

**Dearborn Heights Tax Increment
Finance Authority**

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

Dearborn Heights Tax Increment Finance Authority

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Independent Auditor's Report

To the Board of Directors
Dearborn Heights Tax Increment Finance Authority

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Dearborn Heights, Michigan (the "City") as of and for the year ended June 30, 2015, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 3, 2015, which contained unmodified opinions on the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. We have not performed any procedures with respect to the audited financial statements subsequent to November 3, 2015.

In Relation to Opinion on Accompanying Financial Statements

The accompanying financial statements of the Dearborn Heights Tax Increment Finance Authority are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the operating fund budgetary comparison schedule and management's discussion and analysis 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.

Plante & Moran, PLLC

November 3, 2015

Dearborn Heights Tax Increment Finance Authority

Management's Discussion and Analysis

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

Financial Highlights

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

Captured property tax revenue, the Authority's largest revenue source, decreased by approximately \$66,000 from 2014.

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 Authority as a whole and present a longer-term view of the Authority's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year and whether the taxpayers have funded the full cost of providing government services.

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

Dearborn Heights Tax Increment Finance Authority

Management's Discussion and Analysis

The Authority as a Whole

The following table shows, in a condensed format, the net position as of the current date and compared to the prior year:

	<u>2014</u>	<u>2015</u>	<u>Net Change</u>
Assets			
Current assets	\$ 2,453,051	\$ 2,466,282	\$ 13,231
Capital assets	<u>19,445,342</u>	<u>18,787,937</u>	<u>(657,405)</u>
Total assets	21,898,393	21,254,219	(644,174)
Deferred Outflows of Resources -			
Bond refunding loss being amortized	<u>386,459</u>	<u>331,250</u>	<u>(55,209)</u>
Total assets and deferred outflows of resources	22,284,852	21,585,469	(699,383)
Liabilities			
Current liabilities	195,037	227,952	32,915
Long-term liabilities	<u>17,670,000</u>	<u>16,745,000</u>	<u>(925,000)</u>
Total liabilities	<u>17,865,037</u>	<u>16,972,952</u>	<u>(892,085)</u>
Net Position			
Net investment in capital assets	1,775,342	2,374,187	598,845
Unrestricted	<u>2,644,473</u>	<u>2,238,330</u>	<u>(406,143)</u>
Total net position	<u>\$ 4,419,815</u>	<u>\$ 4,612,517</u>	<u>\$ 192,702</u>

The Authority's total net position increased from 2014 by approximately 4 percent.

Dearborn Heights Tax Increment Finance Authority

Management's Discussion and Analysis

The following table shows the changes of the net position during the current year and as compared to the prior year:

	2014	2015	Net Change
Revenue			
Property taxes	\$ 2,177,504	\$ 2,111,887	\$ (65,617)
Interest and other	67,412	4,608	(62,804)
Transfers in	256,300	262,800	6,500
Total revenue	2,501,216	2,379,295	(121,921)
Program Expenses			
Public works	876,499	621,320	\$ (255,179)
Public safety	505,658	516,970	11,312
Economic development	63,136	49,445	(13,691)
Debt Service	1,034,070	998,858	(35,212)
Total program expenses	2,479,363	2,186,593	(292,770)
Change in Net Position	\$ 21,853	\$ 192,702	\$ 170,849

Total revenue for the Authority decreased approximately \$122,000 from 2014, primarily due to the decrease in property tax revenue and a decrease in interest income in the capital projects fund. Total expenses decreased approximately \$293,000 from 2014.

The Authority's Funds

The fund financial statements provide detailed information about the funds of the Authority, not the Authority as a whole. The board of directors creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as bond proceeds. The Authority's funds for 2015 include the Operating Fund, Capital Projects Fund, and Debt Service Fund.

Operating Fund Budgetary Highlights

The Operating Fund of the Authority accounts for all of the annual projects as planned by the board of directors. The Operating Fund spent approximately \$2.1 million in the current year, which was \$1.3 million less than budgeted. This is due in part to a conservative budget for debt service expenses and also due to a conservative budget for various other expenses.

Debt Administration

The Authority paid approximately \$1.7 million in interest and principal on the related outstanding bonds in the current year.

