Notes to Financial Statements June 30, 2015

Note I - Summary of Significant Accounting Policies

The accounting policies of the City of Dearborn Heights, Michigan (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Dearborn Heights, Michigan:

Reporting Entity

The City of Dearborn Heights, Michigan is governed by an elected seven-member council. The accompanying financial statements present the City and its component units, entities for which the city is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the City's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City (see discussion below for description).

Blended Component Units - The City Building Authority is governed by a three-member board appointed by the City's governing body. Although it is legally separate from the City, the Building Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the City's public buildings.

Discretely Presented Component Units - The following component units are reported within the component units column to emphasize that they are legally separate from the City.

The Tax Increment Finance Authority (TIFA) was formed under Act 450 of the Public Acts of 1980 to develop south Dearborn Heights. A development plan was adopted that is financed by property tax revenue. The TIFA's governing body, which consists of 11 individuals, is appointed by the mayor. Separately issued financial statements for the TIFA can be obtained at 25637 Michigan Avenue, Dearborn Heights, Michigan 48125.

The Brownfield Redevelopment Authority (the "Authority") was created to identify and assist in the redevelopment of abandoned, underutilized, or contaminated parcels of property located in Dearborn Heights. The Authority's governing body, which consists of 11 individuals, is comprised of the Tax Increment Finance Authority's board members. Currently, the Authority is in the preliminary stages of development and does not have separately issued financial statements.

City of Dearborn Heights, Michigan

Notes to Financial Statements June 30, 2015

Note I - Summary of Significant Accounting Policies (Continued)

The Economic Development Corporation (the “Corporation”) was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City so as to provide needed services and facilities of such enterprises to the residents of the City. The Corporation’s governing body, which consists of four individuals, is appointed by the mayor. This entity has not had activity in several years and does not have separately issued financial statements.

Jointly Governed Organization - The City is a member of the Central Wayne County Sanitation Authority (the “Sanitation Authority”) and has appointed one member to the joint venture’s governing board. The Sanitation Authority provides household refuse disposal services primarily for the benefit of constituents in the member municipalities. During the current fiscal year, the City contributed approximately \$949,000 for sanitation costs passed through the Sanitation Authority, which is reported in the Corporate Fund’s expenditures. The City does not have an equity interest in the Authority. Complete financial statements for the Sanitation Authority can be obtained from the administrative offices at 3759 Commerce Court, Wayne, MI 48184.

Accounting and Reporting Principles

The City follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board.

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

City of Dearborn Heights, Michigan

Notes to Financial Statements June 30, 2015

Note I - Summary of Significant Accounting Policies (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes and other items not properly included among program revenue are reported instead as general revenue.

For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges between the Township's water and sewer function and various other functions of the Township. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the government has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree healthcare-related costs, or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenue is not recognized until it is collected, or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the City considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements may be collected after the period of availability; receivables are recorded for these when they occur, along with a "deferred inflow."

Proprietary funds and fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

City of Dearborn Heights, Michigan

Notes to Financial Statements June 30, 2015

Note I - Summary of Significant Accounting Policies (Continued)

Fund Accounting

The City accounts for its various activities in several different funds in order to demonstrate accountability for how we have spent certain resources - separate funds allow us to show the particular expenditures for which specific revenue was used. The various funds are aggregated into three broad fund types:

Governmental funds include all activities that provide general governmental services that are not business-type activities. This includes the Corporate (General) Fund, special revenue funds, debt service funds, and capital project funds. The City reports the following fund as a “major” governmental fund:

- The Corporate Fund is the City’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Proprietary funds include enterprise funds, which provide goods or services to users in exchange for charges or fees. The City reports the following fund as a “major” enterprise fund:

- The Water and Sewer Fund accounts for the activities of the water distribution system and sewage collection system.

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts will not be used to operate our government's programs. Activities that are reported as fiduciary include the following:

- The Pension Trust Funds account for the activities of the police and fire employees’ retirement system and general employees’ retirement system, which accumulate resources for pension benefit payments to qualified employees.
- The Agency Fund accounts for deposits 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.
- The 20th District Court Fund accounts for monies collected by the court related to fines and bonds that are subsequently returned or distributed to the City as the district control unit, the County, and the State of Michigan.

Interfund Activity: During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

City of Dearborn Heights, Michigan

Notes to Financial Statements June 30, 2015

Note I - Summary of Significant Accounting Policies (Continued)

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Specific Balances and Transactions

Cash and Cash Equivalents - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Investments - Investments are reported at fair value or estimated fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Approximately \$8,300,000 or 4.0 percent of the pension plan's net position as of June 30, 2015 is not publicly traded and therefore does not always have a readily determinable market value. Management's estimates of these values are based on information provided by investment managers, general partners, real estate advisors, and other means. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ significantly from the values that would have been used had a ready market for these securities existed. The difference could be material.

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets - Restricted assets consist of deposits at the County being held for the construction and debt service of the City's sewer lines. The restricted assets result mainly from the issuance of debt and tax levies. Net position has been reserved for restricted assets. Within the capital projects governmental fund, restricted assets relate to unspent bond proceeds from a prior year's issuance.

City of Dearborn Heights, Michigan

Notes to Financial Statements June 30, 2015

Note I - Summary of Significant Accounting Policies (Continued)

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed and a 10 percent salvage value is assumed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Infrastructure, intangibles, buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

<u>Capital Asset Class</u>	<u>Lives</u>
Roads, sidewalks, and street signs	10-20 years
Water systems	50-75 years
Sewer systems	40-50 years
Building and building improvements	50 years
Machinery, furniture, equipment, and vehicles	5-15 years
Library books	3 years

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method; bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances as an "other financing source," as well as bond premiums and discounts. The general fund and debt service funds are generally used to liquidate governmental long-term debt.

Note I - Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government reports deferred outflows related to pensions for the difference between projected and actual investment earnings, differences between projected and actual experiences, and changes in assumptions. A deferred outflow is also reported for the deferred charge on refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The government has no items that qualify for reporting in this category.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider unrestricted net position to have been depleted before restricted net position is applied.

Fund Balance Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider unrestricted fund balance to have been depleted before using any of the components of restricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

City of Dearborn Heights, Michigan

Notes to Financial Statements June 30, 2015

Note I - Summary of Significant Accounting Policies (Continued)

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The City Council retains the authority to make assignments as the authority has not been delegated. As such, the Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Property Tax Revenue

Properties are assessed as of December 31. The related taxes become a lien on December 1 of the following year. Taxes are due on March 1, at which time penalties and interest are assessed.

The City's 2014 tax is levied and collectible on July 1, 2014 and is recognized as revenue in the year ended June 30, 2015, when the proceeds of the levy are budgeted and available for the financing of operations.

City of Dearborn Heights, Michigan

Notes to Financial Statements June 30, 2015

Note I - Summary of Significant Accounting Policies (Continued)

The 2014 adjusted taxable valuation of the City approximated \$1.135 billion, a portion of which is captured by the TIFA on which taxes levied consisted of 8.5000 for operating purposes, 2.0000 mills for public safety expenditures, 1.0000 mill for solid waste expenditures, 7.1300 mills for Act 345 contributions, 2.2316 mills for sanitation expenditures, 1.8688 mills for library operations and debt service, 1.2500 mills for CSO debt service, and 1.8281 mills for EPA debt service. This resulted in approximately \$9,643,000 for operating expenditures, \$2,269,000 for public safety expenditures, \$1,134,000 for solid waste expenditures, \$8,089,000 for Act 345 contributions (used for pension and retiree healthcare and other benefits), \$2,532,000 for sanitation expenditures, \$2,120,000 for library operations and debt service, \$1,418,000 for CSO debt service, and \$2,073,000 for EPA debt service. These amounts are recognized in the financial statements as tax revenue, net of administrative fees and amounts captured by the TIFA, plus collection of delinquent tax revenue.

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

The City also offers retiree healthcare benefits to retirees. The City receives an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. In the governmental funds, 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.

The net pension obligation and net OPEB obligation have generally been liquidated from the funds from which the individual employees' salaries are paid, which are primarily the Corporate and Water and Sewer Funds.

City of Dearborn Heights, Michigan

Notes to Financial Statements June 30, 2015

Note 1 - Summary of Significant Accounting Policies (Continued)

Compensated Absences (Vacation and Sick Leave) - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in the government-wide financial statement only. Compensated absences will be liquidated primarily by the Corporate and Water and Sewer Funds.

Proprietary Fund Operating Classification - 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 the Water and Sewer Fund and internal service funds is charges to customers for sales and services. The Water and Sewer Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for Water and Sewer Fund 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.

