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# City of Dearborn Heights, Michigan

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**Financial Report  
with Supplemental Information  
June 30, 2020**

<b>Independent Auditor's Report</b>	1-2
<b>Management's Discussion and Analysis</b>	3-6
<b>Basic Financial Statements</b>	
Government-wide Financial Statements:	
Statement of Net Position	7-8
Statement of Activities	9-10
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	11
Reconciliation of the Balance Sheet to the Statement of Net Position	12
Statement of Revenue, Expenditures, and Changes in Fund Balances	13
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities	14
Proprietary Funds:	
Statement of Net Position	15
Statement of Revenue, Expenses, and Changes in Net Position	16
Statement of Cash Flows	17
Fiduciary Funds:	
Statement of Fiduciary Net Position	18
Statement of Changes in Fiduciary Net Position	19
Component Units:	
Statement of Net Position	20
Statement of Activities	21
Notes to Financial Statements	22-58
<b>Required Supplemental Information</b>	59
Budgetary Comparison Schedule - Corporate Fund	60
General Government Employees' Retirement System Schedule of Changes in the City Net Pension Liability and Related Ratios	61
Police and Fire Retirement System Schedule of Changes in the Net Pension Liability and Related Ratios	62
General Government Employees' Retirement System Schedule of City Contributions	63
Police and Fire Retirement System Schedule of City Contributions	64
General Government Employees' Retirement System Schedule of Investment Returns	65
Police and Fire Retirement System Schedule of Investment Returns	66
Schedule of Changes in the Total OPEB Liability and Related Ratios	67
General Government Employees' Schedule of Changes in the Net OPEB Liability and Related Ratios	68
Police and Fire Schedule of Changes in the Net OPEB Liability and Related Ratios	69
Schedule of OPEB Contributions	70
General Government Employees' Schedule of OPEB Contributions	71
Police and Fire Schedule of OPEB Contributions	72
Schedule of General Government Employees' OPEB Trust Investment Returns	73
Schedule of Police and Fire OPEB Trust Investment Returns	74
Notes to Required Supplemental Information	75

<b>Other Supplemental Information</b>	76
Nonmajor Governmental Funds:	
Combining Balance Sheet	77
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	78
Fiduciary Funds:	
Combining Statement of Net Position	79
Combining Statement of Changes in Fiduciary Net Position	80
Statement of Assets and Liabilities	81

## 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 (the "City") as of and for the year ended June 30, 2020 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.

### *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, 2020 and the respective changes in its financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the City Council  
City of Dearborn Heights, Michigan

**Other Matters**

*Required Supplemental Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplemental information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required 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.

The other supplemental information, as identified in the table of contents, is the responsibility of management and were 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 11, 2020 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.



November 11, 2020

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, 2020. Please read it in conjunction with the City's financial statements.

### ***Financial Highlights***

- Property taxes related to governmental operations are the number one revenue source for the City. Property tax revenue increased by nearly \$1,500,000 (in the Corporate Fund) for the fiscal year ended June 30, 2020.
- State-shared revenue is the City's second largest source of revenue. State-shared revenue has decreased significantly since 2002, although it has seen increases over the last few years.
- During the year ended June 30, 2020, trusts were created for the City of Dearborn Heights, Michigan's retiree health care benefit plans. On August 30, 2019, the City transferred approximately \$300,000 and \$1.1 million from the Corporate Fund to the General Government Employees' and Police and Fire OPEB Trusts, respectively.

### ***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 the reader 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.

### ***Government-wide Overall Financial Analysis***

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the City, liabilities and deferred inflows exceeded assets and deferred outflows of resources by \$48,188,804 at the close of the most recent fiscal year.

# City of Dearborn Heights, Michigan

## Management's Discussion and Analysis (Continued)

### The City's Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2020	2019	2020	2019	2020
<b>Assets</b>						
Current and other assets	\$ 20,523,803	\$ 20,245,974	\$ 21,191,007	\$ 25,514,651	\$ 41,714,810	\$ 45,760,625
Capital assets	86,074,485	86,458,978	95,961,748	95,358,322	182,036,233	181,817,300
Total assets	106,598,288	106,704,952	117,152,755	120,872,973	223,751,043	227,577,925
<b>Deferred Outflows of Resources</b>	14,872,375	26,946,103	484,297	5,491,430	15,356,672	32,437,533
<b>Liabilities</b>						
Current liabilities	2,431,504	2,417,630	3,066,991	4,482,216	5,498,495	6,899,846
Long-term liabilities:						
Due within one year:						
Compensated absences	2,792,436	3,059,939	63,562	74,774	2,855,998	3,134,713
Provision for general and medical claims	632,697	637,238	247,396	228,158	880,093	865,396
Workers' compensation	102,487	185,725	-	-	102,487	185,725
Current portion of long-term debt	941,500	870,500	1,861,198	1,900,328	2,802,698	2,770,828
Due in more than one year:						
Compensated absences	4,367,656	4,786,059	254,247	299,096	4,621,903	5,085,155
Provision for general and medical claims	341,616	334,913	154,461	127,243	496,077	462,156
Workers' compensation	74,235	197,477	96,936	13,412	171,171	210,889
Net pension liability	43,302,814	69,474,503	2,500,115	3,624,853	45,802,929	73,099,356
Total OPEB liability	168,958,826	158,703,429	8,103,637	11,221,971	177,062,463	169,925,400
Long-term debt	9,196,741	8,326,241	11,739,412	9,926,614	20,936,153	18,252,855
Total liabilities	233,142,512	248,993,654	28,087,955	31,898,665	261,230,467	280,892,319
<b>Deferred Inflows of Resources</b>	20,130,277	24,517,290	962,984	2,794,651	21,093,261	27,311,941
<b>Net Position (Deficit)</b>						
Net investment in capital assets	75,980,773	77,299,919	82,361,138	83,531,380	158,341,911	160,831,299
Restricted	10,866,749	10,531,206	7,106,981	7,010,540	17,973,730	17,541,746
Unrestricted	(218,649,648)	(227,691,016)	(882,006)	1,129,167	(219,531,654)	(226,561,849)
Total net position (deficit)	<u>\$ (131,802,126)</u>	<u>\$ (139,859,891)</u>	<u>\$ 88,586,113</u>	<u>\$ 91,671,087</u>	<u>\$ (43,216,013)</u>	<u>\$ (48,188,804)</u>

The City's combined net position decreased from approximately \$(43,216,000) to approximately \$(48,189,000), primarily due to a decrease in the unrestricted net position.

# City of Dearborn Heights, Michigan

## Management's Discussion and Analysis (Continued)

### The City's Changes in Net Position

	Governmental Activities		
	2019	2020	Change
<b>Revenue</b>			
Program revenue:			
Charges for services	\$ 7,761,968	\$ 6,872,198	\$ (889,770)
Operating grants	7,266,233	7,283,180	16,947
Capital grants	450,773	3,133,211	2,682,438
General revenue:			
Property taxes	27,736,089	29,139,073	1,402,984
State-shared revenue	6,301,984	6,158,203	(143,781)
Investment earnings	474,202	407,406	(66,796)
Franchise fees and miscellaneous	2,417,844	1,660,385	(757,459)
<b>Total revenue</b>	<b>52,409,093</b>	<b>54,653,656</b>	<b>2,244,563</b>
<b>Expenses</b>			
General government	12,602,073	11,363,845	(1,238,228)
District court	339,960	653,724	313,764
Public safety	31,049,224	35,174,683	4,125,459
Public works	8,072,387	11,201,658	3,129,271
Community and economic development	1,307,551	1,033,451	(274,100)
Other	3,028,049	3,187,824	159,775
Debt service	75,983	96,234	20,251
<b>Total expenses</b>	<b>56,475,227</b>	<b>62,711,419</b>	<b>6,236,192</b>
<b>Change in Net Position</b>	<b>(4,066,134)</b>	<b>(8,057,763)</b>	<b>(3,991,629)</b>
<b>Net Position (Deficit) - Beginning of year</b>	<b>(127,735,992)</b>	<b>(131,802,126)</b>	<b>(4,066,134)</b>
<b>Net Position (Deficit) - End of year</b>	<b>\$ (131,802,126)</b>	<b>\$ (139,859,889)</b>	<b>\$ (8,057,763)</b>

	Business-type Activities		
	2019	2020	Change
<b>Revenue</b>			
Program revenue - Charges for services	\$ 21,660,208	\$ 23,005,667	\$ 1,345,459
General revenue:			
Property tax revenue	1,241,818	1,080,686	(161,132)
Interest income	21,521	12,910	(8,611)
Other revenue	-	17,183	17,183
<b>Total revenue</b>	<b>22,923,547</b>	<b>24,116,446</b>	<b>1,192,899</b>
<b>Expenses</b>	<b>21,575,924</b>	<b>21,031,472</b>	<b>(544,452)</b>
<b>Special Items</b>	<b>(1,129,020)</b>	<b>-</b>	<b>1,129,020</b>
<b>Change in Net Position</b>	<b>218,603</b>	<b>3,084,974</b>	<b>2,866,371</b>
<b>Net Position - Beginning of year</b>	<b>88,367,510</b>	<b>88,586,113</b>	<b>218,603</b>
<b>Net Position - End of year</b>	<b>\$ 88,586,113</b>	<b>\$ 91,671,087</b>	<b>\$ 3,084,974</b>

Reviewing the above governmental activities chart, it can be noted that overall revenue increased by approximately 4.3 percent, while expenses increased by approximately 11 percent. This was primarily caused by an increase in grant expenditures in public safety and capital outlay in public works.

Business-type activities revenue increased 5.2 percent, while expenses decreased approximately 2.5 percent. The increase in revenue is due primarily to changes in rates and usage.

#### ***Financial Analysis of Individual Funds***

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for discretionary use, as it represents the portion of the fund balance that has not yet been limited to use for a particular purpose by an external party. Uncommitted or unassigned fund balance provides further information about the resources that have not been constrained by either the City Council or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City Council.

Within the governmental funds, the Corporate Fund is the most significant to understanding the City's financial activities. In addition, the Water and Sewer Fund is a significant enterprise activity for the City.

#### ***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.

#### ***Capital Assets and Debt Administration***

At the end of fiscal year 2020, the City (excluding component units) had approximately \$182 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 balance related to the acquisition and construction of these assets at June 30, 2020 was approximately \$21.0 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, Michigan 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, 2020, state-shared revenue remained relatively consistent; this trend is expected to continue in the year ending June 30, 2021 (with potential slight increases forecasted). 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 health care reductions, is still in place and will continue for 2021. Property taxes experienced a slight increase from the prior year, where they are expected to hold at current levels for 2021.

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted millions of individuals worldwide. While the COVID-19 pandemic could have an adverse effect on the City's operations over time, no impairments were recorded as of the statement of net position date, as no triggering events or changes in circumstances had occurred as of year end; however, due to significant uncertainty surrounding the situation, management's judgment regarding this could change in the future. There is an expectation that the City's revenue could be reduced in fiscal year 2021. The City is currently evaluating the impact of COVID-19, but the extent of the impact cannot be reasonably estimated at this time.

#### ***Requests for Further Information***

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, MI 48127 or via the City's website.

# City of Dearborn Heights, Michigan

## Statement of Net Position

June 30, 2020

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents (Note 3)	\$ 12,495,301	\$ 13,708,112	\$ 26,203,413	\$ 4,190,848
Receivables:				
Property taxes receivable	8,951	-	8,951	-
Customers	-	8,056,316	8,056,316	-
Other receivables	1,306,497	603,080	1,909,577	-
Due from other governmental units	1,510,200	-	1,510,200	-
Due from fiduciary funds	3,869,990	-	3,869,990	-
Due from component units (Note 5)	234	-	234	-
Due from primary government (Note 5)	-	-	-	31
Internal balances	508,802	(508,802)	-	-
Inventory	-	380,718	380,718	-
Prepaid expenses	-	133,220	133,220	-
Restricted assets	37,682	3,142,007	3,179,689	-
Capital assets: (Note 4)				
Assets not subject to depreciation	8,212,678	451,171	8,663,849	2,771,156
Assets subject to depreciation - Net	78,246,300	94,907,151	173,153,451	12,898,608
Other assets	508,317	-	508,317	972
<b>Total assets</b>	<b>106,704,952</b>	<b>120,872,973</b>	<b>227,577,925</b>	<b>19,861,615</b>
<b>Deferred Outflows of Resources</b>				
Bond refunding loss being amortized	-	-	-	55,205
Pensions (Note 8)	20,859,251	869,267	21,728,518	-
Deferred OPEB costs (Note 9)	6,086,852	4,622,163	10,709,015	-
<b>Total deferred outflows of resources</b>	<b>26,946,103</b>	<b>5,491,430</b>	<b>32,437,533</b>	<b>55,205</b>
<b>Liabilities</b>				
Accounts payable	1,558,797	4,083,010	5,641,807	6,463
Due to other governmental units	5,000	574	5,574	-
Due to component units (Note 5)	31	-	31	-
Due to primary government (Note 5)	-	-	-	234
Refundable deposits, bonds, etc.	-	217,675	217,675	-
Accrued liabilities and other	722,012	180,957	902,969	64,361
Unearned revenue	131,790	-	131,790	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 6)	3,059,939	74,774	3,134,713	-
Provision for general and medical claims (Note 7)	637,238	228,158	865,396	-
Workers' compensation (Note 7)	185,725	-	185,725	-
Current portion of long-term debt (Note 6)	870,500	1,900,328	2,770,828	965,000
Due in more than one year:				
Compensated absences (Note 6)	4,786,059	299,096	5,085,155	-
Provision for general and medical claims (Note 7)	334,913	127,243	462,156	-
Workers' compensation (Note 7)	197,477	13,412	210,889	-
Net pension liability (Note 8)	69,474,503	3,624,853	73,099,356	-
Total OPEB liability (Note 9)	158,703,429	11,221,971	169,925,400	-
Long-term debt (Note 6)	8,326,241	9,926,614	18,252,855	10,820,000
<b>Total liabilities</b>	<b>248,993,654</b>	<b>31,898,665</b>	<b>280,892,319</b>	<b>11,856,058</b>
<b>Deferred Inflows of Resources</b>				
Pension (Note 8)	529,968	129,853	659,821	-
OPEB (Note 9)	23,987,322	2,664,798	26,652,120	-
<b>Total deferred inflows of resources</b>	<b>24,517,290</b>	<b>2,794,651</b>	<b>27,311,941</b>	<b>-</b>