Dearborn Heights Tax Increment Finance Authority

Management's Discussion and Analysis

Economic Factors and Next Year's Budgets and Rates

The Authority's budget for next year calls for minor changes and, as always, the Authority will work hard to maintain a fair budget.

Contacting the Authority's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Dearborn Heights Tax Increment Finance Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Authority at 25637 Michigan Avenue, Dearborn Heights, MI 48125 or the City of Dearborn Heights' finance office at 6045 Fenton, Dearborn Heights, MI 48127.

Dearborn Heights Tax Increment Finance Authority

Governmental Funds Balance Sheet/Statement of Net Position June 30, 2015

	Operating Fund	Capital Projects Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash and cash equivalents (Note 3)	\$ 2,466,099	\$ -	\$ -	\$ 2,466,099	\$ -	\$ 2,466,099
Other assets	183	-	-	183	-	183
Capital assets:						
Assets not subject to depreciation (Note 4)	-	-	-	-	2,769,084	2,769,084
Assets subject to depreciation (Note 4)	-	-	-	-	16,018,853	16,018,853
Total assets	2,466,282	-	-	2,466,282	18,787,937	21,254,219
Deferred Outflows of Resources -						
Bond refunding loss being amortized	-	-	-	-	331,250	331,250
Total assets and deferred outflows	\$ 2,466,282	\$ -	\$ -	\$ 2,466,282	19,119,187	21,585,469
Liabilities						
Accounts payable	\$ 59,355	\$ -	\$ -	\$ 59,355	-	59,355
Due to the City	3,057	-	-	3,057	-	3,057
Accrued liabilities and other	-	-	-	-	165,540	165,540
Noncurrent liabilities:						
Due within one year - Current portion of long-term debt (Note 6)	-	-	-	-	960,000	960,000
Due in more than one year - Long-term debt (Note 6)	-	-	-	-	15,785,000	15,785,000
Total liabilities	62,412	-	-	62,412	16,910,540	16,972,952
Net Position/Fund Balances						
Fund balances:						
Assigned:						
Capital projects (Note 9)	160,988	-	-	160,988	(160,988)	-
Debt service (Note 9)	2,054,951	-	-	2,054,951	(2,054,951)	-
Other (Note 9)	13,827	-	-	13,827	(13,827)	-
Unassigned	174,104	-	-	174,104	(174,104)	-
Total net position/fund balances	2,403,870	-	-	2,403,870	(2,403,870)	-
Total liabilities and net position/fund balances	\$ 2,466,282	\$ -	\$ -	\$ 2,466,282		
Net position:						
Net investment in capital assets					2,374,187	2,374,187
Unrestricted					2,238,330	2,238,330
Total net position					\$ 4,612,517	\$ 4,612,517

Dearborn Heights Tax Increment Finance Authority

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

	Operating Fund	Capital Projects Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
Revenue						
Property taxes	\$ 2,111,887	\$ -	\$ -	\$ 2,111,887	\$ -	\$ 2,111,887
Interest and other	4,608	-	-	4,608	-	4,608
Operating grants and contributions	-	-	262,800	262,800	-	262,800
Total revenue	2,116,495	-	262,800	2,379,295	-	2,379,295
Expenditures						
Public works	421,320	-	-	421,320	200,000	621,320
Public safety	59,565	-	-	59,565	457,405	516,970
Economic development	49,445	-	-	49,445	-	49,445
Debt service	1,617,815	-	262,800	1,880,615	(881,757)	998,858
Total expenditures	2,148,145	-	262,800	2,410,945	(224,352)	2,186,593
Excess of Expenditures (Over) Under Revenue	(31,650)	-	-	(31,650)	224,352	192,702
Fund Balances/Net Position - Beginning of year						
	2,435,520	-	-	2,435,520	1,984,295	4,419,815
Fund Balances/Net Position - End of year						
	<u>\$ 2,403,870</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,403,870</u>	<u>\$ 2,208,647</u>	<u>\$ 4,612,517</u>

Dearborn Heights Tax Increment Finance Authority

Notes to Financial Statements June 30, 2015

Note I - Summary of Significant Accounting Policies

Reporting Entity

The Dearborn Heights Tax Increment Finance Authority (the "Authority" or TIFA) is a component unit of the City of Dearborn Heights, Michigan (the "City") and is included in the basic financial statements of the City of Dearborn Heights, Michigan. The Authority was formed under Act 450 of the Public Acts of 1980 to develop southwest Dearborn Heights. A development plan was adopted that is financed by property tax revenue. The accompanying financial statements present the Authority.