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.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information - Annual budgets are adopted for the Corporate Fund and all special revenue funds.

The budgets have been prepared in accordance with accounting principles generally accepted in the United States of America, with the following exceptions:

- Operating transfers have been included in "revenue" and "expenditure" categories, rather than "other financing sources (uses)."
- Reimbursements from other funds have been included in revenue, rather than a reduction of expenditures.

Any expenditures that exceed the budget must be approved by the City Council through a budget amendment. The City Council approves all budget amendments. All annual appropriations lapse at fiscal year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2015 has not been calculated.

City of Dearborn Heights, Michigan

Notes to Financial Statements June 30, 2015

Note 2 - Stewardship, Compliance, and Accountability (Continued)

The budget process begins in December and January with the comptroller's office budgeting the personnel and fringe benefits expense for all city employees and providing each department with a budget form to be completed by the department head. These forms are due back to the comptroller's office by late January. The comptroller's office then analyzes these amounts and calculates the total budget.

In February, the mayor's office schedules meetings with all major departments to review their proposed budgets and the budgets are adjusted accordingly.

In late February and early March, the comptroller's office reviews the budget to verify that it balances. At this time, the mayor's office reschedules all major departments to complete a final review of the departmental budgets. After the final review, the comptroller's office organizes the final proposed budget to deliver to the City Council. The City Charter requires that the City Council receive the proposed budget by April 1.

During April and May, the City Council reviews the budget with the department heads. City Council meetings, held in April and May, provide all interested citizens an open forum where their concerns can be heard. Upon review and a subsequent public hearing, the City Council adopts the proposed budget by resolution.

The budget must be adopted by the City Council by the first Monday in June. After the budget has been adopted, all budget amendments must be approved by the City Council. The City's budget is adopted in total.

The City adopts the budget based on a total revenue and total expenditure basis. There are no significant unfavorable expenditure variances for the year ended June 30, 2015.

Construction Code Fees - The City 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 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 current year activity is as follows:

Shortfall at July 1, 2014		\$	(643,916)
Current year permit revenue			843,659
Related expenses:			
Direct costs	\$	529,751	
Estimated indirect costs		132,437	662,188
			<u>181,471</u>
Current year surplus			<u>181,471</u>
Cumulative shortfall at June 30, 2015		\$	<u>(462,445)</u>

City of Dearborn Heights, Michigan

Notes to Financial Statements June 30, 2015

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures 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.

The pension trust funds are also 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 (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The City has designated six banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all of the above investments. The City's deposits and investment policies are in accordance with statutory authority.

As permitted by state statutes, and under the provisions of a Securities Lending Authorization Agreement, the Police and Fire Pension System Trust Fund lends securities to broker-dealers and banks for collateral that will be returned for the same securities in the future. The pension system's custodial bank manages the securities lending program and received cash, government securities, or irrevocable bank letters of credit as collateral. Borrowers are required to deliver collateral for each loan equal to not less than 100 percent of the market value of the loaned securities. During the year ended June 30, 2015, only United States currency was received as collateral.

The Police and Fire Pension System did not impose any restrictions during the fiscal year on the amount of loans made on its behalf by the custodial bank. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or the custodial bank.

City of Dearborn Heights, Michigan

Notes to Financial Statements June 30, 2015

Note 3 - Deposits and Investments (Continued)

The Police and Fire Pension System and the borrower maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other lenders, in an investment pool. Because these loans are terminable on demand, their duration does not generally match the maturity date of investments made with cash collateral. See interest rate risk and credit risk disclosures in the subsequent pages related to the cash collateral pool. The aggregate collateral held and the fair value of the underlying securities on loan for the fire and police pension system as of June 30, 2015 were \$1,210,003 and \$1,185,105, respectively.

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 City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$5,801,832 of bank deposits (certificates of deposit and checking and savings accounts), of which \$4,779,462 was uninsured and uncollateralized. Of the total bank deposits, \$145,360 relates to TIFA accounts; however, for purposes of FDIC coverage, the component units are combined with that of the City. 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 with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

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 does not restrict investment maturities, other than commercial paper, which can only be purchased with a 270-day maturity. At year end, the average maturities of investments are as follows:

Primary Government	Fair Value (\$000s)	Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years
Corporate asset-backed securities (pension)	\$ 1,008	\$ -	\$ 328	\$ 515	\$ 165
Corporate bonds (pension)	6,124	301	3,311	1,344	1,168
Municipal (pension)	18	-	-	18	-
U.S. government agency	471	270	201	-	-
U.S. government mortgage-backed securities (pension)	1,026	-	49	35	942
U.S. government treasuries, notes, and bonds (pension)	2,149	-	620	345	1,184
Pooled investment	2,457	2,457	-	-	-
Collateral pool	1,100	1,100	-	-	-
Commercial paper	2,000	2,000	-	-	-
Total	\$ 16,353	\$ 6,128	\$ 4,509	\$ 2,257	\$ 3,459

City of Dearborn Heights, Michigan

Notes to Financial Statements June 30, 2015

Note 3 - 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. The City has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value (\$000s)	Rating	Rating Organization
Primary Government			
Pooled investments	\$ 2,457	A1	Moody's
Corporate asset-backed securities (pension)	678	AAA	S&P
Corporate asset-backed securities (pension)	329	AA	S&P
Corporate bonds (pension)	457	AAA	S&P
Corporate bonds (pension)	1,016	AA	S&P
Corporate bonds (pension)	4,131	A	S&P
Corporate bonds (pension)	520	BBB	S&P
Municipal (pension)	18	AAA	S&P
U.S. government agency (pension)	471	AA	S&P
U.S. government mortgage-backed securities (pension)	1,027	Not rated	
U.S. government treasuries, notes, and bonds (pension)	2,149	Not rated	
Collateral pool	1,100	A1	S&P
Commercial paper	2,000	A1	Moody's
Total	<u>\$ 16,353</u>		

At year end, the City's component units had approximately \$466,028 held in an investment pool with a credit rating by Moody's of A1. The component unit also has commercial paper totaling approximately \$2,000,000 with a credit rating of A2 (also rated by Moody's). All investments held by the component unit have maturities of less than a year.

Foreign Currency Risk - Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. The pension system does not restrict the amount of investments in foreign currency. As of year end, the pension system had approximately \$28,689,390 invested in investments denominated in various foreign currencies whose underlying investments are subject, in part, to foreign currency risk.

City of Dearborn Heights, Michigan

Notes to Financial Statements June 30, 2015

Note 4 - Capital Assets

Capital asset activity of the City's governmental and business-type activities was as follows:

	Balance July 1, 2014	Transfers	Additions	Disposals	Balance June 30, 2015
Governmental Activities					
Capital assets not being depreciated -					
Land	\$ 6,650,050	\$ -	\$ -	\$ -	\$ 6,650,050
Capital assets being depreciated:					
Roads, sidewalks, and street signs	91,246,840	-	5,036,208	-	96,283,048
Buildings and improvements	26,102,856	-	46,575	-	26,149,431
Machinery, equipment, and vehicles	13,948,386	-	739,158	-	14,687,544
Library books	2,707,000	-	-	-	2,707,000
Subtotal	134,005,082	-	5,821,941	-	139,827,023
Accumulated depreciation:					
Roads, sidewalks, and street signs	37,845,532	-	3,389,661	-	41,235,193
Buildings and improvements	7,956,032	-	445,980	-	8,402,012
Machinery, equipment, and vehicles	10,135,502	-	710,166	-	10,845,668
Library books	2,436,300	-	-	-	2,436,300
Subtotal	58,373,366	-	4,545,807	-	62,919,173
Net capital assets being depreciated	75,631,716	-	1,276,134	-	76,907,850
Net capital assets	\$ 82,281,766	\$ -	\$ 1,276,134	\$ -	\$ 83,557,900

City of Dearborn Heights, Michigan

Notes to Financial Statements June 30, 2015

Note 4 - Capital Assets (Continued)