# City of Dearborn Heights, Michigan

## Statement of Net Position (Continued)

June 30, 2020

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Net Position (Deficit)</b>				
Net investment in capital assets	\$ 77,299,919	\$ 83,531,380	\$ 160,831,299	\$ 3,939,969
Restricted:				
Roads	3,122,406	-	3,122,406	-
Debt service	-	3,142,007	3,142,007	-
Construction Code fees	22,634	-	22,634	-
Grants	164,361	-	164,361	-
Housing Commission	6,526	-	6,526	-
Special levy	-	3,868,533	3,868,533	-
Drug enforcement	814,180	-	814,180	-
Traffic immobilization	126,904	-	126,904	-
Library	3,001,620	-	3,001,620	-
Capital projects	37,682	-	37,682	-
Sanitation levy reserves	1,244,838	-	1,244,838	-
Cable PEG fees	1,117,349	-	1,117,349	-
Transportation-SMART	346,819	-	346,819	-
Act 345 Levy	525,887	-	525,887	-
Unrestricted (deficit)	(227,691,014)	1,129,167	(226,561,847)	4,120,793
<b>Total net position (deficit)</b>	<b>\$ (139,859,889)</b>	<b>\$ 91,671,087</b>	<b>\$ (48,188,802)</b>	<b>\$ 8,060,762</b>

# City of Dearborn Heights, Michigan

Functions/Programs	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 11,363,845	\$ 239,190	\$ -	\$ -
District court	653,724	-	-	-
Public safety	35,174,683	4,827,400	91,349	2,902,006
Public works	11,201,658	1,451,912	5,671,287	-
Community and economic development	1,033,451	-	1,520,544	-
Recreation and culture	3,187,824	353,696	-	231,205
Interest on long-term debt	96,234	-	-	-
Total governmental activities	62,711,419	6,872,198	7,283,180	3,133,211
Business-type activities - Water and sewer	21,031,472	23,005,667	-	-
Total primary government	<b>\$ 83,742,891</b>	<b>\$ 29,877,865</b>	<b>\$ 7,283,180</b>	<b>\$ 3,133,211</b>
Component units:				
Tax Increment Financing Authority	\$ 1,323,751	\$ -	\$ 193,830	\$ -
Brownfield Redevelopment Authority	27,546	-	-	-
Total component units	<b>\$ 1,351,297</b>	<b>\$ -</b>	<b>\$ 193,830</b>	<b>\$ -</b>
General revenue:				
State-shared revenue				
Unrestricted state-shared revenue				
Unrestricted investment income				
Cable franchise fees				
Gain on disposal of capital assets				
Other miscellaneous income				
Total general revenue				
<b>Change in Net Position</b>				
<b>Net Position - Beginning of year</b>				
<b>Net Position - End of year</b>				

## Statement of Activities

**Year Ended June 30, 2020**

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (11,124,655)	\$ -	\$ (11,124,655)	\$ -
(653,724)	-	(653,724)	-
(27,353,928)	-	(27,353,928)	-
(4,078,459)	-	(4,078,459)	-
487,093	-	487,093	-
(2,602,923)	-	(2,602,923)	-
(96,234)	-	(96,234)	-
(45,422,830)	-	(45,422,830)	-
-	1,974,195	1,974,195	-
(45,422,830)	1,974,195	(43,448,635)	-
-	-	-	(1,129,921)
-	-	-	(27,546)
-	-	-	(1,157,467)
29,139,073	1,080,686	30,219,759	2,202,475
6,158,203	-	6,158,203	-
407,406	12,910	420,316	66,070
747,696	-	747,696	-
-	17,183	17,183	-
912,689	-	912,689	30,970
37,365,067	1,110,779	38,475,846	2,299,515
(8,057,763)	3,084,974	(4,972,789)	1,142,048
(131,802,126)	88,586,113	(43,216,013)	6,918,714
<b><u>\$ (139,859,889)</u></b>	<b><u>\$ 91,671,087</u></b>	<b><u>\$ (48,188,802)</u></b>	<b><u>\$ 8,060,762</u></b>

# City of Dearborn Heights, Michigan

## Governmental Funds Balance Sheet

June 30, 2020

	Corporate Fund	Nonmajor Governmental Funds	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 5,046,642	\$ 7,448,659	\$ 12,495,301
Receivables:			
Property taxes receivable	8,951	-	8,951
Other receivables	1,175,924	130,573	1,306,497
Due from other governmental units	736,607	773,593	1,510,200
Due from fiduciary funds	3,869,990	-	3,869,990
Due from component units (Note 5)	234	-	234
Due from other funds (Note 5)	846,275	253,333	1,099,608
Restricted assets	-	37,682	37,682
Other assets	497,756	10,561	508,317
	<u>\$ 12,182,379</u>	<u>\$ 8,654,401</u>	<u>\$ 20,836,780</u>
Total assets			
<b>Liabilities</b>			
Accounts payable	\$ 782,157	\$ 776,640	\$ 1,558,797
Due to other governmental units	5,000	-	5,000
Due to component units (Note 5)	31	-	31
Due to other funds (Note 5)	215,198	375,608	590,806
Accrued liabilities and other	630,679	44,364	675,043
Unearned revenue	-	131,790	131,790
	<u>1,633,065</u>	<u>1,328,402</u>	<u>2,961,467</u>
Total liabilities			
<b>Deferred Inflows of Resources</b> - Unavailable revenue	38,410	-	38,410
<b>Fund Balances</b>			
Nonspendable - MMRMA deposits	203,246	-	203,246
Restricted:			
Roads	-	3,122,406	3,122,406
Cable PEG fees	1,117,349	-	1,117,349
Transportation - SMART	346,819	-	346,819
Drug enforcement	-	814,180	814,180
Grants	-	164,361	164,361
Sanitation levy	1,244,838	-	1,244,838
Act 345 levy	525,887	-	525,887
Housing Commission	-	6,526	6,526
Traffic immobilization	-	126,904	126,904
Library	-	3,001,620	3,001,620
Capital projects	-	37,682	37,682
Construction Code fees	22,634	-	22,634
Committed - Building authority	-	52,320	52,320
Assigned - General government retiree health care	2,000,000	-	2,000,000
Unassigned	5,050,131	-	5,050,131
	<u>10,510,904</u>	<u>7,325,999</u>	<u>17,836,903</u>
Total fund balances			
	<u>\$ 12,182,379</u>	<u>\$ 8,654,401</u>	<u>\$ 20,836,780</u>
Total liabilities and fund balances			

**Governmental Funds**

**Reconciliation of the Balance Sheet to the Statement of Net Position**

**June 30, 2020**

<b>Fund Balances Reported in Governmental Funds</b>	<b>\$ 17,836,903</b>
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	86,458,978
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	38,410
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(9,196,741)
Accrued interest is not due and payable in the current period and is not reported in the funds	(46,969)
Some employee fringe benefits 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:	
Employee compensated absences	(7,845,998)
Pension benefits	(69,474,503)
Retiree health care benefits	(158,703,429)
Pension and OPEB-related deferred inflows and outflows are not current financial resources and are not reported in the funds	2,428,813
General and medical insurance liability is not included as a liability of the funds	(972,151)
Workers' compensation liability is not included as a liability of the funds	(383,202)
<b>Net Position of Governmental Activities</b>	<b><u><u>\$ (139,859,889)</u></u></b>

# City of Dearborn Heights, Michigan

## Governmental Funds

### Statement of Revenue, Expenditures, and Changes in Fund Balances

**Year Ended June 30, 2020**

	Corporate Fund	Nonmajor Governmental Funds	Total
<b>Revenue</b>			
Property taxes	\$ 26,921,854	\$ 2,217,219	\$ 29,139,073
Intergovernmental:			
Federal grants	3,209,184	1,227,192	4,436,376
State-shared revenue and grants	6,158,203	5,661,319	11,819,522
Local grants and contributions	-	87,491	87,491
Charges for services	1,666,670	-	1,666,670
Fines and forfeitures	2,660,707	292,280	2,952,987
Licenses and permits	1,423,598	-	1,423,598
Interest income	373,126	127,260	500,386
Other revenue:			
Other miscellaneous income	2,060,480	279,903	2,340,383
Cable revenue	897,240	-	897,240
Total revenue	45,371,062	9,892,664	55,263,726
<b>Expenditures</b>			
Current services:			
General government	11,447,792	94,764	11,542,556
Drug enforcement	-	84,610	84,610
Public safety	27,639,269	-	27,639,269
Public works	4,407,896	6,126,384	10,534,280
Community and economic development	99,583	921,735	1,021,318
Other:			
Library	-	1,859,878	1,859,878
Recreation and culture	946,466	-	946,466
Other capital outlay	-	211,401	211,401
Debt service	697,734	545,294	1,243,028
Total expenditures	45,238,740	9,844,066	55,082,806
<b>Net Change in Fund Balances</b>	132,322	48,598	180,920
<b>Fund Balances - Beginning of year</b>	10,378,582	7,277,401	17,655,983
<b>Fund Balances - End of year</b>	<b>\$ 10,510,904</b>	<b>\$ 7,325,999</b>	<b>\$ 17,836,903</b>

**Governmental Funds**

**Reconciliation of the Statement of Revenue, Expenditures, and Changes in  
Fund Balances to the Statement of Activities**

**Year Ended June 30, 2020**

<b>Net Change in Fund Balances Reported in Governmental Funds</b>	\$ 180,920
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	6,837,661
Depreciation expense	<u>(6,453,168)</u>
Total	384,493
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	(8,229,577)
Repayment of bond principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt)	941,500
Revenue is recorded in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end	(447,620)
Change in estimated workers' compensation liability is recorded in the statement of activities	(206,480)
Change 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	(685,906)
Change in estimated general and medical liability claims is recorded in the statement of activities	2,162
Interest expense is recognized in the government-wide statements as it accrues	<u>2,745</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u><u>\$ (8,057,763)</u></u></b>

Proprietary Funds  
Statement of Net Position

June 30, 2020

	<u>Enterprise - Water and Sewer Fund</u>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents (Note 3)	\$ 13,708,112
Receivables:	
Customers	8,056,316
Other receivables	603,080
Inventory	380,718
Prepaid expenses	133,220
	<hr/>
Total current assets	22,881,446
Noncurrent assets:	
Restricted assets	3,142,007
Capital assets (Note 4)	95,358,322
	<hr/>
Total noncurrent assets	98,500,329
	<hr/>
Total assets	121,381,775
<b>Deferred Outflows of Resources</b>	
Pensions (Note 8)	869,267
Deferred OPEB costs (Note 9)	4,622,163
	<hr/>
Total deferred outflows of resources	5,491,430
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	4,083,010
Due to other governmental units	574
Due to other funds (Note 5)	508,802
Refundable deposits, bonds, etc.	217,675
Accrued liabilities and other	180,957
Compensated absences (Note 6)	74,774
Provision for general and medical claims (Note 7)	228,158
Current portion of long-term debt (Note 6)	1,900,328
	<hr/>
Total current liabilities	7,194,278
Noncurrent liabilities:	
Compensated absences (Note 6)	299,096
Provision for general and medical claims (Note 7)	127,243
Workers' compensation (Note 7)	13,412
Net pension liability (Note 8)	3,624,853
Total OPEB liability (Note 9)	11,221,971
Long-term debt (Note 6)	9,926,614
	<hr/>
Total noncurrent liabilities	25,213,189
	<hr/>
Total liabilities	32,407,467
<b>Deferred Inflows of Resources</b>	
Pension (Note 8)	129,853
OPEB (Note 9)	2,664,798
	<hr/>
Total deferred inflows of resources	2,794,651
<b>Net Position</b>	
Net investment in capital assets	83,531,380
Restricted:	
Debt service	3,142,007
Special levy	3,868,533
Unrestricted	1,129,167
	<hr/>
Total net position	<u><u>\$ 91,671,087</u></u>

**Proprietary Funds**  
**Statement of Revenue, Expenses, and Changes in Net Position**

**Year Ended June 30, 2020**

	Enterprise - Water and Sewer Fund
<b>Operating Revenue</b>	
Water and sewer services	\$ 21,288,396
Other operating revenue	1,407,101
Total operating revenue	22,695,497
<b>Operating Expenses</b>	
Water and sewage disposal charges	10,164,992
Transmission and distribution expense	853,511
Billing and administrative costs	5,233,465
Other operating expenses	1,576,915
Depreciation	3,129,203
Total operating expenses	20,958,086
<b>Operating Income</b>	1,737,411
<b>Nonoperating Revenue (Expense)</b>	
Property tax revenue	1,080,686
Interest earned on investments	12,910
Interest expense	(72,249)
Other nonoperating expenses	(1,137)
Gain on disposal of capital assets	17,183
Nonoperating grant revenue	310,170
Total nonoperating revenue	1,347,563
<b>Change in Net Position</b>	3,084,974
<b>Net Position - Beginning of year</b>	88,586,113
<b>Net Position - End of year</b>	<b>\$ 91,671,087</b>

Proprietary Funds  
Statement of Cash Flows

Year Ended June 30, 2020

	<u>Enterprise - Water and Sewer Fund</u>
<b>Cash Flows from Operating Activities</b>	
Receipts from customers	\$ 22,310,484
Internal activity - Receipts from other funds	507,754
Payments to suppliers	(11,251,149)
Payments to employees	(3,454,275)
Claims	(445,752)
Other receipts	27,048
	<u>7,694,110</u>
Net cash provided by operating activities	7,694,110
<b>Cash Flows from Capital and Related Financing Activities</b>	
Proceeds from sale of capital assets	16,046
Proceeds from property tax levy (restricted for debt service)	1,080,686
Purchase of capital assets (direct purchases by the City)	(2,523,174)
Principal and interest paid on long-term debt (direct payments by the City)	(862,021)
Distributions to the county related to special tax levy collections (restricted for debt service)	(1,080,686)
	<u>(3,369,149)</u>
Net cash used in capital and related financing activities	(3,369,149)
<b>Cash Flows Provided by Investing Activities</b> - Unrestricted interest received (directly by the City) on investments held by the City	<u>12,910</u>
<b>Net Increase in Cash and Cash Equivalents</b>	4,337,871
<b>Cash and Cash Equivalents</b> - Beginning of year	<u>9,370,241</u>
<b>Cash and Cash Equivalents</b> - End of year	<u><u>\$ 13,708,112</u></u>
<b>Reconciliation of Operating Income to Net Cash from Operating Activities</b>	
Operating income	\$ 1,737,411
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation	3,129,203
Changes in assets and liabilities:	
Receivables	(359,102)
Due to and from other funds	507,754
Inventory	54,125
Prepaid expenses	(100,679)
Accrued liabilities and other	1,157,148
Accounts payable and refundable deposits	1,698,230
Estimated claims liability	(129,980)
	<u>7,694,110</u>
Net cash provided by operating activities	<u><u>\$ 7,694,110</u></u>

**Noncash Investing, Capital, and Financing Activities** - During the year ended June 30, 2020, Wayne County, Michigan used \$1,305,219 of deposits held on behalf of the City to retire debt and pay interest costs. Interest income totaling \$2,337 was earned on funds held at Wayne County, Michigan. See Note 1 - Downriver Sewage Disposal System for additional information.