Accounting and Reporting Principles

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

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenues 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 revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes and other items not properly included among program revenues are reported instead as general revenue.

For the most part, the effect of interfund activity has been removed from these statements.

Dearborn Heights Tax Increment Finance Authority

Notes to Financial Statements June 30, 2015

Note I - Summary of Significant Accounting Policies (Continued)

Fund Accounting

The Dearborn Heights Tax Increment Finance Authority accounts for its various activities in several different funds in order to demonstrate accountability for how certain resources were spent - separate funds allow the Authority to show the particular expenditures for which specific revenue was used. The various funds are aggregated into the following fund type:

Governmental funds include all activities that provide general governmental services that are not business-type activities. The Dearborn Heights Tax Increment Finance Authority reports the following funds as “major” governmental funds:

- The Operating Fund is the authority's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Capital Projects Fund accounts for improvements within the district.
- The Debt Service Fund accounts for debt payments made on certain outstanding debt balances of the Authority.

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

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

Basis of Accounting

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

Dearborn Heights Tax Increment Finance Authority

Notes to Financial Statements June 30, 2015

Note I - Summary of Significant Accounting Policies (Continued)

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

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

Specific Balances and Transactions

Cash, Cash Equivalents, and Investments - 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 are stated at fair value.

Capital Assets - Capital assets, which include property and infrastructure assets (e.g., roads), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Dearborn Heights Tax Increment Finance Authority 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. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

<u>Capital Asset Class</u>	<u>Lives</u>
Buildings and improvements	5 to 50 years
Roads	25 years

Dearborn Heights Tax Increment Finance Authority

Notes to Financial Statements June 30, 2015

Note I - Summary of Significant Accounting Policies (Continued)

Long-term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method; bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances as an “other financing source,” as well as bond premiums and discounts. The Operating Fund and Debt Service Fund are generally used to liquidate governmental long-term debt.

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 Authority has one item that qualifies for reporting in this category. It is the deferred charge on refunding that 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 Authority has no items that qualify for reporting in this category.

Net Position Flow Assumption

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

Dearborn Heights Tax Increment Finance Authority

Notes to Financial Statements June 30, 2015

Note I - Summary of Significant Accounting Policies (Continued)

Fund Balance Flow Assumption

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

Fund Balance Policies

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

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

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Dearborn Heights Tax Increment Finance Authority board has by resolution authorized the finance director to assign fund balance. The board 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

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

Dearborn Heights Tax Increment Finance Authority

Notes to Financial Statements June 30, 2015

Note 1 - Summary of Significant Accounting Policies (Continued)

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

The 2013 taxable valuation of the City approximated \$1.135 billion (a portion of which is abated and a portion of which is captured by the TIFA), on which taxes levied consisted of 25.8085 mills. These captures, in conjunction with captures for which the TIFA is entitled to receive from other taxing authorities, resulted in approximately \$2,112,000 of property tax revenue for the TIFA in the current year.

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

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information - Annual budgets are adopted for the Operating Fund on an activity basis. Annual budgets are not adopted for the capital projects or debt service funds. All annual appropriations lapse at fiscal year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2015 has not been calculated.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget process begins in December and January after the TIFA administrator meets with the assessor and the treasurer to determine the estimated revenue for the new fiscal year.

The TIFA administrator contacts various city department heads to determine any needs for individual departments. Proposed projects and/or continuation projects are discussed with the department head.

A proposed budget is prepared by the administrator based on the TIFA finance and development plan. This proposed budget is then discussed with the mayor for his input and suggestions.

The proposed budget is then presented to the TIFA board for discussion. If there are any changes to the proposed budget, they are made at this time. The TIFA board is then presented with the budget for adoption, contingent upon the City Council's concurrence.

Dearborn Heights Tax Increment Finance Authority

Notes to Financial Statements June 30, 2015

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

The budget is then presented to the City Council for adoption pursuant to the State TIFA Act. Every attempt is made to have the TIFA budget adopted around the time that the City's budget is adopted in June.