	Balance July 1, 2014	Reclassifications	Additions	Disposals	Balance June 30, 2015
Business-type Activities					
Capital assets not being depreciated:					
Land	\$ 451,171	\$ -	\$ -	\$ -	\$ 451,171
Construction in progress	496,208	(496,208)	-	-	-
Other nondepreciable assets	763,617	-	1,049,975	-	1,813,592
Subtotal	1,710,996	(496,208)	1,049,975	-	2,264,763
Capital assets being depreciated:					
Water system	26,106,393	-	3,443,732	(344,373)	29,205,752
Sewer system	104,601,556	496,207	858,260	(36,336)	105,919,687
Buildings and improvements	786,709	-	52,013	-	838,722
Equipment, vehicles, furniture, and fixtures	6,698,141	688,917	-	-	7,387,058
Subtotal	138,192,799	1,185,124	4,354,005	(380,709)	143,351,219
Accumulated depreciation:					
Water system	10,460,684	-	429,616	(344,373)	10,545,927
Sewer system	32,197,328	-	2,082,054	(36,336)	34,243,046
Buildings and improvements	455,494	-	12,039	-	467,533
Equipment, vehicles, furniture, and fixtures	5,616,791	-	310,328	-	5,927,119
Subtotal	48,730,297	-	2,834,037	(380,709)	51,183,625
Net capital assets being depreciated	89,462,502	1,185,124	1,519,968	-	92,167,594
Net capital assets	\$ 91,173,498	\$ 688,916	\$ 2,569,943	\$ -	\$ 94,432,357

	Balance July 1, 2014	Additions	Disposals	Balance June 30, 2015
Component Units				
Capital assets not being depreciated - Land	\$ 2,769,084	\$ -	\$ -	\$ 2,769,084
Capital assets being depreciated:				
Roads	5,000,000	-	-	5,000,000
Buildings and improvements	22,017,690	9,427	-	22,027,117
Subtotal	27,017,690	9,427	-	27,027,117
Accumulated depreciation:				
Roads and sidewalks	4,000,000	200,000	-	4,200,000
Buildings and improvements	6,341,432	466,832	-	6,808,264
Subtotal	10,341,432	666,832	-	11,008,264
Net capital assets being depreciated	16,676,258	(657,405)	-	16,018,853
Net capital assets	\$ 19,445,342	\$ (657,405)	\$ -	\$ 18,787,937

City of Dearborn Heights, Michigan

Notes to Financial Statements June 30, 2015

Note 4 - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$ 445,678
Public safety	710,165
Public works	<u>3,389,964</u>
Total governmental activities	<u>\$ 4,545,807</u>
Business-type activities - Water and sewer	<u>\$ 2,834,037</u>
Component unit activities - TIFA	<u>\$ 666,832</u>

Construction Commitments - The City has various active construction projects ongoing at year end whereby the City has a contractual obligation with a third party for construction and design work. At year end, the City's outstanding commitments with vendors for these projects were as follows:

	<u>Remaining Commitment</u>
Watermain Replacement Program	\$ 2,183,577
Street Repair Program	194,600
CSO Basin Improvements	<u>151,644</u>
Total	<u>\$ 2,529,821</u>

City of Dearborn Heights, Michigan

Notes to Financial Statements June 30, 2015

Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Due to/from Other Funds		
Corporate Fund	CDBG Fund	\$ 146,084
	Major Streets Fund	67,740
	Local Streets Fund	49,547
	Miscellaneous Grants Fund	16,832
	Housing Rehab	5
	Library Fund	<u>8,778</u>
	Total Corporate Fund	288,986
Water and Sewer Fund	Miscellaneous Grants Fund	25,413
	Corporate Fund	206
	Library Fund	<u>3,395</u>
	Total Water and Sewer Fund	29,014
Other nonmajor governmental funds	Corporate Fund	<u>213,038</u>
	Total	<u>\$ 531,038</u>

Receivable Fund	Payable Fund	Amount
Advances from/to Other Funds		
Water and Sewer Fund	Corporate Fund	<u>\$ 1,600,000</u>

Receivable Fund	Payable Fund	Amount
Due to/from Primary Government and Component Units		
Corporate Fund	TIFA	<u>\$ 3,057</u>

Due to/from - These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Advance - The above interfund advance relates to an interfund loan from the Water and Sewer Fund to the Corporate Fund. The amount outstanding at year end represents the original principal loan amount plus accrued interest. The loan is payable at an interest rate of .25 percent (current prevailing investment rate earned in the Water and Sewer Fund). All principal and interest outstanding on this loan was fully paid by September 2015.

City of Dearborn Heights, Michigan

Notes to Financial Statements June 30, 2015

Note 5 - Interfund Receivables, Payables, and Transfers (Continued)

Interfund Transfers - The Corporate Fund transferred \$218,289 to the Fire Station Bonds nonmajor debt service fund for current year debt service payments.

Transactions Between the Primary Government and Component Units - The Building Authority nonmajor special revenue fund contributed \$262,800 to the TIFA component unit for current year debt service payments. The TIFA component unit contributed \$220,986 to the library nonmajor special revenue fund for current year debt service payments.

Note 6 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a reassessment of the City) are received.

The below general obligation bonds and contractual obligations of the business-type activities are the result of the County issuing bonds on the City's behalf. The City has pledged property taxes, to the extent permitted by law, to fund the obligations to repay the County. Proceeds from obligations provided financing for the construction of the various water and sewer improvements. The remaining principal and interest to be paid on the obligations total approximately \$20,184,000. During the current year, net property tax revenue of the system was approximately \$3,430,000 compared to the annual debt requirements of approximately \$3,561,000.

Long-term debt activity can be summarized as follows:

	Interest Rate Ranges	Matures	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities							
General obligation bonds:							
Building Authority Refunding Bonds	3.25%-4.15%	2028	\$ 2,370,000	\$ -	\$ 125,000	\$ 2,245,000	\$ 130,000
Library Bonds	3.00%-4.00%	2033	7,515,000	-	285,000	7,230,000	300,000
BS&A System		2015	31,147	-	31,147	-	-
Installment Obligation - 911 System	3.75%	2017	150,035	-	48,403	101,632	49,929
Total bonds and installment debt payable			10,066,182	-	489,550	9,576,632	479,929
Accumulated compensated absences			6,474,131	3,155,264	2,690,237	6,939,158	1,387,832
Total governmental activities			\$ 16,540,313	\$ 3,155,264	\$ 3,179,787	\$ 16,515,790	\$ 1,867,761

City of Dearborn Heights, Michigan

Notes to Financial Statements June 30, 2015

Note 6 - Long-term Debt (Continued)

	Interest Rate Ranges	Matures	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities							
Wayne County Rouge Valley Wastewater Control System Bonds	4.00%-4.85%	2017	\$ 3,085,000	\$ -	\$ 980,000	\$ 2,105,000	\$ 1,025,000
County contractual obligations:							
State Revolving Loan funds	2.25%	2016	320,000	-	160,000	160,000	160,000
State Revolving Loan funds	2.25%-6.60%	2033	9,314,095	-	1,603,822	7,710,273	1,632,342
State Revolving Loan funds	2.25%	2032	2,235,026	332,793	124,424	2,443,395	137,857
State Revolving Loan funds	2.5%	2029	265,368	-	10,000	255,368	15,000
State Revolving Loan funds	2.5%	2032	-	304,975	-	304,975	-
Downriver Sewage Disposal Completion Bonds	4.50%-5.125%	2019	406,933	-	75,779	331,154	76,524
Downriver Sewage Disposal Completion Bonds	4.50%-5.125%	2029	1,295,927	-	66,041	1,229,886	69,672
Downriver Sewage Disposal Completion Bonds	4.50%-5.125%	2029	173,060	-	9,162	163,898	11,470
Ecorse Creek pollution - Level 2	2.5%	2030	2,205,211	-	113,397	2,091,814	112,497
Ecorse Creek pollution - Level 1	n/a	2019	1,339,929	-	148,881	1,191,048	148,881
Upper Rouge Installment Debt	n/a	2020	557,400	-	102,912	454,488	102,912
Ecorse Creek Pollution - Drain No. 1 Improvement Bonds	1.75%-5.25%	2023	1,909,046	-	166,841	1,742,205	66,780
Total bonds payable			23,106,995	637,768	3,561,259	20,183,504	3,558,935
Accumulated compensated absences			272,609	222,502	212,010	283,101	56,620
Total business-type activities			\$ 23,379,604	\$ 860,270	\$ 3,773,269	\$ 20,466,605	\$ 3,615,555
Component Unit Activities							
2007 Tax Increment Development Refunding Bonds	4.00%-4.50%	2031	\$ 17,670,000	\$ -	\$ 925,000	\$ 16,745,000	\$ 960,000

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Year Ending June 30	Governmental Activities			Business-type Activities			Component Unit Activities		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 479,929	\$ 322,452	\$ 802,381	\$ 3,558,935	\$ 492,629	\$ 4,051,564	\$ 960,000	\$ 696,429	\$ 1,656,429
2017	501,703	309,277	810,980	3,559,259	154,628	3,713,887	990,000	657,429	1,647,429
2018	465,000	295,434	760,434	2,451,197	95,381	2,546,578	1,025,000	617,129	1,642,129
2019	480,000	283,134	763,134	1,983,675	64,213	2,047,888	1,075,000	575,129	1,650,129
2020	495,000	270,434	765,434	1,606,925	59,077	1,666,002	830,000	537,029	1,367,029
2021-2025	2,765,000	1,116,778	3,881,778	3,870,329	213,777	4,084,106	4,755,000	2,112,963	6,867,963
2026-2030	2,845,000	596,960	3,441,960	1,901,223	86,823	1,988,046	5,730,000	976,040	6,706,040
2031-2035	1,545,000	123,350	1,668,350	1,251,961	4,004	1,255,965	1,380,000	31,050	1,411,050
Total	\$ 9,576,632	\$ 3,317,819	\$ 12,894,451	\$ 20,183,504	\$ 1,170,532	\$ 21,354,036	\$ 16,745,000	\$ 6,203,198	\$ 22,948,198

Defeased Debt - In prior years, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2015, approximately \$11.5 million of bonds outstanding are considered defeased.