**City of Dearborn Heights, Michigan**

**Fiduciary Funds  
Statement of Fiduciary Net Position**

**June 30, 2020**

	Pension and Other Employee Benefits	Agency Funds
<b>Assets</b>		
Cash and cash equivalents (Note 3)	\$ 4,440,301	\$ 538,815
Investments: (Note 3)		
U.S. government securities	2,506,035	-
Common stock	62,628,026	-
Bonds	4,163,039	-
Real estate	1,450,686	-
Mutual funds	140,985,923	-
Receivables - Other receivables	1,461,936	75,436
Total assets	217,635,946	<b>\$ 614,251</b>
<b>Liabilities</b>		
Accounts payable	105,139	\$ 1,621
Due to other governmental units	-	175,387
Due to primary government	3,977,479	-
Accrued liabilities and other	-	437,243
Collateral for securities lending (Note 3)	4,535,778	-
Total liabilities	8,618,396	<b>\$ 614,251</b>
<b>Net Position Restricted for Pension and Other Employee Benefits</b>	<b>\$ 209,017,550</b>	

Fiduciary Funds  
Statement of Changes in Fiduciary Net Position  
Pension and Other Employee Benefits

Year Ended June 30, 2020

**Additions**

Investment income (loss):	
Interest and dividends	\$ 6,763,437
Net decrease in fair value of investments	(7,202,223)
Investment-related expenses	<u>(452,562)</u>
Net investment loss	(891,348)
Contributions:	
Employer	11,086,290
Employee	<u>633,035</u>
Total contributions	<u>11,719,325</u>
Total additions	10,827,977

**Deductions**

Benefit payments	22,114,761
Administrative expenses	<u>66,186</u>
Total deductions	<u>22,180,947</u>

**Net Decrease in Net Position Restricted for Pension and Other Employee Benefits** (11,352,970)

**Net Position Restricted for Pension and Other Employee Benefits - Beginning of year** 220,370,520

**Net Position Restricted for Pension and Other Employee Benefits - End of year** \$ 209,017,550

# City of Dearborn Heights, Michigan

## Component Units Statement of Net Position

June 30, 2020

	Tax Increment Financing Authority	Brownfield Redevelopment Authority	Economic Development Corporation	Total
<b>Assets</b>				
Cash and cash equivalents (Note 3)	\$ 3,925,553	\$ 265,295	\$ -	\$ 4,190,848
Due from primary government (Note 5)	-	31	-	31
Capital assets: (Note 4)				
Assets not subject to depreciation	2,771,156	-	-	2,771,156
Assets subject to depreciation - Net	12,898,608	-	-	12,898,608
Other assets	182	-	790	972
<b>Total assets</b>	<b>19,595,499</b>	<b>265,326</b>	<b>790</b>	<b>19,861,615</b>
<b>Deferred Outflows of Resources</b> - Bond refunding loss being amortized				
	55,205	-	-	55,205
<b>Liabilities</b>				
Accounts payable	5,859	604	-	6,463
Due to primary government (Note 5)	234	-	-	234
Accrued liabilities and other	64,361	-	-	64,361
Noncurrent liabilities: (Note 6)				
Due within one year - Current portion of long-term debt	965,000	-	-	965,000
Due in more than one year - Long-term debt	10,820,000	-	-	10,820,000
<b>Total liabilities</b>	<b>11,855,454</b>	<b>604</b>	<b>-</b>	<b>11,856,058</b>
<b>Net Position</b>				
Net investment in capital assets	3,939,969	-	-	3,939,969
Unrestricted	3,855,281	264,722	790	4,120,793
<b>Total net position</b>	<b>\$ 7,795,250</b>	<b>\$ 264,722</b>	<b>\$ 790</b>	<b>\$ 8,060,762</b>

**City of Dearborn Heights, Michigan**

**Component Units  
Statement of Activities**

**Year Ended June 30, 2020**

	Expenses	Program Revenue	Net (Expense) Revenue and Changes in Net Position			
		Operating Grants and Contributions	Tax Increment Financing Authority	Brownfield Redevelopment Authority	Economic Development Corporation	Total
<b>Functions/Programs</b>						
Tax Increment Financing Authority	\$ 1,323,751	\$ 193,830	\$ (1,129,921)	\$ -	\$ -	\$ (1,129,921)
Brownfield Redevelopment Authority	27,546	-	-	(27,546)	-	(27,546)
Economic Development Corporation	-	-	-	-	-	-
<b>Total component units</b>	<b>\$ 1,351,297</b>	<b>\$ 193,830</b>	(1,129,921)	(27,546)	-	(1,157,467)
General revenue:						
Property taxes			2,202,475	-	-	2,202,475
Unrestricted investment income			66,070	-	-	66,070
Other miscellaneous income			-	30,970	-	30,970
<b>Total general revenue</b>			<b>2,268,545</b>	<b>30,970</b>	<b>-</b>	<b>2,299,515</b>
<b>Change in Net Position</b>			1,138,624	3,424	-	1,142,048
<b>Net Position - Beginning of year</b>			6,656,626	261,298	790	6,918,714
<b>Net Position - End of year</b>			<b>\$ 7,795,250</b>	<b>\$ 264,722</b>	<b>\$ 790</b>	<b>\$ 8,060,762</b>

**Note 1 - 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:

***Report 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 legally 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 (the "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:

***Tax Increment Finance Authority***

The Tax Increment Finance Authority (the "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, MI 48125.

***Brownfield Redevelopment Authority***

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 composed 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.

***Economic Development Corporation***

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.

**Note 1 - Significant Accounting Policies (Continued)**

**Jointly Governed Organizations**

*Central Wayne County Sanitation Authority*

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 \$787,000 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 Sanitation Authority. Complete financial statements for the Sanitation Authority can be obtained from the administrative offices at 3850 Second Street, Wayne, MI 48184.

*Downriver Sewage Disposal System*

The City, along with 12 other communities, jointly participates in the Downriver Sewage Disposal System (the "System"). On September 27, 2018, the System transferred from the County of Wayne, Michigan (the "County") to the Downriver Utility Wastewater Authority (DUWA). DUWA is a consortium formed in 2010 under Public Act 233 of 1955 to acquire and operate the sewer system. The same 12 communities that originally jointly participated in the System are now the members of DUWA and are effectively owners of the System.

The City's share of capital assets, restricted assets (for debt service), and related debt is recorded in the Water and Sewer Fund. During the year, the City accrued approximately \$5.1 million for operations of the system and paid \$500,000 for debt service. The City is not aware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Financial statements for the joint venture can be obtained from the administrative offices at 25605 Northline Road, Taylor, MI 48180.

***Accounting and Reporting Principles***

The City follows accounting principles generally accepted in the United States of America applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board. The following is a summary of the significant accounting policies used by the City:

***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, as applicable. 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.

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, unrestricted intergovernmental receipts, and other items not properly included among program revenue are reported instead as general revenue.

**Note 1 - Significant Accounting Policies (Continued)**

As a general rule, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions to this general rule occur when there are charges between the City's water and sewer function and various other functions. 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, if any, 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 City 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 health care-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 typically 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 will be collected after the period of availability; receivables have been recorded for these, along with a deferred inflow.

Proprietary funds and fiduciary funds, as applicable, 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.

***Fund Accounting***

The City accounts for its various activities in several different funds in order to demonstrate accountability for how it spends certain resources; separate funds allow the City to show the particular expenditures for which specific revenue is used. The various funds are aggregated into three broad fund types:

**Governmental Funds**

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

- The Corporate Fund is the primary operating fund. It accounts for all financial resources used to provide government services other than those specifically assigned to another fund.

**Proprietary Funds**

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 provides water to customers and disposes of sanitary sewage in exchange for quarterly user charges.

**Note 1 - Significant Accounting Policies (Continued)**

**Fiduciary Funds**

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

- The pension trust funds account for the activities of the Police and Fire Retirement System and General Government Employees' Retirement System, which accumulate resources for pension benefit payments to qualified employees.
- The OPEB trust funds account for the activities of the Police and Fire and General Government Employees' retiree health care plans, which accumulate resources for health care 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 City 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. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Furthermore, 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. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type 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.

**Note 1 - Significant Accounting Policies (Continued)**

Approximately \$12,500,000, or 6.00 percent, of the pension plan's investments that are subject to fair market valuation as of June 30, 2020 are not publicly traded and, therefore, do not always have readily determinable market values. 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. 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, when applicable.

**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. In the Water and Sewer Fund, restricted assets relate to reserves held at Downriver Utility Wastewater Authority, a joint venture of the City, and EPA tax levy funds held with the County. Within the capital projects governmental fund, restricted assets relate to unspent bond proceeds from a prior year's issuance.

**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 acquisition value at the date of donation.

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

Capital Asset Class	Depreciable Life - Years
Roads, sidewalks, and street signs	10-20
Water systems	50-75
Sewer systems	40-50
Buildings and building improvements	50
Machinery, furniture, equipment, and vehicles	5-15
Library books	3

**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 and premiums as other financing sources and bond discounts as other financing uses. The Corporate Fund and debt service funds are generally used to liquidate governmental long-term debt.

**Note 1 - 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. The government reports deferred outflows related to the other postemployment benefit plans. See Note 9 for details. 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 reports deferred inflows related to pensions and OPEB for the difference between projected and actual experiences and changes in assumptions. The Corporate Fund also has recognized a deferred inflow for revenue that has not been received within 60 days of year end.

**Net Position Flow Assumption**

The City will sometimes fund outlays for a particular purpose from both restricted 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 (as applicable), a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**Fund Balance Flow Assumptions**

The City will sometimes 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 City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, 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.

**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 City 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 City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City 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.

**Note 1 - Significant Accounting Policies (Continued)**

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 City 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 2019 property tax revenue was levied and collectible on July 1, 2019 and is recognized as revenue in the year ended June 30, 2020 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2019 adjusted taxable valuation of the City approximated \$1.294 billion, a portion of which is captured by the TIFA, on which taxes levied consisted of 8.2285 mills for operating purposes, 1.9360 mills for public safety expenditures, 0.9680 mills for solid waste expenditures, 7.6360 mills for Act 345 contributions, 2.1601 mills for sanitation expenditures, 1.8088 mills for library operations and debt service, and 0.8725 mills for EPA debt service. This resulted in approximately \$10,640,000 for operating expenditures, \$2,505,000 for public safety expenditures, \$1,252,000 for solid waste expenditures, \$9,872,000 for Act 345 contributions (used for pension and retiree health care and other benefits), \$2,792,000 for sanitation expenditures, \$2,339,000 for library operations and debt service, and \$1,128,000 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**

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

**Other Postemployment Benefit Costs**

The City offers retiree health care benefits to retirees. The City records the total OPEB liability calculated by the actuary. For the purpose of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position has been determined on the same basis as it is reported by the OPEB plans. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

The net pension liability and total OPEB liability 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.

**Note 1 - 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. Sick pay is accrued for the estimated amount that the City will pay upon employment termination; vacation pay is accrued when incurred. Both of these are reported in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. Generally, the funds that report each employee's compensation are used to liquidate the obligations.

**Proprietary Funds 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 proprietary funds is charges to customers for sales or services. Operating expenses for these funds include the cost of sales or services and administrative expenses and may include 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.

**Upcoming Accounting Pronouncements**

In January 2017, the Governmental Accounting Standards Board issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement were originally effective for the City's financial statements for the year ending June 30, 2020 but were extended to June 30, 2021 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

In June 2017, the Governmental Accounting Standards Board issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement were originally effective for the City's financial statements for the year ending June 30, 2021 but were extended to June 30, 2022 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

**Note 1 - Significant Accounting Policies (Continued)**

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which simplifies accounting for interest cost incurred before the end of construction and requires those costs to be expensed in the period incurred. As a result, interest cost incurred before the end of a construction period will not be capitalized and included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement also reiterates that, in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of the standard will be applied prospectively and result in increased interest expense during periods of construction. The provisions of this statement were originally effective for the City's financial statements for the June 30, 2021 fiscal year but were extended to June 30, 2022 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. This statement addresses eight unrelated practice issues and technical inconsistencies in authoritative literature. The standard addresses leases, intraentity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The standard has various effective dates. The City does not believe this pronouncement will have a significant impact on its financial statements but is still making a full evaluation.

In June 2020, the Governmental Accounting Standards Board issued GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. While this standard had certain aspects impacting defined contribution pension and OPEB plans and other employee benefit plans that were effective immediately, it also clarifies when a 457 should be considered a pension plan or an other employee benefit plan to assist in the application of GASB Statement No. 84 to these types of plans. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement related to 457 plans are effective for the City's financial statements for the year ending June 30, 2022.

**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, 2019 has not been calculated.

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.

June 30, 2020

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

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.

**Excess of Expenditures Over Appropriations in Budgeted Funds**

The City adopts the budget based on a total revenue and total expenditure basis. The Corporate Fund had budget over runs in the legislative department, elections, corporation counsel, sanitation, and debt service categories as of June 30, 2020.

**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 on 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:

Cumulative surplus at July 1, 2019		\$	82,435
Current year permit revenue			764,665
Related expenses:			
Direct costs	\$	659,573	
Estimated indirect costs		164,893	824,466
			<u>          </u>
Current year shortfall			<u>(59,801)</u>
Cumulative surplus June 30, 2020		\$	<u>22,634</u>

**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 law also allows investments outside the state of Michigan when fully insured. 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 that matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that 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.

**Note 3 - Deposits and Investments (Continued)**

The pension and OPEB 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. At June 30, 2020, the pension trust funds were in compliance with the investment portfolio composition requirements under Michigan Public Act 347 of 2012.

The City has designated three 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 bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority, as listed above. The City's deposits and investments 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 Retirement 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 U.S. equities 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, 2020, only United States currency was received as collateral.

The Police and Fire Retirement 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.

The Police and Fire Retirement 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 Police and Fire Retirement System as of June 30, 2020 were \$4,535,778 and \$4,478,798, 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 \$9,746,757 of bank deposits (certificates of deposit and checking and savings accounts), of which \$8,399,062 was uninsured and uncollateralized. Of the total bank deposits, \$291,696 relates to component unit 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.

June 30, 2020

**Note 3 - Deposits and Investments (Continued)**

**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
Pooled investment	\$ 8,535	\$ 8,535	\$ -	\$ -	\$ -
Corporate asset-backed securities (pension)	510	-	494	-	16
Corporate bonds (pension)	3,654	121	1,638	1,115	780
U.S. government mortgage-backed securities (pension)	375	-	7	4	364
U.S. government treasuries, notes, and bonds (pension)	2,131	-	222	897	1,012
Collateral pool	4,479	4,479	-	-	-
Commercial paper	8,589	8,589	-	-	-
<b>Total</b>	<b>\$ 28,273</b>	<b>\$ 21,724</b>	<b>\$ 2,361</b>	<b>\$ 2,016</b>	<b>\$ 2,172</b>

**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
<b>Primary Government</b>			
Pooled investments	\$ 8,535	A1	Moody's
Corporate asset-backed securities (pension)	275	AAA	Moody's
Corporate asset-backed securities (pension)	235	Not Rated	
Corporate bonds (pension)	347	AAA	Moody's
Corporate bonds (pension)	845	AA	Moody's
Corporate bonds (pension)	2,308	A	Moody's
Corporate bonds (pension)	154	BBB	Moody's
U.S. government mortgage-backed securities (pension)	375	Not Rated	
U.S. government treasuries, notes, and bonds (pension)	1,987	AAA	Moody's
U.S. government treasuries, notes, and bonds (pension)	144	Not Rated	
Collateral pool	4,479	A1	S&P
Commercial paper	8,589	A1	Moody's
<b>Total</b>	<b>\$ 28,273</b>		

At year end, the City's component units had \$626,332 held in an investment pool with a credit rating by Moody's of A1. The component units also have commercial paper totaling approximately \$3,296,235 with a credit rating of A1 and A2 (also rated by Moody's). All investments held by the component units have maturities of less than a year.