In July or August, the TIFA administrator meets with the City treasurer to determine the final and actual TIFA tax capture (revenue) as presented by the Michigan Treasury Department. The TIFA budget is amended as needed and presented to the TIFA board for approval contingent upon the City Council's concurrence. The City Council is then presented with the amended budget for approval.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the current year, the Authority had no unfavorable budget variances.

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, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The governing body has designated four banks for the deposit of Authority funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bank accounts and CDs, but not the remainder of state statutory authority as listed above.

The Dearborn Heights Tax Increment Finance Authority's deposits and investments are in accordance with statutory authority.

Dearborn Heights Tax Increment Finance Authority

Notes to Financial Statements June 30, 2015

Note 3 - Deposits and Investments (Continued)

At year end, the deposits and investments were reported in the basic financial statements as cash and cash equivalents. The entire balance relates to bank deposits (checking accounts, savings accounts, and certificates of deposit) and is therefore subject to the following risks:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Dearborn Heights Tax Increment Finance Authority does not have a deposit policy for custodial credit risk. At year end, the Dearborn Heights Tax Increment Finance Authority had \$145,360 of bank deposits (certificates of deposit and checking and savings accounts); however, for the purpose of FDIC coverage, the component units are combined with that of the City. The City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Authority'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 Authority had the following investments which are rated by Moody's:

Investment	Fair Value	Rating
Pooled investments	\$ 466,028	A1
Commercial paper	2,000,000	A2

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Dearborn Heights Tax Increment Finance Authority 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	Investment Maturities Less Than 1 Year
Primary Government		
Pooled investments	\$ 466,028	\$ 466,028
Commercial paper	2,000,000	2,000,000

Dearborn Heights Tax Increment Finance Authority

Notes to Financial Statements June 30, 2015

Note 4 - Capital Assets

Capital asset activity of the Authority's governmental activities was as follows:

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

Depreciation expense was charged to the public works and public safety programs as it relates to roads and the police and court facility, respectively.

Note 5 - Debt Service Contributions

During the year, the Operating Fund transferred \$220,986 to the City's governmental Library Fund to cover current year principal and interest expense payments. This is recorded in debt service expenditures.

Note 6 - Long-term Debt

The Authority 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 government.

Long-term debt activity can be summarized as follows:

Governmental Activities	Matures	Interest Rate	Beginning	Additions	Reductions	Ending Balance	Due Within
			Balance				One Year
General obligations -							
2007 Tax Increment		4.00% -	\$ 17,670,000	\$ -	\$ 925,000	\$ 16,745,000	\$ 960,000
Development Bonds	2031	4.50%					

Dearborn Heights Tax Increment Finance Authority

Notes to Financial Statements June 30, 2015

Note 6 - Long-term Debt (Continued)

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

Years Ending June 30	Principal	Interest	Total
2016	\$ 960,000	\$ 696,429	\$ 1,656,429
2017	990,000	657,429	1,647,429
2018	1,025,000	617,129	1,642,129
2019	1,075,000	575,129	1,650,129
2020	830,000	537,029	1,367,029
2021-2025	4,755,000	2,112,964	6,867,964
2026-2030	5,730,000	976,040	6,706,040
2031	1,380,000	31,050	1,411,050
Total	<u>\$ 16,745,000</u>	<u>\$ 6,203,199</u>	<u>\$ 22,948,199</u>

Note 7 - Reconciliation of Individual Fund Columns of the Statement of Net Position/Statement of Activities

Net position reported in the statement of net position column is different than the fund balance reported in the individual fund columns because of the different measurement focus and basis of accounting, as discussed in Note 1. Below is a reconciliation of the differences:

Total Fund Balance - Modified Accrual Basis	\$ 2,403,870
Amounts reported in the statement of net position are different because:	
Capital assets are not financial resources and are not reported in the funds	18,787,937
Long-term liabilities and accrued interest are not due and payable in the current period and are not reported in the funds	(16,745,000)
Accrued interest is not due and payable in the current period and is not reported in the funds	(165,540)
Deferred outflows of resources are not financial resources and are not reported in the funds	<u>331,250</u>
Total Net Position - Full Accrual Basis	\$ <u>4,612,517</u>