City of Dearborn Heights, Michigan

Notes to Financial Statements June 30, 2015

Note 7 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City participates in the Michigan Municipal Risk Management Authority (the "Authority") for claims relating to general liability and auto liability, auto physical damage, and property loss claims; the City is self-insured for a majority of its healthcare costs and all workers' compensation claims within certain limits. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past five fiscal years.

The Michigan Municipal Risk Management Authority (the "Authority") risk pool program operates as a claims servicing pool for amounts up to member retention limits and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the City.

The City estimates the liability for workers' compensation and general liability and medical claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported. Changes in the estimated liability for the past two fiscal years were as follows:

	General and Medical		Workers' Compensation	
	Claims			
	2015	2014	2015	2014
Estimated liability - Beginning of year	\$ 1,366,425	\$ 1,249,999	\$ 634,430	\$ 681,448
Estimated claims incurred -				
Including changes in estimates	571,407	280,584	88,378	173,846
Claim payments	(300,239)	(164,158)	(400,663)	(220,864)
Estimated liability - End of year	<u>\$ 1,637,593</u>	<u>\$ 1,366,425</u>	<u>\$ 322,145</u>	<u>\$ 634,430</u>

The City estimates that claims incurred but not reported for the self-insured medical plan totaled \$514,341 and \$584,305 as of June 30, 2015 and June 30, 2014, respectively. This liability is recorded as part of the general and medical claims liability at June 30, 2015.

The City is involved in litigation related to various other matters. At the current time, the outcome or potential liability related to these matters cannot be determined. In addition, the extent of insurance coverage related to these matters cannot be determined at this time.

City of Dearborn Heights, Michigan

Notes to Financial Statements June 30, 2015

Note 8 - Pension Plan Description

General Government Employees' Retirement System

Plan Description - The City of Dearborn Heights Pension Board (the "Pension Board") administers the City of Dearborn Heights General Government Employees' Retirement System plan - a single-employer defined benefit pension plan that provides pensions for all permanent full-time general and public safety employees of the city. Benefit terms have been established by contractual agreements between the city and the various employee union representations; amendments are subject to the same process.

The financial statements of the plan are included in these financial statements as a pension and other employee benefit trust fund (a fiduciary fund).

Management of the Plan is vested in the Pension Board, which consists of five members elected by plan members and appointed by the city.

Employees Covered by Benefit Terms - At the June 30, 2015 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	156
Inactive plan members entitled to but not yet receiving benefits	54
Active plan members	<u>117</u>
Total employees covered by the plan	<u><u>327</u></u>

Note 8 - Pension Plan Description (Continued)

Benefits Provided - The pension plan provides retirement, disability, and death benefits. Retirement benefits for general plan members are calculated as 2.5 percent of the member's average monthly compensation for each year of credited service up to a maximum of 30 years of credited service. General plan members with 10 years of credited service are eligible to retire at age 55 and are also eligible for non-duty disability benefits after 10 years of credited service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction and are calculated using a minimum of 15 years of credited service for duty disabilities only. Preretirement death benefits are payable to the spouse of a married employee who has 10 or more years of credited service or who has met the age and service requirement for normal or early retirement. The amount of the benefit is equal to 60 percent of the employee's accrued normal retirement benefit reduced for payment prior to age 62 (reduced by 1/2 percent for each year or fraction that the spouse is more than five years younger than the employee). Upon death of an employee or upon eligibility for duty disability retirement, the surviving spouse and children under age 18 will receive monthly pensions equal in the aggregate to the benefit payable to the employee prior to his/her death. Upon the death of a retiree, who retired under normal or early retirement, the surviving spouse will receive a benefit equal to 60 percent of the normal or early retirement benefit the retiree was receiving (reduced by 1/2 percent for each year or fraction that the spouse is more than five years younger than the employee). A plan member who leaves city service after five years of credited service may withdraw his or her contributions, plus any accumulated interest. A supplementary payment may be made to current and future retirees who have been retired for at least five full years.

Benefit terms provide for annual cost-of-living adjustments to each member's retirement allowance subsequent to the member's retirement date. The annual adjustments are paid from the Supplemental Annuity Fund in the form of a 13th check.

Contributions - Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the Pension Board retains an independent actuary to determine the annual contribution. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year with an additional amount to finance any unfunded accrued liability. Contribution requirements of plan members are established and may be amended by the board of trustees in accordance with the city Charter, union contracts, and plan provisions. For the year ended June 30, 2015, the average active member contribution rate was 18.18 percent of annual pay and the city's average contribution rate was 17.41 of annual payroll.

City of Dearborn Heights, Michigan

Notes to Financial Statements June 30, 2015

Note 8 - Pension Plan Description (Continued)

Police and Fire Retirement System

Plan Description - The City of Dearborn Heights Pension Board administers the City of Dearborn Heights Police and Fire Retirement System - a single-employer defined benefit pension plan that provides pensions for all permanent full-time police and fire employees of the city. Benefit terms have been established by contractual agreements between the city and the various employee union representations; amendments are subject to the same process.

The financial statements of the plan are included in these financial statements as a pension and other employee benefit trust fund (a fiduciary fund).

Management of the Plan is vested in the Pension Board, which consists of five members elected by plan members and appointed by the city.

Employees Covered by Benefit Terms - At the June 30, 2015, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	206
Inactive plan members entitled to but not yet receiving benefits	42
Active plan members	<u>77</u>
Total employees covered by the plan	<u><u>325</u></u>

City of Dearborn Heights, Michigan

Notes to Financial Statements June 30, 2015

Note 8 - Pension Plan Description (Continued)

Benefits Provided - The pension plan provides retirement, disability, and death benefits. Retirement benefits for police and fire plan members are calculated as 2.8 percent of the member's final five-year average of highest compensation (in the last 10 years of service) times the member's first 25 years of service, plus five percent at 25 years of service, plus one to one and a half percent for years in excess of 25 years of service (with certain maximum benefit provisions set forth in the plan documents). Fire plan members with 25 years of service are eligible to retire at age 50 or at age 55 with 20 years of service. Police plan members with 25 years of service are eligible to retire at age 50 (or prior to age 50 with city approval). Effective July 1, 2009, police members' eligibility was modified to 25 years of service only. All plan members are eligible for non-duty disability benefits after five years of service and for duty-related disability benefits upon hire. Duty disability retirement benefits are determined in the same manner as retirement benefits, including credit for the period of receipt of a disability pension. Non-duty disability retirement benefits are determined in the same manner as accrued normal retirement benefits if disability occurs after age 55, otherwise they are subject to modification as outlined in the plan provisions. Upon death of an employee, the surviving spouse and children under age 18 will receive monthly pensions equal to that which would have been paid under the provisions of the Workers' Compensation Act, with no minimum service requirement. Upon the death of a non-duty employee, the benefit provided to the surviving spouse varies depending on years of service credited. Upon death of a retiree who retired under normal or early retirement, the surviving spouse will receive a benefit equal to 60 percent of the normal or early retirement benefit the retiree was receiving or, alternatively, may elect an actuarial equivalent 100 percent or 50 percent survivor benefit. A plan member who leaves City service after 10 years of credited service, may withdraw his or her contributions, plus any accumulated interest.

Benefit terms provide for annual cost-of-living adjustments to each member's retirement allowance subsequent to the member's retirement date. The annual adjustments are paid from the Bonus Fund in the form of a 13th check.