June 30, 2020

**Note 4 - Capital Assets**

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

**Governmental Activities**

	Balance July 1, 2019	Additions	Disposals and Adjustments	Balance June 30, 2020
Capital assets not being depreciated - Land	\$ 8,206,395	\$ 6,283	\$ -	\$ 8,212,678
Capital assets being depreciated:				
Roads, sidewalks, and street signs	112,628,785	5,124,856	-	117,753,641
Buildings and improvements	26,805,222	134,441	-	26,939,663
Machinery, equipment, and vehicles	11,661,889	1,572,081	-	13,233,970
Library books	2,804,642	-	-	2,804,642
Subtotal	153,900,538	6,831,378	-	160,731,916
Accumulated depreciation:				
Roads, sidewalks, and street signs	56,942,477	4,392,178	-	61,334,655
Buildings and improvements	10,437,058	528,165	-	10,965,223
Machinery, equipment, and vehicles	5,909,324	1,518,248	-	7,427,572
Library books	2,743,589	14,577	-	2,758,166
Subtotal	76,032,448	6,453,168	-	82,485,616
Net capital assets being depreciated	77,868,090	378,210	-	78,246,300
Net capital assets	\$ 86,074,485	\$ 384,493	\$ -	\$ 86,458,978

June 30, 2020

**Note 4 - Capital Assets (Continued)**

***Business-type Activities***

	Balance July 1, 2019	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2020
Capital assets not being depreciated:					
Land	\$ 451,171	\$ -	\$ -	\$ -	\$ 451,171
Downriver Utility Wastewater Authority - Flow right asset	2,619,480	(2,619,480)	-	-	-
Subtotal	3,070,651	(2,619,480)	-	-	451,171
Capital assets being depreciated:					
Flow right asset	-	2,619,480	-	-	2,619,480
Water system	34,421,029	-	1,639,071	(144,261)	35,915,839
Sewer system	111,737,776	-	630,883	(63,038)	112,305,621
Buildings and improvements	838,720	-	-	-	838,720
Equipment, vehicles, furniture, and fixtures	8,708,868	-	255,823	(103,695)	8,860,996
Subtotal	155,706,393	2,619,480	2,525,777	(310,994)	160,540,656
Accumulated depreciation:					
Flow right asset	-	-	62,885	-	62,885
Water system	12,374,963	-	645,314	(144,261)	12,876,016
Sewer system	42,231,289	-	2,160,050	(63,038)	44,328,301
Buildings and improvements	523,594	-	13,347	-	536,941
Equipment, vehicles, furniture, and fixtures	7,685,450	-	247,607	(103,695)	7,829,362
Subtotal	62,815,296	-	3,129,203	(310,994)	65,633,505
Net capital assets being depreciated	92,891,097	2,619,480	(603,426)	-	94,907,151
Net capital assets	\$ 95,961,748	\$ -	\$ (603,426)	\$ -	\$ 95,358,322

June 30, 2020

**Note 4 - Capital Assets (Continued)**

Capital asset activity for the City's component units was as follows:

**Component Units**

	Balance July 1, 2019	Additions	Disposals	Balance June 30, 2020
Capital assets not being depreciated - Land	\$ 2,769,084	\$ 2,072	\$ -	\$ 2,771,156
Capital assets being depreciated:				
Roads and sidewalks	5,000,000	-	-	5,000,000
Buildings and improvements	22,063,424	-	-	22,063,424
Subtotal	27,063,424	-	-	27,063,424
Accumulated depreciation:				
Roads and sidewalks	5,000,000	-	-	5,000,000
Buildings and improvements	8,688,278	476,538	-	9,164,816
Subtotal	13,688,278	476,538	-	14,164,816
Net capital assets being depreciated	13,375,146	(476,538)	-	12,898,608
Net capital assets	\$ 16,144,230	\$ (474,466)	\$ -	\$ 15,669,764

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

Governmental activities:	
General government	\$ 542,744
Public safety	1,518,248
Public works	4,392,176
Total governmental activities	\$ 6,453,168
Business-type activities - Water and sewer	\$ 3,129,203
Component unit activities - TIFA	\$ 476,538

**Construction Commitments**

The City has various active construction projects 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:

	Contract Total	Spent to Date	Remaining Commitment
Water main replacement program	\$ 4,202,099	\$ 3,323,464	\$ 870,449
Street repair program	8,673,454	6,120,868	2,540,607
Total	\$ 12,875,553	\$ 9,444,332	\$ 3,411,056

June 30, 2020

**Note 5 - Interfund Receivables, Payables, and Transfers**

The composition of interfund balances is as follows:

***Due to/from Other Funds***

Receivable Fund	Payable Fund	Amount
Corporate Fund	Community Development Block Grant Fund	\$ 156,492
	Major Streets Fund	63,158
	Local Streets Fund	114,618
	Miscellaneous Grants Fund	41,237
	Water and Sewer Fund	470,770
	Total Corporate Fund	846,275
Other nonmajor governmental funds	Corporate Fund	215,198
	Water and Sewer Fund	38,032
	Community Development Block Grant Fund	103
	Total other nonmajor governmental funds	253,333
	Total	<u>\$ 1,099,608</u>
Receivable	Payable	Amount
Brownfield Redevelopment Authority	Corporate Fund	\$ 31
Corporate Fund	Tax Increment Financing Authority	234

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.

***Transactions between the Primary Government and Component Units***

The Building Authority nonmajor special revenue fund contributed \$193,830 to the TIFA component unit for current year debt service payments. The TIFA component unit contributed \$231,205 to the Library nonmajor special revenue fund for current year debt service payments. The Major Streets Fund transferred \$1.3 million to the Local Streets Fund for road projects.

June 30, 2020

**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.

**Governmental Activities**

	Interest Rate Ranges	Matures	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:							
Direct borrowings and direct placements:							
Act 99 - Phone and copier system	2.53%	2023	\$ 147,719	\$ -	\$ (29,500)	\$ 118,219	\$ 29,500
Act 99 - Ambulance purchase	-	-	90,000	-	(90,000)	-	-
Act 99 - Trash and recycling containers	2.25%	2026	1,625,126	-	(188,000)	1,437,126	192,000
Act 99 - Fire truck	3.37%	2023	620,396	-	(124,000)	496,396	124,000
Total direct borrowings and direct placements principal outstanding			2,483,241	-	(431,500)	2,051,741	345,500
Other debt:							
Building Authority Refunding Bonds	2.00% - 3.00%	2028	1,685,000	-	(170,000)	1,515,000	175,000
Library bonds	2.00% - 4.00%	2033	5,970,000	-	(340,000)	5,630,000	350,000
Total other debt principal outstanding			7,655,000	-	(510,000)	7,145,000	525,000
Total bonds and contracts payable			10,138,241	-	(941,500)	9,196,741	870,500
Accumulated compensated absences			7,160,092	3,478,342	(2,792,436)	7,845,998	3,059,939
Total governmental activities long-term debt			<u>\$ 17,298,333</u>	<u>\$ 3,478,342</u>	<u>\$ (3,733,936)</u>	<u>\$ 17,042,739</u>	<u>\$ 3,930,439</u>

June 30, 2020

**Note 6 - Long-term Debt (Continued)**

**Business-type Activities**

	Interest Rate Ranges	Matures	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable -							
Direct borrowings and direct placements:							
Street sweeper	2.70% - 2.25%	2023	\$ 489,066	\$ -	\$ (95,179)	\$ 393,887	\$ 96,500
State revolving loan funds	6.60%	2033	1,793,638	-	(897,722)	895,916	887,783
State revolving loan funds	2.25%	2032	2,607,402	-	(200,089)	2,407,313	240,075
State revolving loan funds	2.50%	2029	210,368	-	(15,000)	195,368	15,000
State revolving loan funds	2.50%	2032	1,712,996	-	(90,000)	1,622,996	95,000
Downriver Sewage							
Disposal Completion Bonds	4.50% - 5.125%	2029	930,531	-	(84,124)	846,407	88,251
Ecorse Creek pollution - Level 2	2.50%	2030	1,602,796	-	(127,571)	1,475,225	131,115
Ecorse Creek pollution - Level 1	N/A	2022	446,643	-	-	446,643	148,881
Upper Rouge Installment Debt	-	-	34,268	-	(34,268)	-	-
Ecorse Creek pollution - Drain No. 1							
Improvement Bonds	1.75% - 5.25%	2023	1,042,189	-	(188,607)	853,582	197,723
DUWA Senior Lien	5.00%	2023	2,567,963	-	(38,658)	2,529,305	-
DUWA Junior Lien	5.00%	2037	162,750	-	(2,450)	160,300	-
Total direct borrowings and direct placements principal outstanding			13,600,610	-	(1,773,668)	11,826,942	1,900,328
Accumulated compensated absences			317,809	119,623	(63,562)	373,870	74,774
Total business-type activities long-term debt			<u>\$ 13,918,419</u>	<u>\$ 119,623</u>	<u>\$ (1,837,230)</u>	<u>\$ 12,200,812</u>	<u>\$ 1,975,102</u>

**Component Unit**

	Interest Rate Ranges	Matures	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable -							
Other debt - 2016 Tax Increment Development Refunding Bonds							
	2.00% - 2.63%	2031	\$ 12,730,000	\$ -	\$ (945,000)	\$ 11,785,000	\$ 965,000

**Note 6 - Long-term Debt (Continued)**

**Debt Service Requirements to Maturity**

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

Years Ending June 30	Governmental Activities				
	Direct Borrowings and Direct Placements		Other Debt		Total
	Principal	Interest	Principal	Interest	
2021	\$ 345,500	\$ 47,432	\$ 525,000	\$ 234,944	\$ 1,152,876
2022	349,500	38,142	540,000	223,519	1,151,161
2023	354,500	28,751	560,000	209,069	1,152,320
2024	359,115	19,249	570,000	194,219	1,142,583
2025	210,000	12,108	590,000	176,425	988,533
2026-2030	433,126	9,803	2,815,000	584,263	3,842,192
2031-2035	-	-	1,545,000	123,350	1,668,350
2036-2040	-	-	-	-	-
Thereafter	-	-	-	-	-
<b>Total</b>	<b>\$ 2,051,741</b>	<b>\$ 155,485</b>	<b>\$ 7,145,000</b>	<b>\$ 1,745,789</b>	<b>\$ 11,098,015</b>

Years Ending June 30	Business-type Activities				
	Direct Borrowings and Direct Placements		Other Debt		Total
	Principal	Interest	Principal	Interest	
2021	\$ 1,900,328	\$ 347,746	\$ -	\$ -	\$ 2,248,074
2022	1,039,539	302,434	-	-	1,341,973
2023	1,241,541	278,504	-	-	1,520,045
2024	951,042	254,038	-	-	1,205,080
2025	644,025	229,808	-	-	873,833
2026-2030	3,231,684	870,999	-	-	4,102,683
2031-2035	1,670,616	481,981	-	-	2,152,597
2036-2040	866,453	240,411	-	-	1,106,864
Thereafter	281,714	42,619	-	-	324,333
<b>Total</b>	<b>\$ 11,826,942</b>	<b>\$ 3,048,540</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 14,875,482</b>

Years Ending June 30	Component Unit Activities				
	Direct Borrowings and Direct Placements		Other Debt		Total
	Principal	Interest	Principal	Interest	
2021	\$ -	\$ -	\$ 965,000	\$ 243,568	\$ 1,208,568
2022	-	-	985,000	224,068	1,209,068
2023	-	-	1,005,000	204,168	1,209,168
2024	-	-	1,025,000	183,868	1,208,868
2025	-	-	1,045,000	163,168	1,208,168
2026-2030	-	-	5,565,000	479,605	6,044,605
2031-2035	-	-	1,195,000	15,684	1,210,684
2036-2040	-	-	-	-	-
Thereafter	-	-	-	-	-
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 11,785,000</b>	<b>\$ 1,514,129</b>	<b>\$ 13,299,129</b>

**Note 6 - Long-term Debt (Continued)**

***Defeased Debt***

In previous 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, 2020, approximately \$20.6 million of bonds outstanding are considered defeased.

**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 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 "Risk 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 Risk Authority that it 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 and those that have not yet been reported. Changes in the estimated liability for the past two fiscal years were as follows:

	General and Medical Liability		Workers' Compensation	
	2020	2019	2020	2019
Estimated liability - Beginning of year	\$ 1,376,170	\$ 1,758,395	\$ 273,658	\$ 284,599
Estimated claims incurred, including changes in estimates	407,175	62,440	323,234	114,320
Claim payments	(455,793)	(444,665)	(200,278)	(125,261)
Estimated liability - End of year	<u>\$ 1,327,552</u>	<u>\$ 1,376,170</u>	<u>\$ 396,614</u>	<u>\$ 273,658</u>

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.

**Note 8 - Pension Plans**

***Plan Description***

The City of Dearborn Heights, Michigan provides a monthly retirement benefit (with alternative lump-sum payment options) to employees who meet the eligibility requirements, including age and years of service. The benefits are provided through the General Government Employees' Retirement System, a single-employer plan administered by the City of Dearborn Heights Pension Board, and the Police and Fire Retirement System, a single-employer plan administered by the City of Dearborn Heights Pension Board.

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

**Note 8 - Pension Plans (Continued)**

Management of the plan is vested in the pension board, which consists of five members elected by plan members and appointed by the City.

***Benefits Provided***

The General Government Employees' Retirement System and the Police and Fire Retirement System provide retirement, disability, and death benefits.

Effective July 1, 2017, police patrol members of the Police and Fire Retirement System may purchase an additional 12 months of service credits at a rate of 24.5 percent of the member's current base pay. This time shall be paid for in accordance with Section 10(D) and shall be at no cost to the City.

Police patrol members in the bargaining unit as October 1, 2017 but before January 1, 2018 included in the DROP program and members who enter the DROP or retire from active employment after July 1, 2018 will receive a guaranteed 13th check payment after being retired for at least five years or five years after entering the DROP program. Police patrol members retired between October 1, 2017 and hired after December 31, 2017 will not have a guaranteed 13th check.

**General Government Employees' Retirement System**

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 nonduty 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 0.5 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 0.5 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 supplemental 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.