Dearborn Heights Tax Increment Finance Authority

Notes to Financial Statements June 30, 2015

Note 7 - Reconciliation of Individual Fund Columns of the Statement of Net Position/Statement of Activities (Continued)

The change in net position reported in the statement of activities column is different than the change in fund balance reported in the individual fund columns because of the different measurement focus and basis of accounting, as discussed in Note 1. Below is a reconciliation of the differences:

Total Change in Fund Balance - Modified Accrual Basis \$ (31,650)

Amounts reported in the statement of activities are different because:

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

Capital outlay	9,427
Depreciation	(666,832)

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

11,966

Repayment of bond principal is an expenditure in the governmental funds, but is not reported as an expense in the statement of activities (where it reduces debt)

925,000

Deferred charges on refunding are amortized over the life of debt on the statement of activities

(55,209)

Total Change in Net Position - Full Accrual Basis \$ 192,702

Note 8 - Risk Management

The Authority is exposed to various risks of loss related to property loss, torts, and errors and omissions. The City has purchased commercial insurance for all such claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past five fiscal years.

Dearborn Heights Tax Increment Finance Authority

Notes to Financial Statements June 30, 2015

Note 9 - Fund Balance Constraints

The fund balance assignments of the Operating Fund are as follows:

Fund balances:

Capital improvements:

Westwood School	\$	462
Industrial park		64,357
Water main		21,596
Fire department		4,975
Justice center improvements		34,696
Tree trimming		404
Gulley Road		356
Daly Park		382
Sewer lining		360
Manhole catch basins		3,428
Beech Daly improvements		4,415
Commercial rehab program		23,938
DPW improvements		<u>1,619</u>
Total capital improvements		160,988
Debt service		2,054,951
Other:		
Westwood drug education		25
Vanborn commercial improvements		1,611
Sidewalk		8,729
Ordinance officer		1,051
Right of way		286
Emergency management		<u>2,125</u>
Total other		13,827
Unassigned		<u>174,104</u>
Total fund balance	\$	<u><u>2,403,870</u></u>

Required Supplemental Information

Dearborn Heights Tax Increment Finance Authority

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

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Resources (inflows):				
Property taxes	\$ 3,323,724	\$ 3,417,561	\$ 2,111,887	\$ (1,305,674)
Interest and other	-	-	4,608	4,608
Total resources (inflows)	3,323,724	3,417,561	2,116,495	(1,301,066)
Charges to appropriations (outflows):				
Public works:				
Administration	259,186	259,186	182,915	76,271
Contingency	559,621	628,458	5,175	623,283
Water main replacement	209,589	209,589	187,994	21,595
DPW improvements	1,619	1,619	-	1,619
Tree trimming	404	25,404	25,000	404
Storm sewer cleaning and lining	360	360	-	360
Catch basin repairs	3,428	3,428	-	3,428
Gulley Road improvements	356	356	-	356
Right-of-way maintenance and repair	20,522	20,522	20,236	286
Sidewalk installation	8,729	8,729	-	8,729
Vanborn commercial improvements	1,611	1,611	-	1,611
Public safety:				
Crime prevention officer	30,000	30,000	30,000	-
Ordinance officer	14,172	14,172	13,121	1,051
Fire station improvements	14,188	14,188	9,427	4,761
Rescue squad	214	214	-	214
Justice Center improvements	41,810	41,810	7,017	34,793
Emergency Management	2,125	2,125	-	2,125
Recreation - Daly Park improvements	4,797	4,797	-	4,797
Economic development:				
Westwood School drug information program	25	25	-	25
Industrial Park improvements	66,393	66,393	2,036	64,357
Commercial rehabilitation program	69,647	69,647	45,709	23,938
Library improvements	468,725	247,739	1,700	246,039
Westwood School improvements	462	462	-	462
Debt service - Interest and principal	1,545,741	1,766,727	1,617,815	148,912
Total charges to appropriations (outflows)	3,323,724	3,417,561	2,148,145	1,269,416
Net Change in Fund Balance	-	-	(31,650)	(31,650)
Fund Balance - Beginning of year	2,435,520	2,435,520	2,435,520	-
Fund Balance - End of year	\$ 2,435,520	\$ 2,435,520	\$ 2,403,870	\$ (31,650)