Contributions - Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the Pension Board retains an independent actuary to determine the annual contribution. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year with an additional amount to finance any unfunded accrued liability. Contribution requirements of plan members are established and may be amended by the board of trustees in accordance with the city Charter, union contracts, and plan provisions. For the year ended June 30, 2015, the active member contribution rates were 3 or 5 percent of annual pay (depending on membership type), and the city's average contribution rate was 50.07 percent of annual payroll.

City of Dearborn Heights, Michigan

Notes to Financial Statements June 30, 2015

Note 8 - Pension Plan Description (Continued)

Deferred Retirement Option Program

The city offers certain employees the ability to continue services and be paid a salary after they are fully vested; this program credits the employee for benefit payments that would have been paid and pays them out with interest at 5 percent after the employee has fully retired (discontinued providing employee services to the city). At June 30, 2015, the Plan has \$21,940,910.00 accumulated in DROP accounts.

Note 9 - Pension Plan Investments - Policy and Rate of Return

General Government Employees' Retirement System

Investment Policy - The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Pension Board by a majority vote of its members. It is the policy of the Pension Board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Pension Board's adopted asset allocation policy as of June 30, 2015:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	40%
International equity	10%
Emerging markets equity	5%
Investment grade U.S. fixed	20%
High yield fixed income	5%
International fixed income	5%
Hedge funds	10%
Real estate	5%

Concentrations - At June 30, 2015, the plan held approximately 64 percent of its investment portfolio in equity securities.

Rate of Return - For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 3.93 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

City of Dearborn Heights, Michigan

Notes to Financial Statements June 30, 2015

Note 9 - Pension Plan Investments - Policy and Rate of Return (Continued)

Police and Fire Retirement System

Investment Policy - The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Pension Board by a majority vote of its members. It is the policy of the Pension Board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Pension Board's adopted asset allocation policy as of June 30, 2015:

<u>Asset Class</u>	<u>Target Allocation</u>
U.S. large-cap equities	26.5%
U.S. mid-cap equities	14.5%
U.S. small-cap equities	7.5%
International equities	12.0%
Emerging market equities	5%
Cash	1.0%
U.S. investment grade fixed income	9.0%
International investment grade fixed income	3.0%
Emerging market fixed income	3.0%
Global high yield fixed income	8.0%
Real estate/REITs	5.0%
Domestic MLPs	2.0%
Alternative	3.5%

Concentrations - At June 30, 2015, the plan held approximately 68.4 percent of its investment portfolio in equity securities.

Rate of Return - For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 1.91 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

City of Dearborn Heights, Michigan

Notes to Financial Statements June 30, 2015

Note 10 - Pension Plan Reserves

General Government Employees' Retirement System

In accordance with the plan documents, the following reserves are required to be set aside within the pension plan:

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

The employee reserve is credited as employee contributions are received throughout the year; the plan maintains a record of the amount contributed by each employee. The 7.0 percent assumed rate of return is applied to all assets for purposes of the actuarial valuation. The rate (if any) actually credited to member contributions may differ. For any employee who terminates before vesting in the pension plan, the employee's balance is returned to him or her; for those who stay until retirement, the balance is transferred into the retiree reserve.

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

The balances of the reserve accounts at June 30, 2015 are as follows:

	<u>Required Reserve</u>	<u>Amount Funded</u>
Retiree reserve	\$ 30,484,198	\$ 30,484,198
Employee reserve	44,518	44,158
Employer and supplemental benefit reserve	10,230,006	10,230,006

Police and Fire Retirement System

In accordance with the plan documents, the following reserves are required to be set aside within the pension plan:

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

The employee reserve is credited as employee contributions are received throughout the year; the plan maintains a record of the amount contributed by each employee and credits interest annually at a rate of 2.0 percent. For any employee who terminates before vesting in the pension plan, the employee's balance is returned to him or her; for those who stay until retirement, the balance is transferred into the retiree reserve.

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

City of Dearborn Heights, Michigan

Notes to Financial Statements June 30, 2015

Note 10 - Pension Plan Reserves (Continued)

The balances of the reserve accounts at June 30, 2015 are as follows:

	Required Reserve	Amount Funded
Retiree reserve	\$ 154,328,194	\$ 154,328,194
Employee reserve	4,040,078	4,040,078
Employer and supplemental benefit reserve	17,354,535	17,354,535

Note 11 - Net Pension Liability - General Government Employees' Retirement System

The components of the net pension liability of the city at June 30, 2015 were as follows:

Total pension liability	\$ 49,021,806
Plan fiduciary net position	<u>(40,758,719)</u>
City's net pension liability	<u>\$ 8,263,087</u>
Plan fiduciary net position as a percentage of the total pension liability	83.1 %

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

City of Dearborn Heights, Michigan

Notes to Financial Statements June 30, 2015

Note 11 - Net Pension Liability - General Government Employees' Retirement System (Continued)

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at June 30, 2014*	\$ 46,821,107	\$ 41,649,996	\$ 5,171,111
Service cost	589,762		589,762
Interest	2,845,638		2,845,638
Differences between expected and actual experience	152,265		152,265
Changes in assumptions	1,930,049		1,930,049
Contributions - Employer		842,786	(842,786)
Contributions - Employee		12,334	(12,334)
Net investment income		1,599,295	(1,599,295)
Benefit payments, including refunds	(3,317,015)	(3,317,015)	-
Administrative expenses	-	(28,677)	28,677
Net changes	2,200,699	(891,277)	3,091,976
Balance at June 30, 2015	\$ 49,021,806	\$ 40,758,719	\$ 8,263,087

*Restated using a recalculated discount rate of 6.26% as of June 30, 2014

Assumption Changes - Morality rates were updated to be based on the RP-2014 Healthy Mortality Table.

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

For the year ended June 30, 2015, the city recognized pension expense of \$1,377,102. At June 30, 2015, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 115,127	\$ -
Changes in assumptions	1,459,305	-
Net difference between projected and actual earnings on pension plan investments	983,229	-
Total	\$ 2,557,661	\$ -

City of Dearborn Heights, Michigan

Notes to Financial Statements June 30, 2015

Note 11 - Net Pension Liability - General Government Employees' Retirement System (Continued)

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

Years Ending June 30	Amount
2016	\$ 753,688
2017	753,688
2018	753,688
2019	296,597

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	4.3 %
Salary increases	4.3 % Including inflation
Investment rate of return	7.0 % Net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Mortality Table.

Discount Rate - The discount rate used to measure the total pension liability was 6.33 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that city contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. As of June 30, 2014, the beginning of year total pension liability was restated from \$43,154,152 to \$46,821,107 using a discount rate of 6.26 percent.

Projected Cash Flows

Based on those assumptions, the pension plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate incorporates a municipal bond rate of 3.73 percent. The source of that bond rate is the Standard & Poor's Municipal Bond 20 year high grade index as of June 30, 2015. The resulting Single Discount Rate is 6.33 percent. The long-term expected rate of return was applied to projected benefit payments from July 1, 2016 through July 1, 2054.

City of Dearborn Heights, Michigan

Notes to Financial Statements June 30, 2015

Note 11 - Net Pension Liability - General Government Employees' Retirement System (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of June 30, 2015 for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment note, are summarized in the following table.

Asset Class	Long-term Expected Real Rate of Return
Domestic equity	8.0 %
International equity	8.10%
Emerging markets equity	9.90%
Investment grade U.S. fixed	2.60%
High yield fixed income	6.20%
International fixed income	3.10%
Hedge funds	4.00%
Real estate	8.00%
Cash	1.0 %

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the City, calculated using the discount rate of 6.33 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.33 percent) or 1 percentage point higher (7.33 percent) than the current rate:

	1% Decrease (5.33%)	Current Discount Rate (6.33%)	1% Increase (7.33%)
Net pension liability of the City	\$ 14,032,319	\$ 8,263,087	\$ 3,428,387

City of Dearborn Heights, Michigan

Notes to Financial Statements June 30, 2015

Note 12 - Net Pension Liability - Police and Fire Retirement System

The components of the net pension liability of the City at June 30, 2015 were as follows:

Total pension liability	\$ 185,019,665
Plan fiduciary net position	<u>(172,374,161)</u>
City's net pension liability	<u>\$ 12,645,504</u>
Plan fiduciary net position as a percentage of the total pension liability	93.2 %

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

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at June 30, 2014	\$ 179,624,301	\$ 174,893,357	\$ 4,730,944
Service cost	1,031,111		1,031,111
Interest	12,261,841		12,261,841
Differences between expected and actual experience	1,509,406		1,509,406
Changes in assumptions	3,883,047		3,883,047
Contributions - Employer		6,796,498	(6,796,498)
Contributions - Employee		498,200	(498,200)
Net investment income		3,448,028	(3,448,028)
Benefit payments, including refunds	(13,290,041)	(13,081,626)	(208,415)
Administrative expenses		(32,965)	32,965
Miscellaneous other charges	-	(147,331)	147,331
Net changes	<u>5,395,364</u>	<u>(2,519,196)</u>	<u>7,914,560</u>
Balance at June 30, 2015	<u>\$ 185,019,665</u>	<u>\$ 172,374,161</u>	<u>\$ 12,645,504</u>

Assumption Changes - Mortality rates were updated to be based on the RP-2014 Blue Collar Healthy Annuitant Mortality Table for males and females, with two-dimensional, fully generational improvements using the MP-2014 Mortality Improvement Scale (projected from 2014).