**Note 8 - Pension Plans (Continued)**

**Police and Fire Retirement System**

Retirement benefits for police and fire plan members are calculated as 2.8 percent of the member's final 5-year average of highest compensation (in the last 10 years of service) times the member's first 25 years of service, plus 5 percent at 25 years of service, plus 1 to 1.5 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 nonduty disability benefits after 5 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. Nonduty 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 nonduty 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.

**Members Covered by Benefit Terms**

At the June 30, 2020 measurement date, the following members were covered by the benefit terms:

	General Government Employees' Retirement System	Police and Fire Retirement System
Inactive plan members or beneficiaries currently receiving benefits	151	242
Inactive plan members entitled to but not yet receiving benefits	57	27
Active plan members	121	109
	329	378
Total employees covered by the plan	329	378

**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.

June 30, 2020

**Note 8 - Pension Plans (Continued)**

For the year ended June 30, 2020, the City's average contribution rate for general plan members was 21.74 percent of covered payroll. For police and fire members, the average active member contribution rate was 8.08 percent of annual pay, and the City's average contribution rate was 50.87 percent of covered payroll.

**Net Pension Liability**

The components of the net pension liability of the City at June 30, 2020 were as follows:

	General Government Employees' Retirement System	Police and Fire Retirement System	Total
Total pension liability	\$ 56,042,507	\$ 224,542,006	\$ 280,584,513
Plan fiduciary net position	(37,623,537)	(169,861,620)	(207,485,157)
City's net pension liability	<u>\$ 18,418,970</u>	<u>\$ 54,680,386</u>	<u>\$ 73,099,356</u>

The City has chosen to use June 30, 2020 as its measurement date for the net pension liability. The June 30, 2020 reported net pension liability was determined using a measure of the total pension liability and the pension net position as of June 30, 2020. The June 30, 2020 total pension liability reported by the Police and Fire Retirement System was determined by an actuarial valuation performed as of that date. The June 30, 2020 total pension liability reported by the General Government Employees' Retirement System was determined as of June 30, 2019, rolled forward to June 30, 2020.

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

**General Government Employees' Retirement System**

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
<b>Balance at June 30, 2019</b>	\$ 52,804,970	\$ 40,101,140	\$ 12,703,830
Changes for the year:			
Service cost	697,271	-	697,271
Interest	3,594,570	-	3,594,570
Differences between expected and actual experience	2,550,911	-	2,550,911
Contributions - Employer	-	1,204,313	(1,204,313)
Contributions - Employee	-	5,496	(5,496)
Net investment loss	-	(35,520)	35,520
Benefit payments, including refunds	(3,605,215)	(3,605,215)	-
Administrative expenses	-	(46,677)	46,677
Net changes	<u>3,237,537</u>	<u>(2,477,603)</u>	<u>5,715,140</u>
<b>Balance at June 30, 2020</b>	<u>\$ 56,042,507</u>	<u>\$ 37,623,537</u>	<u>\$ 18,418,970</u>

June 30, 2020

**Note 8 - Pension Plans (Continued)**

**Police and Fire Retirement System**

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
<b>Balance at June 30, 2019</b>	\$ 213,368,479	\$ 180,269,380	\$ 33,099,099
Changes for the year:			
Service cost	1,573,588	-	1,573,588
Interest	14,908,010	-	14,908,010
Differences between expected and actual experience	4,781,293	-	4,781,293
Changes in assumptions	3,995,318	-	3,995,318
Contributions - Employer	-	4,064,641	(4,064,641)
Contributions - Employee	-	645,965	(645,965)
Net investment loss	-	(936,617)	936,617
Benefit payments, including refunds	(14,084,682)	(14,084,682)	-
Administrative expenses	-	(59,311)	59,311
Miscellaneous other	-	(37,756)	37,756
Net changes	11,173,527	(10,407,760)	21,581,287
<b>Balance at June 30, 2020</b>	<b>\$ 224,542,006</b>	<b>\$ 169,861,620</b>	<b>\$ 54,680,386</b>

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

For the year ended June 30, 2020, the City recognized pension expense of \$3,368,359 and \$12,294,196 for the General Government Employees' Retirement System and Police and Fire Retirement System, respectively.

At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	General Government Employees' Retirement System		Police and Fire Retirement System		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 2,552,209	\$ -	\$ 5,587,140	\$ -	\$ 8,139,349	\$ -
Changes in assumptions	-	(659,821)	2,935,945	-	2,935,945	(659,821)
Net difference between projected and actual earnings on pension plan investments	1,864,800	-	8,788,424	-	10,653,224	-
<b>Total</b>	<b>\$ 4,417,009</b>	<b>\$ (659,821)</b>	<b>\$ 17,311,509</b>	<b>\$ -</b>	<b>\$ 21,728,518</b>	<b>\$ (659,821)</b>

**Note 8 - Pension Plans (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	General Government Employees' Retirement System	Police and Fire Retirement System	Total
2021	\$ 758,729	\$ 4,076,710	\$ 4,835,439
2022	1,223,384	5,440,353	6,663,737
2023	1,223,785	5,149,650	6,373,435
2024	551,290	2,644,796	3,196,086
Total	\$ 3,757,188	\$ 17,311,509	\$ 21,068,697

**Actuarial Assumptions**

The total pension liability in each actuarial valuation was determined using the following actuarial assumptions. The only change in assumption is the mortality table used in the Police and Fire Retirement System, as the RP-2014 Blue Collar Healthy Annuitant Mortality table was used in the June 2019 valuation.

	General Government Employees' Retirement System	Police and Fire Retirement System
Inflation	3.00%	2.50%
Salary increases (including inflation)	4.25%	3%
Investment rate of return (net of investment expenses)	7.00%	7.00%
Mortality rates	RP-2014 Healthy Annuitant Mortality Table with MP 2017	A version of the Pub-10 tables with generational mortality improvement using scale MP-2019

**Discount Rate**

**General Government Employees' Retirement System**

The discount rate used to measure the total pension liability was 6.96 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.

**Police and Fire Retirement System**

The discount rate used to measure the total pension liability was 7.00 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.

**Note 8 - Pension Plans (Continued)**

*Projected Cash Flows*

**General Government Employees' Retirement System**

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 2.45 percent. The source of that bond rate is the Fidelity Index 20 Year GO AA Index as of June 30, 2020. The resulting single discount rate is 6.96 percent. The long-term expected rate of return was applied to projected benefit payments from July 1, 2020 through July 1, 2086.

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, 2020 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	Target Allocation
Equity	5.70 %	59.00 %
Fixed income	3.10	32.00
Alternative	4.10	9.00

**Police and Fire Retirement System**

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.

June 30, 2020

**Note 8 - Pension Plans (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, 2020 for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return	Target Allocation
U.S. large-cap equities	5.90 %	25.50 %
U.S. mid-cap equities	6.20	13.50
U.S. small-cap equities	4.90	8.00
International equities	4.90	14.50
Emerging market equities	6.50	8.00
Cash	0.90	2.00
U.S. investment-grade fixed income	1.70	6.00
International investment-grade fixed income	1.50	1.00
Emerging-market fixed income	5.10	6.00
Global high-yield fixed income	3.30	6.50
Alternative fixed income	5.10	1.50
Real estate/REIT	4.90	3.50
Domestic MLPs	5.20	2.00
Alternative	4.10	2.00

**Investment Rate of Return**

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

**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 blended discount rate of 6.96 percent and 7.00 percent for the General Government Employees' Retirement System and Police and Fire Retirement System, respectively, 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 or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease	Current Discount Rate	1 Percentage Point Increase
Net pension liability of the General Government Employees' Retirement System	\$ 25,725,299	\$ 18,418,970	\$ 13,350,672
Net pension liability of the Police and Fire Retirement System	75,994,766	54,680,386	37,117,748

**Note 8 - Pension Plans (Continued)**

***Concentrations***

At June 30, 2020, the General Government Employees' Retirement System and Fire and Police Retirement System plans held approximately 70 percent and 70 percent of their investment portfolios in equity securities, respectively. The General Government Employees' OPEB and Police and Fire OPEB plans held approximately 65 percent and 66 percent of their investment portfolios in equity securities, respectively.

***Rate of Return***

For the year ended June 30, 2020, the annual money-weighted rate of return on the General Government Employees' Retirement System and Police and Fire Retirement System pension plan investments, net of pension plan investment expense, was (0.46) percent and (0.71) percent, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

***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 7.00 percent assumed rate of return is applied to all assets for the purpose of the actuarial valuation. 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.

June 30, 2020

**Note 8 - Pension Plans (Continued)**

The balances of the reserve accounts at June 30, 2020 are as follows:

	<u>Required Reserve</u>	<u>Amount Funded</u>
Retiree reserve	\$ 34,557,862	\$ 34,557,862
Employee reserve	72,381	72,381
Employer and supplemental benefit reserve	<u>2,993,294</u>	<u>2,993,294</u>
Total	<u>\$ 37,623,537</u>	<u>\$ 37,623,537</u>

**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.

The balances of the reserve accounts at June 30, 2020 are as follows:

	<u>Required Reserve</u>	<u>Amount Funded</u>
Retiree reserve	\$ 188,942,819	\$ 188,942,819
Employee reserve	3,339,100	3,339,100
Employer and supplemental benefit reserve	<u>(22,420,299)</u>	<u>(22,420,299)</u>
Total	<u>\$ 169,861,620</u>	<u>\$ 169,861,620</u>

**Police and Fire Retirement System - Deferred Retirement Option Program (DROP)**

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 the employee out with interest at 5 percent after the employee has fully retired (discontinued providing employee services to the City). At June 30, 2020, the plan has \$38,751,126 accumulated in DROP accounts.

**Note 9 - Other Postemployment Benefit Plans**

***Plan Descriptions***

The City provides retiree health care benefits to certain full-time employees upon retirement, in accordance with labor contracts.

The benefits are provided through the General Government Employees' OPEB Trust, a single-employer defined benefit plan administered by the City, and the Police and Fire OPEB Trust, a single-employer defined benefit plan administered by the City. The benefits are provided under collective bargaining agreements. The plans do not issue separate stand-alone financial statements.

June 30, 2020

**Note 9 - Other Postemployment Benefit Plans (Continued)**

The financial statements of the OPEB plans are included in these financial statements as a retiree health care trust fund (a fiduciary fund).

Management of the plans is vested in the pension boards, which consists of seven members - three elected by plan members, three appointed by the City, and the City treasurer, who serves as an ex officio member.

**Benefits Provided**

The City includes pre-Medicare retirees and their dependents in its insured health care plan, with partial contributions required by some of the participants. 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 plans are borne by the City's Corporate Fund.

Effective July 1, 2017, members hired after April 2011 will receive a maximum \$5,000 health care stipend in retirement. Additionally, new DROP participants will contribute to health care in accordance with Public Act 152.

**Members Covered by Benefit Terms**

The following members were covered by the benefit terms:

	General Government Employees' OPEB Trust	Police and Fire OPEB Trust
Inactive plan members currently receiving benefits	128	205
Active plan members	115	145
Total plan members	<u>243</u>	<u>350</u>

**Contributions**

Retiree health care costs are paid by the City on a pay-as-you-go basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment. During the year, the City agreed to contribute \$1.5 million in addition to insurance premiums until the General Employees' OPEB plan and the Police and Fire OPEB plan have sufficient balances to pay all future benefit payments. For the fiscal year ended June 30, 2020, the City made payments for postemployment health benefit premiums of \$2,024,134 to the General Government Employees' OPEB trust and \$3,583,564 to the Police and Fire's OPEB trust.

**Net OPEB Liability**

The City chooses a date for each OPEB plan to measure its net OPEB liability (NOL). This is based on the measurement date of each OPEB plan, which may be based on a comprehensive valuation as of that date or based on an earlier valuation that has used procedures to roll the information forward to the measurement date. See below for dates chosen by the City:

	General Government Employees' OPEB Trust	Police and Fire OPEB Trust
Measurement date used for the City NOL	June 30, 2020	June 30, 2020
Based on a comprehensive actuarial valuation as of	July 1, 2019	July 1, 2019

June 30, 2020

**Note 9 - Other Postemployment Benefit Plans (Continued)**

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

**General Government Employees' OPEB Trust**

Changes in Total OPEB Liability	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
<b>Balance at July 1, 2019</b>	\$ 56,626,673	\$ -	\$ 56,626,673
Changes for the year:			
Service cost	2,072,295	-	2,072,295
Interest	2,033,344	-	2,033,344
Differences between expected and actual experience	(9,378,050)	-	(9,378,050)
Changes in assumptions	298,692	-	298,692
Contributions - Employer	-	2,024,134	(2,024,134)
Net investment loss	-	(2,156)	2,156
Benefit payments, including refunds	(1,551,268)	(1,551,268)	-
Administrative expenses	-	(4,667)	4,667
<b>Net changes</b>	<b>(6,524,987)</b>	<b>466,043</b>	<b>(6,991,030)</b>
<b>Balance at June 30, 2020</b>	<b>\$ 50,101,686</b>	<b>\$ 466,043</b>	<b>\$ 49,635,643</b>

The plan's fiduciary net position represents 0.9 percent of the total OPEB liability.

**Police and Fire OPEB Trust**

Changes in Net OPEB Liability	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
<b>Balance at July 1, 2019</b>	\$ 120,435,790	\$ -	\$ 120,435,790
Changes for the year:			
Service cost	1,973,332	-	1,973,332
Interest	4,252,692	-	4,252,692
Differences between expected and actual experience	(2,228,549)	-	(2,228,549)
Changes in assumptions	(555,827)	-	(555,827)
Contributions - Employer	-	3,583,564	(3,583,564)
Net investment income	-	5,780	(5,780)
Benefit payments, including refunds	(2,521,331)	(2,521,331)	-
Administrative expenses	-	(1,663)	1,663
<b>Net changes</b>	<b>920,317</b>	<b>1,066,350</b>	<b>(146,033)</b>
<b>Balance at June 30, 2020</b>	<b>\$ 121,356,107</b>	<b>\$ 1,066,350</b>	<b>\$ 120,289,757</b>

The plan's fiduciary net position represents 0.9 percent of the total OPEB liability.

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2020, the City recognized OPEB expense of \$2,841,837 and \$1,223,531 for the General Government Employees' OPEB and Police and Fire OPEB plans.

June 30, 2020

**Note 9 - Other Postemployment Benefit Plans (Continued)**

At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	General Government Employees' OPEB		Police and Fire OPEB		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (9,868,383)	\$ -	\$ (6,220,474)	\$ -	\$ (16,088,857)
Changes in assumptions	2,276,404	(1,918,225)	4,308,425	(4,539,416)	6,584,829	(6,457,641)
Net difference between projected and actual earnings on OPEB plan investments	8,298	-	10,266	-	18,564	-
Changes in allocation of liability	4,105,622	(4,105,622)	-	-	4,105,622	(4,105,622)
<b>Total</b>	<b>\$ 6,390,324</b>	<b>\$ (15,892,230)</b>	<b>\$ 4,318,691</b>	<b>\$ (10,759,890)</b>	<b>\$ 10,709,015</b>	<b>\$ (26,652,120)</b>

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

Years Ending June 30	General Government Employees' OPEB	Police and Fire OPEB	Total
2021	\$ (2,878,559)	\$ (3,367,237)	\$ (6,245,796)
2022	(2,878,559)	(3,367,237)	(6,245,796)
2023	(1,115,780)	378,669	(737,111)
2024	(1,115,780)	378,669	(737,111)
2025	(1,513,228)	(464,063)	(1,977,291)
<b>Total</b>	<b>\$ (9,501,906)</b>	<b>\$ (6,441,199)</b>	<b>\$ (15,943,105)</b>

**Actuarial Assumptions**

The total OPEB liability in each actuarial valuation was determined using the following actuarial assumptions:

	General Government Employees' OPEB Trust	Police and Fire OPEB Trust
Inflation	2.75 percent	2.75 percent
Salary increases (including inflation)	3.50 - 4.50 percent	3.50 - 4.50 percent
Investment rate of return (net of investment expenses)	6.75 percent	6.75 percent
Health care cost trend rate	8.00 percent decreasing 0.50 percent per year to an ultimate rate of 4.50 percent for 2027 and later years	8.00 percent decreasing 0.50 percent per year to an ultimate rate of 4.50 percent for 2027 and later years
Mortality rates	SOA Pub-2010 Weighted Mortality Table fully generational using Scale MP-2019	SOA Pub-2010 Weighted Mortality Table fully generational using Scale MP-2019

**Note 9 - Other Postemployment Benefit Plans (Continued)**

***Discount Rate***

The discount rate used to measure the total OPEB liability was 3.59 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.

Based on those assumptions, the General Government Employees' OPEB plan's fiduciary net position and the Police and Fire OPEB plan's fiduciary net position were not projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate was determined by blending the long-term expected rate of return on OPEB plan investments 6.75 percent with the current yield for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher, which currently stands between 2.21 - 2.66 percent (as referenced in Bond Buyer Go 20-Bond Municipal Bond Index and S&P Municipal Bond 20-year High Grade Rate Index, June 30, 2020).

***Investment Rate of Return***

The long-term expected rate of return on OPEB 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 OPEB 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 adding expected inflation (1.8 percent). Best estimates of arithmetic real rates of return as of the June 30, 2020 measurement date for each major asset class included in the OPEB plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following tables:

**General Government Employees' OPEB Trust**

Asset Class	Long-term Expected Real Rate of Return
Domestic equity	5.80 %
International equity	5.20
Fixed income	4.50
Alternative investments	5.20
Cash or cash equivalents	0.90

**Police and Fire OPEB Trust**

Asset Class	Long-term Expected Real Rate of Return
Domestic equity	5.80 %
International equity	5.20
Fixed income	4.50
Alternative investments	5.20
Cash or cash equivalents	0.90

June 30, 2020

**Note 9 - Other Postemployment Benefit Plans (Continued)**

***Sensitivity of the Net OPEB Liability to Changes in the Discount Rate***

The following presents the net OPEB liability of the City, calculated using the discount rate of 3.59 percent, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (2.59%)	Current Discount Rate (3.59%)	1 Percentage Point Increase (4.59%)
Net OPEB liability of the General Government			
Employees' OPEB Trust	\$ 58,316,838	\$ 49,635,643	\$ 42,816,275
Net OPEB liability of the Police and Fire OPEB Trust	141,398,362	120,289,757	103,814,803

***Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate***

The following presents the net OPEB liability of the City, calculated using the health care cost trend rate of 8.0 percent, as well as what the City's net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (7.00%)	Current Healthcare Cost Trend Rate (8.00%)	1 Percentage Point Increase (9.00%)
Net OPEB liability of the General Government			
Employees' OPEB Trust	\$ 42,169,943	\$ 49,635,643	\$ 58,648,682
Net OPEB liability of the Police and Fire OPEB Trust	102,247,671	120,289,757	144,202,967

***Assumption Changes***

Since the prior measurement date, the discount rate was updated from 3.51 percent to 3.59 percent. In addition, the new OPEB trusts were established, resulting in new assumptions for the long-term expected rate of return on OPEB plan investments. The June 30, 2019 valuation also used the RPH-2017 Total Dataset Mortality table fully generational using scale MP-2017.

***Investment Policy***

The OPEB plan's policy in regard to the allocation of invested assets is established and may be amended by the OPEB board by a majority vote of its members. It is the policy of the OPEB 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 OPEB 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 OPEB board's adopted asset allocation policy as of June 30, 2020:

**General Government Employees' OPEB Trust**

Asset Class	Target Allocation
Domestic equity	43.80 %
International equity	25.20
Fixed income	28.70
Alternatives	1.50
Cash or cash equivalents	0.80
Total	100.00 %

June 30, 2020

**Note 9 - Other Postemployment Benefit Plans (Continued)**

**Police and Fire OPEB Trust**

Asset Class	Target Allocation
Domestic equity	43.80 %
International equity	25.20
Fixed income	28.70
Alternative investments	1.50
Cash or cash equivalents	0.80
Total	<u>100.00 %</u>

**Rate of Return**

For the year ended June 30, 2020, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 0.74 and (0.38) percent for the Police and Fire OPEB plan and the General Government Employees' OPEB plan, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Note 10 - Defined Benefit Pension and Retiree Health Care Plans 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	General Government Employees' OPEB Trust	Police and Fire OPEB Trust
<b>Statement of Net Position</b>				
Cash and investments	\$ 37,182,938	\$ 177,458,679	\$ 466,043	\$ 1,066,350
Other assets	529,927	1,021,337	-	-
Liabilities	(89,328)	(8,618,396)	-	-
Net position	<u>\$ 37,623,537</u>	<u>\$ 169,861,620</u>	<u>\$ 466,043</u>	<u>\$ 1,066,350</u>
<b>Statement of Changes in Net Position</b>				
Investment (loss) income - Net of expenses	\$ (26,705)	\$ (868,267)	\$ (2,156)	\$ 5,780
Contributions	1,242,513	4,869,114	2,024,134	3,583,564
Benefit payments	(3,633,555)	(14,408,607)	(1,551,268)	(2,521,331)
Administrative expenses	(59,856)	-	(4,667)	(1,663)
Net change in net position	<u>\$ (2,477,603)</u>	<u>\$ (10,407,760)</u>	<u>\$ 466,043</u>	<u>\$ 1,066,350</u>

June 30, 2020

**Note 11 - Fair Value Measurements**

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The City has the following recurring fair value measurements as of June 30, 2020:

	Fair Value Measurement Using			Balance at June 30, 2020
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
ADR	\$ 216,625	\$ -	\$ -	\$ 216,625
Asset-backed securities	-	509,381	-	509,381
Closed-end MF - Equity	25,577,153	-	-	25,577,153
Close-end MF - Fixed income tax	85,461	-	-	85,461
Closely held equity	-	-	2,615,331	2,615,331
Common stock	53,131,353	-	-	53,131,353
Corporate bonds	-	3,653,658	-	3,653,658
Foreign stock	1,016,677	-	-	1,016,677
Mortgage-backed securities	-	375,409	-	375,409
Open-end MF - Equity	72,783,250	-	-	72,783,250
Open-end MF - Fixed income tax	33,881,948	-	-	33,881,948
Real estate investment trusts	1,446,477	-	-	1,446,477
Rights and warrants	4,209	-	-	4,209
U.S. government obligations	2,130,624	-	-	2,130,624
<b>Total Investments</b>	<b>\$ 190,273,777</b>	<b>\$ 4,538,448</b>	<b>\$ 2,615,331</b>	<b>197,427,556</b>
Investments measured at NAV:				
CIF - Equity				3,340,641
Closely held equity				2,307,837
Fixed income				4,179,311
<b>Total investments measured at NAV</b>				<b>9,827,789</b>
<b>Total investments measured at fair value</b>				<b>\$ 207,255,345</b>

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

The fair value of asset and mortgage-backed securities and corporate bonds at June 30, 2020 was determined primarily based on Level 2 inputs. The City estimates the fair value of these investments using other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

June 30, 2020

**Note 11 - Fair Value Measurements (Continued)**

The fair value of collective investment fund equities, closely held equity, corporate bond funds, and publicly traded partnerships at June 30, 2020 was determined primarily based on Level 3 inputs. The City estimates the fair value of these investments using the City's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

There are no limitations or restrictions on participant withdrawals for the investment pools that are recorded at amortized cost.

At June 30, 2020, the investments measured at NAV have no unfunded commitments or redemption rules.

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## Required Supplemental Information

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**City of Dearborn Heights, Michigan**

**Required Supplemental Information  
Budgetary Comparison Schedule - Corporate Fund**

**Year Ended June 30, 2020**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 27,178,469	\$ 27,178,469	\$ 26,921,854	\$ (256,615)
Reimbursement from other funds	2,905,000	2,905,000	3,522,985	617,985
State-shared revenue and grants:				
Federal grants	465,000	2,856,613	3,209,184	352,571
State-shared revenue and grants	6,326,454	5,826,454	6,158,203	331,749
Charges for services	1,652,300	1,716,182	1,666,670	(49,512)
Fines and forfeitures	3,600,000	3,600,000	2,660,707	(939,293)
Licenses and permits	1,947,000	2,247,000	1,423,598	(823,402)
Interest income	276,000	276,000	373,126	97,126
Other revenue	4,827,325	5,307,393	2,957,720	(2,349,673)
<b>Total revenue</b>	<b>49,177,548</b>	<b>51,913,111</b>	<b>48,894,047</b>	<b>(3,019,064)</b>
<b>Expenditures</b>				
Current services:				
General government:				
Legislative	156,121	156,121	300,016	(143,895)
Executive	360,509	393,009	383,248	9,761
Comptroller's office	244,881	259,881	161,359	98,522
General government	9,908,325	8,951,983	8,871,572	80,411
Treasurer	526,070	535,070	485,881	49,189
Assessing	277,200	284,200	282,340	1,860
Board of appeals	3,161	3,161	3,097	64
Clerk	379,546	379,546	328,137	51,409
Elections	178,015	178,015	197,562	(19,547)
Personnel	171,929	201,929	178,538	23,391
Employees' Pension Commission	229,971	229,971	133,693	96,278
Civil Service Commission	36,945	36,945	3,576	33,369
Civil Service - Act No. 78	52,485	52,485	24,653	27,832
Data processing	251,250	251,250	94,120	157,130
Public safety:				
Police department	13,935,047	13,995,047	13,560,535	434,512
Fire department	8,410,681	11,395,496	10,904,935	490,561
Protective inspection	740,806	740,806	546,078	194,728
Judicial	2,068,489	2,068,489	1,805,470	263,019
Corporation counsel	200,200	260,200	274,503	(14,303)
Ordinance	572,486	572,486	547,748	24,738
Public works:				
Building maintenance	1,471,694	1,471,694	1,415,255	56,439
Sanitation	3,300,000	3,300,000	3,426,093	(126,093)
Highways, streets, and bridges	2,965,813	3,465,813	3,089,535	376,278
Community and economic development - Planning				
Commission	572,250	572,250	99,583	472,667
Other	1,265,458	1,265,458	946,466	318,992
Debt service	683,092	694,682	697,734	(3,052)
<b>Total expenditures</b>	<b>48,962,424</b>	<b>51,715,987</b>	<b>48,761,727</b>	<b>2,954,260</b>
<b>Net Change in Fund Balance</b>	<b>215,124</b>	<b>197,124</b>	<b>132,320</b>	<b>(64,804)</b>
<b>Fund Balance - Beginning of year</b>	<b>10,378,582</b>	<b>10,378,582</b>	<b>10,378,582</b>	<b>-</b>
<b>Fund Balance - End of year</b>	<b>\$ 10,593,706</b>	<b>\$ 10,575,706</b>	<b>\$ 10,510,902</b>	<b>\$ (64,804)</b>

**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 Seven Fiscal Years**

	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>							
Service cost	\$ 697,271	\$ 611,390	\$ 709,424	\$ 802,393	\$ 632,181	\$ 589,762	\$ 497,213
Interest	3,594,570	3,531,025	3,119,464	2,919,405	3,017,800	2,845,638	2,747,066
Differences between expected and actual experience	2,550,911	309,579	1,355,395	2,637,378	(825,743)	152,265	2,634,974
Changes in assumptions	-	-	(2,543,927)	(1,042,904)	2,333,552	1,930,049	-
Benefit payments, including refunds	(3,605,215)	(3,569,088)	(3,510,151)	(3,377,352)	(3,326,657)	(3,317,015)	(3,440,584)
<b>Net Change in Total Pension Liability</b>	<b>3,237,537</b>	<b>882,906</b>	<b>(869,795)</b>	<b>1,938,920</b>	<b>1,831,133</b>	<b>2,200,699</b>	<b>2,438,669</b>
<b>Total Pension Liability - Beginning of year</b>	<b>52,804,970</b>	<b>51,922,064</b>	<b>52,791,859</b>	<b>50,852,939</b>	<b>49,021,806</b>	<b>46,821,107</b>	<b>44,382,438</b>
<b>Total Pension Liability - End of year</b>	<b>\$ 56,042,507</b>	<b>\$ 52,804,970</b>	<b>\$ 51,922,064</b>	<b>\$ 52,791,859</b>	<b>\$ 50,852,939</b>	<b>\$ 49,021,806</b>	<b>\$ 46,821,107</b>
<b>Plan Fiduciary Net Position</b>							
Contributions - Employer	\$ 1,204,313	\$ 1,091,515	\$ 1,005,503	\$ 904,328	\$ 782,306	\$ 842,786	\$ 587,546
Contributions - Member	5,496	67,134	28,173	-	52,625	12,334	46,839
Net investment (loss) income	(35,520)	2,540,777	2,973,703	4,192,367	(490,247)	1,599,295	6,059,689
Administrative expenses	(46,677)	(29,123)	(9,867)	-	(109)	-	-
Benefit payments, including refunds	(3,605,215)	(3,569,088)	(3,510,151)	(3,377,352)	(3,326,657)	(3,317,015)	(3,558,707)
Other	-	-	-	6,053	10,531	(28,677)	-
<b>Net Change in Plan Fiduciary Net Position</b>	<b>(2,477,603)</b>	<b>101,215</b>	<b>487,361</b>	<b>1,725,396</b>	<b>(2,971,551)</b>	<b>(891,277)</b>	<b>3,135,367</b>
<b>Plan Fiduciary Net Position - Beginning of year</b>	<b>40,101,140</b>	<b>39,999,925</b>	<b>39,512,564</b>	<b>37,787,168</b>	<b>40,758,719</b>	<b>41,649,996</b>	<b>38,514,629</b>
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 37,623,537</b>	<b>\$ 40,101,140</b>	<b>\$ 39,999,925</b>	<b>\$ 39,512,564</b>	<b>\$ 37,787,168</b>	<b>\$ 40,758,719</b>	<b>\$ 41,649,996</b>
<b>City's Net Pension Liability - Ending</b>	<b>\$ 18,418,970</b>	<b>\$ 12,703,830</b>	<b>\$ 11,922,139</b>	<b>\$ 13,279,295</b>	<b>\$ 13,065,771</b>	<b>\$ 8,263,087</b>	<b>\$ 5,171,111</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	67.13 %	75.94 %	77.04 %	74.85 %	74.31 %	83.14 %	88.96 %
<b>Covered Payroll</b>	\$ 5,599,880	\$ 5,225,523	\$ 4,879,894	\$ 5,005,340	\$ 5,227,945	\$ 4,684,463	\$ 4,693,816
<b>City's Net Pension Liability as a Percentage of Covered Payroll</b>	328.92 %	243.11 %	244.31 %	265.30 %	249.92 %	176.39 %	110.17 %