City of Dearborn Heights, Michigan

Notes to Financial Statements June 30, 2015

Note 12 - Net Pension Liability - Police and Fire Retirement System (Continued)

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

For the year ended June 30, 2015, the City recognized pension expense of \$4,419,343. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 960,630	\$ -
Changes in assumptions	2,471,286	-
Net difference between projected and actual earnings on pension plan investments	<u>7,060,980</u>	<u>-</u>
Total	<u>\$ 10,492,896</u>	<u>\$ -</u>

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

Years Ending June 30	Amount
2016	\$ 3,725,638
2017	3,236,912
2018	1,765,245
2019	1,765,101

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5 %
Salary increases	4.0 % Average, including inflation
Investment rate of return	7.0 % Net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Blue Collar Healthy Annuitant Mortality Table for males and females, with two-dimensional, fully generational improvements using the MP-2014 Mortality Improvement Scale (projected from 2014).

City of Dearborn Heights, Michigan

Notes to Financial Statements June 30, 2015

Note 12 - Net Pension Liability - Police and Fire Retirement System (Continued)

Discount Rate - The single discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that city contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Projected Cash Flows

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of June 30, 2015 for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment note, are summarized in the following table.

Asset Class	Long-term Expected Real Rate of Return
U.S. large-cap equities	6.7 %
U.S. mid-cap equities	7.2 %
U.S. small-cap equities	7.7 %
International equities	6.5 %
Emerging market equities	7.5 %
Cash	1.0 %
U.S. investment grade fixed income	2.5 %
Emerging market fixed income	3.5 %
Global high yield fixed income	5.9 %
Real estate/REITs	5.8 %
Domestic MLPs	9.0 %
Alternative	7.0 %

City of Dearborn Heights, Michigan

Notes to Financial Statements June 30, 2015

Note 12 - Net Pension Liability - Police and Fire Retirement System (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the City, calculated using the discount rate of 7.0 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0 percent) or 1 percentage point higher (8.0 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net pension liability (asset) of the City	\$ 31,245,871	\$ 12,645,504	\$ (2,707,556)

Allocation of the Net Pension Obligation:

General Government Employees' Retirement System (per Note 11)	\$ 8,263,087
Police and Fire Retirement System	<u>12,645,504</u>
Total net pension obligation	<u>\$ 20,908,591</u>

Allocation of the Net Pension Obligation:

Governmental activities portion of the net pension obligation	\$ 19,011,142
Business-type activities portion of the net pension obligation	<u>1,897,449</u>
Total net pension obligation	<u>\$ 20,908,591</u>

Note 13 - Other Postemployment Benefits

Plan Description - The City provides healthcare benefits to all full-time employees upon retirement, in accordance with labor contracts. Currently, 303 retirees are eligible. This is a single-employer defined benefit plan administered by the City. The benefits are provided under collective bargaining agreements. The plan does not issue a separate stand-alone financial statement.

Funding Policy - The City includes pre-Medicare retirees and their dependents in its insured healthcare plan, with partial contributions required by some of the participants. The City purchases Medicare supplemental insurance for retirees eligible for Medicare. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a "pay-as-you-go" basis). The costs of administering the plan are borne by the City's Corporate Fund.

City of Dearborn Heights, Michigan

Notes to Financial Statements June 30, 2015

Note 13 - Other Postemployment Benefits (Continued)

Funding Progress - For the year ended June 30, 2015, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2015. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 12,638,402
Interest on the prior year's net OPEB obligation	1,861,850
Less adjustment to the annual required contribution	<u>(2,540,042)</u>
Annual OPEB cost	11,960,210
Amounts contributed:	
Payments of current premiums	(3,821,893)
Implicit rate subsidy	<u>(745,873)</u>
Increase in net OPEB obligation	7,392,444
OPEB obligation - Beginning of year	<u>41,374,452</u>
OPEB obligation - End of year	<u>\$ 48,766,896</u>

The OPEB obligation of \$48,766,896 consists of \$46,305,865 recognized in the governmental activities and \$2,461,031 in the business-type activities.

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB obligation for the current year are as follows:

Four-year Trend Information

<u>Fiscal Year Ended</u>	<u>Annual OPEB Costs</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
6/30/11	\$ 9,564,172	37.0	\$ 22,734,535
6/30/12	9,836,854	36.0	29,066,823
6/30/13	12,528,504	40.0	36,602,343
6/30/14	9,965,946	52.0	41,374,452
6/30/15	11,960,210	38.0	48,766,896

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (Percent) (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll</u>
6/30/11	\$ -	\$ 123,672,291	\$ 123,672,291	-	\$ 12,578,298	983.2 %
6/30/13	-	162,373,460	162,373,460	-	11,334,668	1,432.5
6/30/14	-	132,728,325	132,728,325	-	11,674,708	1,136.9
6/30/15	-	153,108,364	153,108,364	-	11,752,257	1,302.8

Note 13 - Other Postemployment Benefits (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 above, presents multi-year 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, 2015 actuarial valuation, the level dollar actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 9.0 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after 10 years. The UAAL is being amortized as a level dollar amount on an open basis. The remaining amortization period at June 30, 2015 was 30 years.

City of Dearborn Heights, Michigan

Notes to Financial Statements June 30, 2015

Note 14 - Defined Benefit Pension Plan Condensed Financial Statements

The following are condensed financial statements for the retirement systems as follows:

	General Government Employees' Retirement System	Police and Fire Retirement System
	<u>System</u>	<u>System</u>
<u>Statement of Net Position</u>		
Cash and investments	\$ 40,776,285	\$ 176,546,462
Other assets	-	276,064
Liabilities	<u>17,566</u>	<u>4,448,365</u>
Net position	<u>\$ 40,758,719</u>	<u>\$ 172,374,161</u>
<u>Statement of Changes in Net Position</u>		
Investment income	\$ 1,570,193	\$ 3,267,732
Contributions	861,642	7,294,698
Benefit payments	3,323,112	9,970,865
Other deductions	<u>-</u>	<u>3,110,761</u>
Net change in net position	<u>\$ (891,277)</u>	<u>\$ (2,519,196)</u>

Note 15 - Reporting Change

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

The financial statements for the year ended June 30, 2014 have been restated in order to adopt GASB Statement No. 68. The effect of this new accounting standard was a decrease in net position to record the net pension liability at June 30, 2014.

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

	Governmental Activities	Business-type Activities
	<u>Activities</u>	<u>Activities</u>
Net position - June 30, 2014 - As previously reported	\$ 30,812,986	\$ 84,126,368
Adjustment for implementation of GASB Statement No. 68	<u>(5,337,603)</u>	<u>(1,039,652)</u>
Net position - June 30, 2014 - As restated	<u>\$ 25,475,383</u>	<u>\$ 83,086,716</u>

City of Dearborn Heights, Michigan

Notes to Financial Statements June 30, 2015

Note 16 - Upcoming Accounting Pronouncements

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement will require governments to disclose in their financial statements information related to tax abatement agreements. The City is currently evaluating the impact this standard will have on the financial statements when adopted, during the 2017 fiscal year.

In February 2015, the Governmental Accounting Standards Board issued GASB Statement No. 72, *Fair Value Measurement and Application*. The requirements of this statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. The City is currently evaluating the impact this standard will have on the financial statements when adopted, during the City's 2015-2016 fiscal year.