**City of Dearborn Heights, Michigan**

**Required Supplemental Information**

**Police and Fire Retirement System Schedule of Changes in the Net Pension Liability and Related Ratios**

	<b>Last Seven Fiscal Years</b>						
	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>							
Service cost	\$ 1,573,588	\$ 1,412,365	\$ 1,258,966	\$ 1,112,327	\$ 1,094,183	\$ 1,031,111	\$ 1,004,200
Interest	14,908,013	14,591,231	13,286,569	13,202,158	12,856,071	12,261,841	12,037,075
Changes in benefit terms	-	-	1,350,162	-	-	-	-
Differences between expected and actual experience	4,781,293	3,370,573	4,941,596	5,058,549	4,430,262	1,509,406	-
Changes in assumptions	3,995,315	-	-	-	-	3,883,047	-
Benefit payments, including refunds	(14,084,682)	(13,393,285)	(12,922,605)	(11,563,419)	(10,888,291)	(13,290,041)	(9,746,166)
Other	-	-	-	(848,598)	-	-	-
<b>Net Change in Total Pension Liability</b>	<b>11,173,527</b>	<b>5,980,884</b>	<b>7,914,688</b>	<b>6,961,017</b>	<b>7,492,225</b>	<b>5,395,364</b>	<b>3,295,109</b>
<b>Total Pension Liability - Beginning of year</b>	<b>213,368,479</b>	<b>207,387,595</b>	<b>199,472,907</b>	<b>192,511,890</b>	<b>185,019,665</b>	<b>179,624,301</b>	<b>176,329,192</b>
<b>Total Pension Liability - End of year</b>	<b>\$ 224,542,006</b>	<b>\$ 213,368,479</b>	<b>\$ 207,387,595</b>	<b>\$ 199,472,907</b>	<b>\$ 192,511,890</b>	<b>\$ 185,019,665</b>	<b>\$ 179,624,301</b>
<b>Plan Fiduciary Net Position</b>							
Contributions - Employer	\$ 4,064,641	\$ 3,838,635	\$ 3,595,919	\$ 3,181,017	\$ 3,008,614	\$ 6,796,498	\$ 6,340,593
Contributions - Member	645,965	430,163	575,054	344,374	491,119	498,200	486,849
Net investment (loss) income	(936,617)	8,790,624	15,411,544	22,430,165	(4,998,994)	3,448,028	30,199,954
Administrative expenses	(59,311)	(517,957)	(21,277)	(29,106)	(31,006)	(32,965)	(540,644)
Benefit payments, including refunds	(14,084,682)	(13,393,285)	(12,922,605)	(11,563,419)	(10,888,291)	(13,081,626)	(13,005,066)
Other	(37,756)	54,951	60,340	12,339	36,301	(147,331)	-
<b>Net Change in Plan Fiduciary Net Position</b>	<b>(10,407,760)</b>	<b>(796,869)</b>	<b>6,698,975</b>	<b>14,375,370</b>	<b>(12,382,257)</b>	<b>(2,519,196)</b>	<b>23,481,686</b>
<b>Plan Fiduciary Net Position - Beginning of year</b>	<b>180,269,380</b>	<b>181,066,249</b>	<b>174,367,274</b>	<b>159,991,904</b>	<b>172,374,161</b>	<b>174,893,357</b>	<b>151,411,671</b>
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 169,861,620</b>	<b>\$ 180,269,380</b>	<b>\$ 181,066,249</b>	<b>\$ 174,367,274</b>	<b>\$ 159,991,904</b>	<b>\$ 172,374,161</b>	<b>\$ 174,893,357</b>
<b>City's Net Pension Liability - Ending</b>	<b>\$ 54,680,386</b>	<b>\$ 33,099,099</b>	<b>\$ 26,321,346</b>	<b>\$ 25,105,633</b>	<b>\$ 32,519,986</b>	<b>\$ 12,645,504</b>	<b>\$ 4,730,944</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	75.65 %	84.49 %	87.31 %	87.41 %	83.11 %	93.17 %	97.37 %
<b>Covered Payroll</b>	\$ 7,989,490	\$ 8,985,517	\$ 7,229,460	\$ 6,517,359	\$ 6,188,918	\$ 5,637,835	\$ 6,016,818
<b>City's Net Pension Liability as a Percentage of Covered Payroll</b>	684.40 %	368.36 %	364.08 %	385.21 %	525.46 %	224.30 %	78.63 %



Required Supplemental Information  
Police and Fire Retirement System Schedule of City Contributions

**Last Ten Fiscal Years  
Years Ended June 30**

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contribution	\$ 3,509,641	\$ 3,178,635	\$ 2,935,919	\$ 2,511,017	\$ 2,343,614	\$ 2,822,883	\$ 2,585,170	\$ 2,368,862	\$ 2,355,801	\$ 2,170,755
Contributions in relation to the actuarially determined contribution	3,509,641	3,178,635	2,935,919	2,511,017	2,343,614	3,472,883	2,585,170	2,368,862	2,355,801	2,170,755
<b>Contribution Excess</b>	<b>\$ -</b>	<b>\$ 650,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>				
<b>Covered Deficiency</b>	<b>\$ 7,989,490</b>	<b>\$ 8,985,517</b>	<b>\$ 7,229,460</b>	<b>\$ 6,517,359</b>	<b>\$ 6,188,918</b>	<b>\$ 5,637,835</b>	<b>\$ 6,016,818</b>	<b>\$ 5,668,970</b>	<b>\$ 6,378,919</b>	<b>\$ 8,126,002</b>
<b>Contributions as a Percentage of Covered Payroll</b>	<b>43.93 %</b>	<b>35.38 %</b>	<b>40.61 %</b>	<b>38.53 %</b>	<b>37.87 %</b>	<b>61.60 %</b>	<b>42.97 %</b>	<b>41.79 %</b>	<b>36.93 %</b>	<b>26.71 %</b>

**Notes to Police and Fire Retirement System Schedule of City Contributions**

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of July 1 for the upcoming fiscal year. Covered-employee payroll is as of June 30 of the prior fiscal year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level of percentage of payroll, closed
Remaining amortization period	18 years
Asset valuation method	Five-year smoothed market
Inflation	2.25%
Salary increase	3.5% to 5.0% including inflation
Investment rate of return	7.00%
Retirement age	Experience-based table of rates are specific to the type of eligibility condition
Mortality	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)
Other information	Balances of DROP accounts are included in the plan fiduciary net position. The balances of these DROP accounts as of June 30, 2020 were \$ 38,751,26. Active employees (including DROP participants) who were members of the Police Officer's Association of Michigan/Dearborn Police Officers Association during the period from July 1, 2017 through December 31, 2017 shall be eligible for an Annual Police Patrol Officers Bonus (Nondiscretionary Bonus).

**City of Dearborn Heights, Michigan**

Required Supplemental Information  
General Government Employees' Retirement System Schedule of Investment Returns

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	<b>Last Seven Fiscal Years</b>						
	<b>Years Ended June 30</b>						
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	(0.46)%	6.98 %	7.66 %	11.70 %	(1.30)%	3.90 %	14.90 %

**City of Dearborn Heights, Michigan**

**Required Supplemental Information  
Police and Fire Retirement System Schedule of Investment Returns**

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	<b>Last Seven Fiscal Years Years Ended June 30</b>						
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	(0.71)%	4.54 %	9.26 %	14.30 %	(2.90)%	1.90 %	19.80 %

## City of Dearborn Heights, Michigan

### Required Supplemental Information Schedule of Changes in the Total OPEB Liability and Related Ratios

	Last Three Fiscal Years		
	2020*	2019	2018
<b>Total OPEB Liability</b>			
Service cost	\$ -	\$ 3,613,510	\$ 4,418,740
Interest	-	6,435,527	7,459,013
Changes in benefit terms	-	-	(20,227,512)
Differences between expected and actual experience	-	(2,090,659)	(12,557,294)
Changes in assumptions	-	9,503,879	(14,986,131)
Benefit payments, including refunds	-	(6,100,053)	(4,639,479)
<b>Net Change in Total OPEB Liability</b>	-	11,362,204	(40,532,663)
<b>Total OPEB Liability - Beginning of year</b>	-	165,700,259	206,232,922
<b>Total OPEB Liability - End of year</b>	<b>\$ -</b>	<b>\$ 177,062,463</b>	<b>\$ 165,700,259</b>
<b>Plan Fiduciary Net Position</b>			
<b>Net Change in Plan Fiduciary Net Position</b>	\$ -	\$ -	\$ -
<b>Plan Fiduciary Net Position - Beginning of year</b>	-	-	-
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net OPEB Liability - Ending</b>	<b>\$ -</b>	<b>\$ 177,062,463</b>	<b>\$ 165,700,259</b>
<b>Plan Fiduciary Net Position as a Percentage of Total OPEB Liability</b>	- %	- %	- %
<b>Covered-employee Payroll</b>	\$ -	\$ 13,233,971	\$ 11,199,009
<b>Net OPEB Liability as a Percentage of Covered-employee Payroll</b>	- %	1,337.94 %	1,479.60 %

\*During the fiscal year ending June 30, 2020, the City established two OPEB plans and trusts - General Government Employees' OPEB Plan and Police and Fire OPEB Plan. As a result, the schedule of changes in the total OPEB liability and related ratios has been broken out on subsequent pages.

## City of Dearborn Heights, Michigan

### Required Supplemental Information General Government Employees' Schedule of Changes in the Net OPEB Liability and Related Ratios

	<b>Last Fiscal Year</b>
	2020*
<b>Total OPEB Liability</b>	
Service cost	\$ 2,072,295
Interest	2,033,344
Differences between expected and actual experience	(9,378,050)
Changes in assumptions	298,692
Benefit payments, including refunds	(1,551,268)
<b>Net Change in Total OPEB Liability</b>	(6,524,987)
<b>Total OPEB Liability - Beginning of year</b>	56,626,673
<b>Total OPEB Liability - End of year</b>	<b>\$ 50,101,686</b>
<b>Plan Fiduciary Net Position</b>	
Contributions - Employer	\$ 2,024,134
Net investment loss	(2,156)
Administrative expenses	(4,667)
Benefit payments, including refunds	(1,551,268)
<b>Net Change in Plan Fiduciary Net Position</b>	466,043
<b>Plan Fiduciary Net Position - Beginning of year</b>	-
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 466,043</b>
<b>Net OPEB Liability - Ending</b>	<b>\$ 49,635,643</b>
<b>Plan Fiduciary Net Position as a Percentage of Total OPEB Liability</b>	0.93 %
<b>Covered-employee Payroll</b>	\$ 5,351,287
<b>Net OPEB Liability as a Percentage of Covered-employee Payroll</b>	927.55 %

\*During the fiscal year ended June 30, 2020, the City established General Government Employees' OPEB Trust. As a result, the applicable OPEB liability from prior years has been allocated to this trust. This schedule is being built prospectively until 10 years of data becomes available.

## City of Dearborn Heights, Michigan

### Required Supplemental Information Police and Fire Schedule of Changes in the Net OPEB Liability and Related Ratios

	<b>Last Fiscal Year</b>
	2020*
<b>Total OPEB Liability</b>	
Service cost	\$ 1,973,332
Interest	4,252,692
Differences between expected and actual experience	(2,228,549)
Changes in assumptions	(555,827)
Benefit payments, including refunds	(2,521,331)
<b>Net Change in Total OPEB Liability</b>	920,317
<b>Total OPEB Liability - Beginning of year</b>	120,435,790
<b>Total OPEB Liability - End of year</b>	<b>\$ 121,356,107</b>
<b>Plan Fiduciary Net Position</b>	
Contributions - Employer	\$ 3,583,564
Net investment income	5,780
Administrative expenses	(1,663)
Benefit payments, including refunds	(2,521,331)
<b>Net Change in Plan Fiduciary Net Position</b>	1,066,350
<b>Plan Fiduciary Net Position - Beginning of year</b>	-
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 1,066,350</b>
<b>City's Net OPEB Liability - Ending</b>	<b>\$ 120,289,757</b>
<b>Plan Fiduciary Net Position as a Percentage of Total OPEB Liability</b>	0.88 %
<b>Covered-employee Payroll</b>	\$ 6,811,561
<b>City's Net OPEB Liability as a Percentage of Covered-employee Payroll</b>	1,765.96 %

\*During the fiscal year ended June 30, 2020, the City established Police and Fire OPEB Trust. As a result, the applicable OPEB liability from prior years has been allocated to this trust. The schedule is being built prospectively until full 10 years of data becomes available.

Required Supplemental Information  
Schedule of OPEB Contributions

Last Ten Fiscal Years  
Years Ended June 30

	2020*	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ 13,983,925	\$ 13,119,306	\$ 12,638,402	\$ 10,565,915	\$ 13,004,954	\$ 9,828,454	\$ 9,828,454
Contributions in relation to the actuarially determined contribution	-	-	-	5,777,612	4,978,865	4,567,766	5,193,837	4,992,985	3,504,566	3,504,566
<b>Contribution Deficiency</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (8,206,313)</b>	<b>\$ (8,140,441)</b>	<b>\$ (8,070,636)</b>	<b>\$ (5,372,078)</b>	<b>\$ (8,011,969)</b>	<b>\$ (6,323,888)</b>	<b>\$ (6,323,888)</b>
<b>Covered-employee Payroll</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 12,467,969</b>	<b>\$ 12,104,825</b>	<b>\$ 11,752,257</b>	<b>\$ 11,674,708</b>	<b>\$ 11,334,668</b>	<b>\$ 12,578,298</b>	<b>\$ 12,578,298</b>
<b>Contributions as a Percentage of Covered-employee Payroll</b>	<b>- %</b>	<b>- %</b>	<b>- %</b>	<b>46.34 %</b>	<b>41.13 %</b>	<b>38.87 %</b>	<b>44.49 %</b>	<b>44.05 %</b>	<b>27.86 %</b>	<b>27.86 %</b>

\*During the fiscal year ended June 30, 2020, the City established two OPEB trusts - General Government Employees' OPEB Trust and Police and Fire OPEB Trust. As the result, the schedule of OPEB contributions will be now reported under separate trusts.