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

Required Supplemental Information

City of Dearborn Heights, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Corporate Fund Year Ended June 30, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 23,120,383	\$ 23,428,383	\$ 23,424,324	\$ (4,059)
Licenses and permits	1,267,000	1,575,800	1,689,210	113,410
Federal grants	326,214	326,214	554,829	228,615
State-shared revenue and grants	5,697,723	5,742,847	5,610,387	(132,460)
Charges for services	1,985,500	1,985,500	1,850,760	(134,740)
Fines and forfeitures	3,200,000	3,469,500	3,727,561	258,061
Investment income	6,000	6,000	11,038	5,038
Reimbursement from other funds	3,150,000	3,155,000	2,289,409	(865,591)
Other revenue	1,918,317	2,040,178	3,005,721	965,543
Total revenue	40,671,137	41,729,422	42,163,239	433,817
Expenditures - Current				
General government:				
Legislative	90,337	90,337	84,783	5,554
Executive	382,816	391,650	388,137	3,513
Comptroller's office	395,356	403,356	391,845	11,511
General government	7,587,965	7,465,965	7,313,435	152,530
Treasurer	468,354	468,354	454,779	13,575
Assessing	302,014	302,014	267,701	34,313
Board of appeals	3,153	4,153	3,630	523
Clerk	312,025	298,425	272,325	26,100
Elections	148,015	166,615	147,683	18,932
Personnel	161,679	161,679	140,804	20,875
Employees' Pension Commission	176,915	193,415	188,375	5,040
Civil Service Commission	17,938	17,938	7,529	10,409
Civil Service - Act No. 78	71,938	71,938	26,813	45,125
Data processing	148,753	188,753	162,880	25,873
Total general government	10,267,258	10,224,592	9,850,719	373,873
Public safety:				
Police department	12,830,081	12,838,081	12,321,778	516,303
Fire department	6,528,203	6,834,840	6,537,131	297,709
Protective inspection	585,709	581,209	529,751	51,458
Judicial	1,864,326	1,864,326	1,824,643	39,683
Corporation counsel	170,200	235,200	215,882	19,318
Total public safety	21,978,519	22,353,656	21,429,185	924,471
Public works:				
Building maintenance	1,154,069	1,268,469	1,239,376	29,093
Sanitation	3,475,000	4,050,000	4,340,948	(290,948)
Highways, streets, and bridges	2,591,939	2,522,629	2,312,292	210,337
Total public works	7,221,008	7,841,098	7,892,616	(51,518)

City of Dearborn Heights, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Corporate Fund (Continued) Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
Expenditures - Current (Continued)				
Community and economic development:				
Planning Commission	\$ 13,230	\$ 19,230	\$ 18,463	\$ 767
Cable TV Commission	80,745	80,745	76,254	4,491
Total community and economic development	93,975	99,975	94,717	5,258
Recreation and culture	810,827	910,551	690,866	219,685
Debt service	79,550	79,550	79,550	-
Total expenditures	<u>40,451,137</u>	<u>41,509,422</u>	<u>40,037,653</u>	<u>1,471,769</u>
Excess of Revenue Over Expenditures	220,000	220,000	2,125,586	1,905,586
Other Financing Uses -				
Transfers out	<u>(220,000)</u>	<u>(220,000)</u>	<u>(218,289)</u>	<u>1,711</u>
Net Change in Fund Balance	-	-	1,907,297	1,907,297
Fund Balance - Beginning of year	<u>1,850,019</u>	<u>1,850,019</u>	<u>1,850,019</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 1,850,019</u>	<u>\$ 1,850,019</u>	<u>\$ 3,757,316</u>	<u>\$ 1,907,297</u>

City of Dearborn Heights, Michigan

Required Supplemental Information General Government Employees' Retirement System Schedule of Changes in the City Net Pension Liability and Related Ratios Last Ten Fiscal Years

	2015	2014
Total Pension Liability		
Service cost	\$ 589,762	\$ 497,213
Interest	2,845,638	2,747,066
Changes in benefit terms	-	-
Differences between expected and actual experience	152,265	2,634,974
Changes in assumptions	1,930,049	-
Benefit payments, including refunds	(3,317,015)	(3,440,584)
Net Change in Total Pension Liability	2,200,699	2,438,669
Total Pension Liability* - Beginning of year	46,821,107	40,715,483
Total Pension Liability - End of year	\$ 49,021,806	\$ 43,154,152
Plan Fiduciary Net Position		
Contributions - Employer	\$ 842,786	\$ 587,546
Contributions - Member	12,334	46,839
Net investment income	1,599,295	6,059,689
Administrative expenses	-	-
Benefit payments, including refunds	(3,317,015)	(3,558,707)
Other	(28,677)	-
Net Change in Plan Fiduciary Net Position	(891,277)	3,135,367
Plan Fiduciary Net Position** - Beginning of year	41,649,996	38,514,662
Plan Fiduciary Net Position - End of year	\$ 40,758,719	\$ 41,650,029
City's Net Pension Liability - Ending	\$ 8,263,087	\$ 1,504,123
Plan Fiduciary Net Position as a Percent of Total Pension Liability	83.14 %	96.51 %
Covered Employee Payroll	\$ 4,684,463	\$ 4,693,816
City's Net Pension Liability as a Percent of Covered Employee Payroll	176.4 %	32.0 %

*Restated using a recalculated discount rate of 6.26% as of June 30, 2014

**Adjusted from the previous year due to rounding

City of Dearborn Heights, Michigan

Required Supplemental Information Police and Fire Retirement System Schedule of Changes in the City Net Pension Liability and Related Ratios Last Ten Fiscal Years

	2015	2014
Total Pension Liability		
Service cost	\$ 1,031,111	\$ 1,004,200
Interest	12,261,841	12,037,075
Changes in benefit terms	-	-
Differences between expected and actual experience	1,509,406	-
Changes in assumptions	3,883,047	-
Benefit payments, including refunds	(13,290,041)	(9,746,166)
Net Change in Total Pension Liability	5,395,364	3,295,109
Total Pension Liability - Beginning of year	179,624,301	176,329,192
Total Pension Liability - End of year	\$ 185,019,665	\$ 179,624,301
Plan Fiduciary Net Position		
Contributions - Employer	\$ 6,796,498	\$ 6,340,593
Contributions - Member	498,200	486,849
Net investment income	3,448,028	30,199,954
Administrative expenses	(32,965)	(540,644)
Benefit payments, including refunds	(13,081,626)	(13,005,066)
Other	(147,331)	-
Net Change in Plan Fiduciary Net Position	(2,519,196)	23,481,686
Plan Fiduciary Net Position - Beginning of year	174,893,357	151,411,671
Plan Fiduciary Net Position End of year	\$ 172,374,161	\$ 174,893,357
City's Net Pension Liability - Ending	\$ 12,645,504	\$ 4,730,944
Plan Fiduciary Net Position as a Percent of Total Pension Liability	93.17 %	97.37 %
Covered Employee Payroll	\$ 5,637,835	\$ 6,016,818
City's Net Pension Liability as a Percent of Covered Employee Payroll	224.3 %	78.6 %

City of Dearborn Heights, Michigan

Required Supplemental Information General Government Employees' Retirement System Schedule of Investment Returns Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	3.9 %	14.9 %

City of Dearborn Heights, Michigan

Required Supplemental Information Police and Fire Retirement System Schedule of Investment Returns Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	1.9 %	19.8 %

City of Dearborn Heights, Michigan

Required Supplemental Information OPEB System Schedule Year Ended June 30, 2015

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/13	\$ -	\$162,373,460	\$162,373,460	-	\$ 11,334,668	1,432.5
6/30/14	-	132,728,325	132,728,325	-	11,674,708	1,136.9
6/30/15	-	153,108,364	153,108,364	-	11,752,257	1,302.8

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual OPEB Costs	Percentage Contributed
6/30/13	6/30/13	\$ 12,528,504	40.0
6/30/14	6/30/14	9,965,946	52.0
6/30/15	6/30/15	11,960,210	38.0

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of June 30, 2014, the latest actuarial valuation, follows:

Amortization method	Level dollar
Amortization period	30 years
Actuarial assumptions:	
Investment rate of return	4.5%
Inflation rate	3.0%