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of July 1 for the upcoming fiscal year. Covered-employee payroll is as of June 30 of the prior fiscal year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level of percentage payroll, closed
Remaining amortization period	29 years
Health care cost trend rates	8.0 percent decreasing 0.5 percent to ultimate 3.0 percent
Salary increase	3.5 - 4.5 percent
Investment rate of return	6.75 percent
Mortality	Pub-2010 mortality tables fully generation using scale MP-2019
Other information	The City's funding policy is to pay-as-you-go costs and make prefunding contributions of \$1.5 million until the trust is sufficient to pay all future benefit payments.





**City of Dearborn Heights, Michigan**

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Required Supplemental Information  
Schedule of General Government Employees' OPEB Trust Investment  
Returns

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**Last Fiscal Year  
Year Ended June 30**

2020\*

Annual money-weighted rate of return, net of investment expense

(0.38)%

\*This schedule is being built prospectively until 10 years of data becomes available.

**City of Dearborn Heights, Michigan**

**Required Supplemental Information  
Schedule of Police and Fire OPEB Trust Investment Returns**

**Last Fiscal Year  
Year Ended June 30**

2020\*

Annual money-weighted rate of return, net of investment expense

0.74 %

\*This schedule is being built prospectively until 10 years of data becomes available.

***Pension Information***

**Benefit Changes**

*Police and Fire Retirement System*

Effective July 1, 2017, police patrol members may purchase an additional 12 months of service credits at a rate of 24.5 percent of the members' current base pay.

Members currently in the DROP program and members who enter the DROP or retire from active employment after July 1, 2017 will receive a guaranteed 13th check payment after being retired for at least five years or five years after entering the DROP program. Current retirees will not have a guaranteed 13th check.

**Changes in Assumptions**

*General Government Employees' Retirement System*

Over the years, the actuarial assumptions were updated as followed:

2018 - Discount rate was updated from 6.07 percent to 6.95 percent. In addition, inflation assumptions was updated to 3.00 percent (decrease of 1.25 percent).

2017 - Discount rate was updated from 5.89 percent to 6.07 percent.

2016 - Discount rate was updated from 6.33 percent to 5.89 percent.

2015 - The mortality rates were updated to be based on the RP-2014 Healthy Mortality Table.

*Police and Fire Retirement System*

In 2020, mortality rates were updated to be based on a version of the Pub-10 tables with generational mortality improvement using scale MP-2019 was used to determine total pension liability.

In 2015, the 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).

***OPEB Information***

**Benefit Changes**

Effective July 1, 2017, members hired after April 2011 will receive a maximum \$5,000 health care stipend in retirement. Additionally, new DROP participants will contribute to health care in accordance with Public Act 152.

**Changes in Assumptions**

There were no significant changes of actuarial assumptions in 2020.

In 2019, discount rate was updated from 3.87 percent to 3.51 percent.

In 2018, changes in actuarial assumptions included a decrease in the inflation rate (2.75 percent) and discount rate (3.87 percent) and an increase in the payroll growth rate range (3.50-4.50 percent).

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## Other Supplemental Information

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Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2020

	Special Revenue Funds										Nonmajor Capital Project Fund	Total Nonmajor Governmental Funds
	Major Streets	Local Streets	Drug Enforcement	Miscellaneous Grants	Community Development Block Grant	Building Authority	Housing Commission	Traffic Immobilization	Library	MIDC Special Assessment	Capital Projects	
<b>Assets</b>												
Cash and investments	\$ 2,377,626	\$ 786,425	\$ 853,881	\$ 123,671	\$ 91,169	\$ -	\$ 6,526	\$ 126,904	\$ 3,082,457	\$ -	\$ -	\$ 7,448,659
Due from other governmental units	551,348	222,245	-	-	130,573	-	-	-	-	-	-	904,166
Due from other funds	-	-	206	-	38,032	52,320	-	-	22,052	140,723	-	253,333
Restricted assets	-	-	-	-	-	-	-	-	-	-	37,682	37,682
Other assets	-	-	-	-	-	-	-	-	10,561	-	-	10,561
<b>Total assets</b>	<b>\$ 2,928,974</b>	<b>\$ 1,008,670</b>	<b>\$ 854,087</b>	<b>\$ 123,671</b>	<b>\$ 259,774</b>	<b>\$ 52,320</b>	<b>\$ 6,526</b>	<b>\$ 126,904</b>	<b>\$ 3,115,070</b>	<b>\$ 140,723</b>	<b>\$ 37,682</b>	<b>\$ 8,654,401</b>
<b>Liabilities</b>												
Accounts payable	\$ 627,800	\$ 9,662	\$ 39,907	\$ -	\$ 20,340	\$ -	\$ -	\$ -	\$ 69,998	\$ 8,933	\$ -	\$ 776,640
Due to other funds	63,158	114,618	-	41,237	156,595	-	-	-	-	-	-	375,608
Accrued liabilities and other	-	-	-	-	912	-	-	-	43,452	-	-	44,364
Unearned revenue	-	-	-	-	-	-	-	-	-	131,790	-	131,790
<b>Total liabilities</b>	<b>690,958</b>	<b>124,280</b>	<b>39,907</b>	<b>41,237</b>	<b>177,847</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>113,450</b>	<b>140,723</b>	<b>-</b>	<b>1,328,402</b>
<b>Fund Balances</b>												
Restricted:												
Roads	2,238,016	884,390	-	-	-	-	-	-	-	-	-	3,122,406
Drug enforcement	-	-	814,180	-	-	-	-	-	-	-	-	814,180
Grants	-	-	-	82,434	81,927	-	-	-	-	-	-	164,361
Housing Commission	-	-	-	-	-	-	6,526	-	-	-	-	6,526
Traffic immobilization	-	-	-	-	-	-	-	126,904	-	-	-	126,904
Library	-	-	-	-	-	-	-	-	3,001,620	-	-	3,001,620
Capital projects	-	-	-	-	-	-	-	-	-	-	37,682	37,682
Committed - Capital projects	-	-	-	-	-	52,320	-	-	-	-	-	52,320
<b>Total fund balances</b>	<b>2,238,016</b>	<b>884,390</b>	<b>814,180</b>	<b>82,434</b>	<b>81,927</b>	<b>52,320</b>	<b>6,526</b>	<b>126,904</b>	<b>3,001,620</b>	<b>-</b>	<b>37,682</b>	<b>7,325,999</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,928,974</b>	<b>\$ 1,008,670</b>	<b>\$ 854,087</b>	<b>\$ 123,671</b>	<b>\$ 259,774</b>	<b>\$ 52,320</b>	<b>\$ 6,526</b>	<b>\$ 126,904</b>	<b>\$ 3,115,070</b>	<b>\$ 140,723</b>	<b>\$ 37,682</b>	<b>\$ 8,654,401</b>

Other Supplemental Information  
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds

Year Ended June 30, 2020

	Special Revenue Funds									Nonmajor Capital Project Fund	Total Nonmajor Governmental Funds	
	Major Streets	Local Streets	Drug Enforcement	Miscellaneous Grants	Community Development Block Grant	Building Authority	Housing Commission	Traffic Immobilization	Library	MIDC Special Assessment		Capital Projects
<b>Revenue</b>												
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,217,219	\$ -	\$ -	\$ 2,217,219
Intergovernmental:												
Federal grants	-	-	44,824	-	1,182,368	-	-	-	-	-	-	1,227,192
State-shared revenue and grants	3,979,646	1,604,150	77,523	-	-	-	-	-	-	-	-	5,661,319
Local grants and contributions	-	-	-	-	-	-	-	-	-	87,491	-	87,491
Fines and forfeitures	-	-	-	-	-	150,750	-	17,313	124,217	-	-	292,280
Interest income	40,910	14,411	-	-	-	-	5	-	71,508	-	426	127,260
Other revenue	-	-	-	-	-	-	-	-	279,903	-	-	279,903
<b>Total revenue</b>	<b>4,020,556</b>	<b>1,618,561</b>	<b>122,347</b>	<b>-</b>	<b>1,182,368</b>	<b>150,750</b>	<b>5</b>	<b>17,313</b>	<b>2,692,847</b>	<b>87,491</b>	<b>426</b>	<b>9,892,664</b>
<b>Expenditures</b>												
Current services:												
General government	-	-	-	-	-	-	-	-	-	87,491	7,273	94,764
Drug enforcement	-	-	84,610	-	-	-	-	-	-	-	-	84,610
Public works	3,218,392	2,907,992	-	-	-	-	-	-	-	-	-	6,126,384
Community and economic development	-	-	-	57,500	864,235	-	-	-	-	-	-	921,735
Other	-	-	-	-	-	-	-	-	1,859,878	-	-	1,859,878
Other capital outlay	-	-	-	-	-	193,830	-	17,571	-	-	-	211,401
Debt service	-	-	-	-	-	-	-	-	545,294	-	-	545,294
<b>Total expenditures</b>	<b>3,218,392</b>	<b>2,907,992</b>	<b>84,610</b>	<b>57,500</b>	<b>864,235</b>	<b>193,830</b>	<b>-</b>	<b>17,571</b>	<b>2,405,172</b>	<b>87,491</b>	<b>7,273</b>	<b>9,844,066</b>
<b>Other Financing Sources (Uses)</b>												
Transfers in	-	1,300,000	-	-	-	-	-	-	-	-	-	1,300,000
Transfers out	(1,300,000)	-	-	-	-	-	-	-	-	-	-	(1,300,000)
<b>Total other financing (uses) sources</b>	<b>(1,300,000)</b>	<b>1,300,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(497,836)</b>	<b>10,569</b>	<b>37,737</b>	<b>(57,500)</b>	<b>318,133</b>	<b>(43,080)</b>	<b>5</b>	<b>(258)</b>	<b>287,675</b>	<b>-</b>	<b>(6,847)</b>	<b>48,598</b>
<b>Fund Balances (Deficit) - Beginning of year</b>	<b>2,735,852</b>	<b>873,821</b>	<b>776,443</b>	<b>139,934</b>	<b>(236,206)</b>	<b>95,400</b>	<b>6,521</b>	<b>127,162</b>	<b>2,713,945</b>	<b>-</b>	<b>44,529</b>	<b>7,277,401</b>
<b>Fund Balances - End of year</b>	<b>\$ 2,238,016</b>	<b>\$ 884,390</b>	<b>\$ 814,180</b>	<b>\$ 82,434</b>	<b>\$ 81,927</b>	<b>\$ 52,320</b>	<b>\$ 6,526</b>	<b>\$ 126,904</b>	<b>\$ 3,001,620</b>	<b>\$ -</b>	<b>\$ 37,682</b>	<b>\$ 7,325,999</b>

**Other Supplemental Information  
Combining Statement of Net Position  
Fiduciary Funds**

**June 30, 2020**

	Pension Trust Funds		Retiree Health Care Trust Funds		Total
	General Government Employees' Retirement System	Police and Fire Retirement System	General Government Employees' OPEB Trust	Police and Fire OPEB Trust	
<b>Assets</b>					
Cash and cash equivalents	\$ 431,149	\$ 3,979,611	\$ 18,677	\$ 10,864	\$ 4,440,301
Investments:					
U.S. government securities	1,220,586	1,285,449	-	-	2,506,035
Common stock	11,097,250	51,530,776	-	-	62,628,026
Bonds	2,264,806	1,898,233	-	-	4,163,039
Real estate	286,943	1,163,743	-	-	1,450,686
Mutual funds	21,882,204	117,600,867	447,366	1,055,486	140,985,923
Receivables	529,927	932,009	-	-	1,461,936
Due from retirement system	-	89,328	-	-	89,328
Total assets	37,712,865	178,480,016	466,043	1,066,350	217,725,274
<b>Liabilities</b>					
Accounts payable	-	105,139	-	-	105,139
Due to retirement system	89,328	-	-	-	89,328
Due to primary government	-	3,977,479	-	-	3,977,479
Collateral for securities lending	-	4,535,778	-	-	4,535,778
Total liabilities	89,328	8,618,396	-	-	8,707,724
<b>Net Position</b> - Restricted for pension and other employee benefits	\$ 37,623,537	\$ 169,861,620	\$ 466,043	\$ 1,066,350	\$ 209,017,550

Other Supplemental Information  
Combining Statement of Changes in Fiduciary Net Position  
Fiduciary Funds

Year Ended June 30, 2020

	Pension Trust Funds		Retiree Health Care Trust Funds		Total
	General Government Employees' Retirement System	Police and Fire Retirement System	General Government Employees' OPEB Trust	Police and Fire OPEB Trust	
<b>Additions</b>					
Investment income (loss):					
Interest and dividends	\$ 1,143,785	\$ 5,583,350	\$ 11,030	\$ 25,272	\$ 6,763,437
Net decrease in fair value of investments	(1,170,490)	(5,999,055)	(13,186)	(19,492)	(7,202,223)
Investment-related expenses	-	(452,562)	-	-	(452,562)
Total investment (loss) income	(26,705)	(868,267)	(2,156)	5,780	(891,348)
Contributions:					
Employer	1,204,313	4,274,279	2,024,134	3,583,564	11,086,290
Employee	38,200	594,835	-	-	633,035
Net contributions	1,242,513	4,869,114	2,024,134	3,583,564	11,719,325
Total additions	1,215,808	4,000,847	2,021,978	3,589,344	10,827,977
<b>Deductions</b>					
Benefit payments	3,633,555	14,408,607	1,551,268	2,521,331	22,114,761
Administrative expenses	59,856	-	4,667	1,663	66,186
Total deductions	3,693,411	14,408,607	1,555,935	2,522,994	22,180,947
<b>Net (Decrease) Increase in Net Position Restricted for Pension and Other Employee Benefits</b>	(2,477,603)	(10,407,760)	466,043	1,066,350	(11,352,970)
<b>Net Position Restricted for Pension and Other Employee Benefits - Beginning of year</b>	40,101,140	180,269,380	-	-	220,370,520
<b>Net Position Restricted for Pension and Other Employee Benefits - End of year</b>	<b>\$ 37,623,537</b>	<b>\$ 169,861,620</b>	<b>\$ 466,043</b>	<b>\$ 1,066,350</b>	<b>\$ 209,017,550</b>

**City of Dearborn Heights, Michigan**

**Other Supplemental Information  
Statement of Assets and Liabilities  
Agency Funds**

**June 30, 2020**

	<u>Agency Fund</u>	<u>District Court</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 133,565	\$ 405,250	\$ 538,815
Receivables	75,436	-	75,436
Total assets	<u><b>\$ 209,001</b></u>	<u><b>\$ 405,250</b></u>	<u><b>\$ 614,251</b></u>
<b>Liabilities</b>			
Accounts payable	\$ 1,621	\$ -	\$ 1,621
Due to primary government	-	175,387	175,387
Accrued liabilities and other	207,380	229,863	437,243
Total liabilities	<u><b>\$ 209,001</b></u>	<u><b>\$ 405,250</b></u>	<u><b>\$ 614,251</b></u>