Other Supplemental Information

City of Dearborn Heights, Michigan

	Special Revenue Funds					
	Major Streets	Local Streets	Drug Enforcement	Miscellaneous Grants	Community Development Block Grant	Building Authority
Assets						
Cash and investments	\$ 1,835,371	\$ 326,548	\$ 209,224	\$ 70,182	\$ 18,070	\$ -
Due from other governmental units	391,355	232,880	4,129	65,128	191,775	-
Due from other funds	-	-	-	-	-	213,038
Housing inventory	-	-	-	57,500	-	-
Restricted assets	-	-	-	-	-	-
Total assets	\$2,226,726	\$ 559,428	\$ 213,353	\$ 192,810	\$ 209,845	\$ 213,038
Liabilities						
Accounts payable	\$ 155,201	\$ 39,605	\$ 2,517	\$ 82,190	\$ 45,691	\$ -
Due to other funds	67,740	49,547	-	42,245	146,084	-
Accrued liabilities and other	-	-	-	-	18,070	-
Total liabilities	222,941	89,152	2,517	124,435	209,845	-
Fund Balances						
Restricted:						
Roads	2,003,785	470,276	-	-	-	-
Drug enforcement	-	-	210,836	-	-	-
Neighborhood stabilization and community development	-	-	-	68,375	-	-
Housing commission	-	-	-	-	-	-
Traffic immobilization	-	-	-	-	-	-
Library	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-
Committed - Capital projects	-	-	-	-	-	213,038
Total fund balances	2,003,785	470,276	210,836	68,375	-	213,038
Total liabilities and fund balances	\$2,226,726	\$ 559,428	\$ 213,353	\$ 192,810	\$ 209,845	\$ 213,038

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015**

Special Revenue Funds			Nonmajor Debt Service Fund	Nonmajor Capital Projects Fund	Total Nonmajor Governmental Funds
Housing Commission	Traffic Immobilization	Library	Fire Station Bonds	Capital Projects	
\$ 6,494	\$ 9,725	\$ 1,449,594	\$ -	\$ -	\$ 3,925,208
-	-	-	-	-	885,267
-	-	-	-	-	213,038
-	-	-	-	-	57,500
-	-	-	-	64,644	64,644
\$ 6,494	\$ 9,725	\$ 1,449,594	\$ -	\$ 64,644	\$ 5,145,657
\$ -	\$ -	\$ 61,305	\$ -	\$ -	\$ 386,509
5	-	12,173	-	-	317,794
-	-	25,417	-	-	43,487
5	-	98,895	-	-	747,790
-	-	-	-	-	2,474,061
-	-	-	-	-	210,836
-	-	-	-	-	68,375
6,489	-	-	-	-	6,489
-	9,725	-	-	-	9,725
-	-	1,350,699	-	-	1,350,699
-	-	-	-	64,644	64,644
-	-	-	-	-	213,038
6,489	9,725	1,350,699	-	64,644	4,397,867
\$ 6,494	\$ 9,725	\$ 1,449,594	\$ -	\$ 64,644	\$ 5,145,657

City of Dearborn Heights, Michigan

	Special Revenue Funds				
	Major Streets Fund	Local Streets Fund	Drug Enforcement	Miscellaneous Grants	Community Development Block Grant
Revenue					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Federal grants	-	-	89,677	347,561	989,990
State-shared revenue and grants	2,516,666	1,209,698	107,087	52,504	-
Fines	-	-	-	-	-
Interest	2,780	338	-	-	-
Other revenue	-	2,110	-	-	-
Total revenue	2,519,446	1,212,146	196,764	400,065	989,990
Expenditures					
Current:					
Drug enforcement	-	-	337,894	-	-
Public safety	-	-	-	330,339	-
Public works	2,795,636	1,450,628	-	-	-
Community and economic development	-	-	-	21,765	989,990
Library	-	-	-	-	-
Other	-	-	-	-	-
Debt service	-	-	-	-	-
Total expenditures	2,795,636	1,450,628	337,894	352,104	989,990
Excess of Revenue (Under) Over Expenditures	(276,190)	(238,482)	(141,130)	47,961	-
Other Financing Sources -					
Transfers in	-	-	-	-	-
Net Change in Fund Balances	(276,190)	(238,482)	(141,130)	47,961	-
Fund Balances - Beginning of year	2,279,975	708,758	351,966	20,414	-
Fund Balances - End of year	\$ 2,003,785	\$ 470,276	\$ 210,836	\$ 68,375	\$ -

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2015

Special Revenue Funds				Nonmajor Debt Service Fund	Nonmajor Capital Projects Fund	Total Nonmajor Governmental Funds
Building Authority	Housing Commission	Traffic Immobilization	Library	Fire Station Bonds	Capital Projects	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 2,094,509	\$ -	\$ -	\$ 2,094,509
-	-	-	-	-	-	1,427,228
-	-	-	-	-	-	3,885,955
288,114	-	18,502	109,894	-	-	416,510
-	-	-	4,025	-	40	7,183
-	-	-	265,555	-	-	267,665
<u>288,114</u>	<u>-</u>	<u>18,502</u>	<u>2,473,983</u>	<u>-</u>	<u>40</u>	<u>8,099,050</u>
-	-	-	-	-	-	337,894
-	-	-	-	-	-	330,339
-	-	-	-	-	-	4,246,264
-	-	-	-	-	-	1,011,755
-	-	-	1,510,804	-	-	1,510,804
262,800	28	17,076	-	-	-	279,904
-	-	-	521,194	218,289	-	739,483
<u>262,800</u>	<u>28</u>	<u>17,076</u>	<u>2,031,998</u>	<u>218,289</u>	<u>-</u>	<u>8,456,443</u>
25,314	(28)	1,426	441,985	(218,289)	40	(357,393)
-	-	-	-	218,289	-	218,289
25,314	(28)	1,426	441,985	-	40	(139,104)
187,724	6,517	8,299	908,714	-	64,604	4,536,971
<u>\$ 213,038</u>	<u>\$ 6,489</u>	<u>\$ 9,725</u>	<u>\$ 1,350,699</u>	<u>\$ -</u>	<u>\$ 64,644</u>	<u>\$ 4,397,867</u>

City of Dearborn Heights, Michigan

Other Supplemental Information Combining Statement of Net Position Fiduciary Funds June 30, 2015

	Pension Trust Funds			Agency Funds		
	General Government Employees' Retirement System	Police and Fire Retirement System	Total	Agency Funds	District Court	Total Agency Funds
Assets						
Cash and cash equivalents	\$ 2,302,911	\$ 7,533,412	\$ 9,836,323	\$ 119,651	\$ 637,821	\$ 757,472
Investments:						
U.S. government securities	1,531,080	2,115,673	3,646,753	-	-	-
Common stock	21,583,903	70,220,638	91,804,541	-	-	-
Corporate bonds	2,696,124	4,453,906	7,150,030	-	-	-
Real estate	272,082	1,407,967	1,680,049	-	-	-
Limited partnerships	84,859	1,657,505	1,742,364	-	-	-
Mutual funds	12,305,326	89,157,361	101,462,687	-	-	-
Receivables	-	276,064	276,064	25	-	25
Due from primary government	-	-	-	21,951	-	21,951
Total assets	40,776,285	176,822,526	217,598,811	<u>\$ 141,627</u>	<u>\$ 637,821</u>	<u>\$ 779,448</u>
Liabilities						
Accounts payable	17,566	127,601	145,167	\$ 600	\$ -	\$ 600
Due to other governmental units	-	-	-	-	428,332	428,332
Due to primary government	-	3,110,761	3,110,761	-	-	-
Accrued liabilities and other	-	-	-	141,027	209,489	350,516
Collateral for securities lending	-	1,210,003	1,210,003	-	-	-
Total liabilities	17,566	4,448,365	4,465,931	<u>\$ 141,627</u>	<u>\$ 637,821</u>	<u>\$ 779,448</u>
Net Position Held in Trust for Pension Benefits	<u>\$ 40,758,719</u>	<u>\$ 172,374,161</u>	<u>\$ 213,132,880</u>			

City of Dearborn Heights, Michigan

Other Supplemental Information Combining Statement of Changes in Fiduciary Net Position Fiduciary Funds Year Ended June 30, 2015

	General Government Employees' Retirement System	Police and Fire Retirement System	Total
Additions			
Investment income:			
Interest and dividends	\$ 771,270	\$ 5,646,036	\$ 6,417,306
Net increase (decrease) in fair value of investments	798,923	(1,754,625)	(955,702)
Investment-related expenses	-	(623,679)	(623,679)
Total investment income	1,570,193	3,267,732	4,837,925
Contributions:			
Employer	842,786	6,796,498	7,639,284
Employee	18,856	498,200	517,056
Net contributions	861,642	7,294,698	8,156,340
Total additions	2,431,835	10,562,430	12,994,265
Deductions			
Benefit payments	3,323,112	9,970,865	13,293,977
Refunds of contributions	-	3,110,761	3,110,761
Total deductions	3,323,112	13,081,626	16,404,738
Net Decrease in Net Position Held in Trust	(891,277)	(2,519,196)	(3,410,473)
Net Position Held in Trust for Pension Benefits - Beginning of year	41,649,996	174,893,357	216,543,353
Net Position Held in Trust for Pension Benefits - End of year	\$ 40,758,719	\$ 172,374,161	\$ 213,132,880