

**Dearborn Heights Tax Increment
Finance Authority**

**Financial Report
with Supplemental Information
June 30, 2014**

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, 2014, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 7, 2014, 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 7, 2014.

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.

Emphasis of Matter

As discussed in Note 2 to the basic financial statements, during the year ended June 30, 2014, the City also adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred inflows and outflows of resources, certain items that were previously reported as assets and liabilities. Our opinion is not modified with respect to this matter.

To the Board of Directors
Dearborn Heights Tax Increment
Finance Authority

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the operating fund budgetary comparison schedule 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Plante & Morse, PLLC

November 7, 2014

Dearborn Heights Tax Increment Finance Authority

Governmental Funds Balance Sheet/Statement of Net Position June 30, 2014

	Operating Fund	Capital Projects Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash and cash equivalents (Note 4)	\$ 2,452,869	\$ -	\$ -	\$ 2,452,869	\$ -	\$ 2,452,869
Other assets	182	-	-	182	-	182
Capital assets:						
Assets not subject to depreciation (Note 5)	-	-	-	-	2,769,084	2,769,084
Assets subject to depreciation (Note 5)	-	-	-	-	16,676,258	16,676,258
Total assets	2,453,051	-	-	2,453,051	19,445,342	21,898,393
Deferred Outflows of Resources -						
Bond refunding loss being amortized	-	-	-	-	386,459	386,459
Total assets and deferred outflows	\$ 2,453,051	\$ -	\$ -	\$ 2,453,051	19,831,801	22,284,852
Liabilities						
Accounts payable	\$ 17,531	\$ -	\$ -	\$ 17,531	-	17,531
Accrued liabilities and other	-	-	-	-	177,506	177,506
Noncurrent liabilities:						
Due within one year - Current portion of long-term debt (Note 7)	-	-	-	-	925,000	925,000
Due in more than one year - Long-term debt (Note 7)	-	-	-	-	16,745,000	16,745,000
Total liabilities	17,531	-	-	17,531	17,847,506	17,865,037
Net Position/Fund Balances						
Fund balances:						
Assigned:						
Capital projects (Note 10)	179,467	-	-	179,467	(179,467)	-
Debt service (Note 10)	1,978,017	-	-	1,978,017	(1,978,017)	-
Other (Note 10)	27,204	-	-	27,204	(27,204)	-
Unassigned	250,832	-	-	250,832	(250,832)	-
Total net position/fund balances	2,435,520	-	-	2,435,520	(2,435,520)	-
Total liabilities and net position/fund balances	\$ 2,453,051	\$ -	\$ -	\$ 2,453,051		
Net position:						
Net investment in capital assets					1,775,342	1,775,342
Unrestricted					2,644,473	2,644,473
Total net position					\$ 4,419,815	\$ 4,419,815

Dearborn Heights Tax Increment Finance Authority

Statement of Governmental Funds Revenue, Expenditures, and Changes in Fund Balances/Statement of Activities Year Ended June 30, 2014

	Operating Fund	Capital Projects Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	\$ 2,177,504	\$ -	\$ -	\$ 2,177,504	\$ -	\$ 2,177,504
Interest and other	4,413	62,982	17	67,412	-	67,412
Operating grants and contributions	-	-	256,300	256,300	-	256,300
Total revenues	2,181,917	62,982	256,317	2,501,216	-	2,501,216
Expenditures						
Public works	676,499	-	-	676,499	200,000	876,499
Public safety	39,351	-	-	39,351	466,307	505,658
Economic development	63,136	-	-	63,136	-	63,136
Debt service	1,622,167	-	256,300	1,878,467	(844,397)	1,034,070
Total expenditures	2,401,153	-	256,300	2,657,453	(178,090)	2,479,363
(Deficiency) excess of revenues over expenditures	(219,236)	62,982	17	(156,237)	178,090	21,853
Other Financing Sources (Uses)						
Interfund transfers in (Note 6)	93,070	-	-	93,070	(93,070)	-
Interfund transfers out (Note 6)	-	(63,907)	(29,163)	(93,070)	93,070	-
Total other financing sources (uses)	93,070	(63,907)	(29,163)	-	-	-
Net Change in Fund Balances/Net Position	(126,166)	(925)	(29,146)	(156,237)	178,090	21,853
Fund Balances/Net Position - Beginning of year	2,561,686	925	29,146	2,591,757	1,806,205	4,397,962
Fund Balances/Net Position - End of year	<u>\$ 2,435,520</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,435,520</u>	<u>\$ 1,984,295</u>	<u>\$ 4,419,815</u>

Dearborn Heights Tax Increment Finance Authority

Notes to Financial Statements June 30, 2014

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 Government 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, 2014

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 that specific revenues were used for. 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, 2014

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 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.

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 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, 2014

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 financial 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 reported in the government-wide statement of net position. 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 financial 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 Authority 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, 2014

Note I - Summary of Significant Accounting Policies (Continued)

Fund Balance Flow Assumption

Sometimes the Authority 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 Authority's policy to consider unrestricted fund balance to have been depleted before using any of the components of restricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

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

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.

Dearborn Heights Tax Increment Finance Authority

Notes to Financial Statements June 30, 2014

Note 1 - Summary of Significant Accounting Policies (Continued)

The Dearborn Heights Tax Increment Finance Authority's 2013 tax is levied and collectible on July 1, 2013 and is recognized as revenue in the year ended June 30, 2014, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2012 taxable valuation of the City approximated \$1.125 billion (a portion of which is captured by the TIFA). Taxes levied by the City consist of a total of 24.5166 mills. These captures, in conjunction with captures for which the TIFA is entitled to receive from other taxing authorities, resulted in approximately \$2,177,000 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 - Change in Accounting

During the current year, the Dearborn Heights Tax Increment Finance Authority adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The objective of this statement is to establish standards that reclassify certain items that were previously reported as assets and liabilities and instead to classify them as deferred inflows of resources, deferred outflows of resources, or as outflows of resources.

As a result of implementing this statement, the following liability has been reclassified, as indicated:

Item	Amount	Prior Reporting Classification/Treatment	New Classification After Adoption of GASB Statement No. 65
Deferred amounts on debt refundings	\$ 386,459	Adjustment to the bonds payable liability	Deferred outflow of resources

Note 3 - 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, 2014 has not been calculated.

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

Dearborn Heights Tax Increment Finance Authority

Notes to Financial Statements June 30, 2014

Note 3 - Stewardship, Compliance, and Accountability (Continued)

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.

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 significant unfavorable budget variances.

Note 4 - 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.

Dearborn Heights Tax Increment Finance Authority

Notes to Financial Statements June 30, 2014

Note 4 - Deposits and Investments (Continued)

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.

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

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 \$163,789 of bank deposits (certificates of deposit, 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	\$ 951,966	A1
Commercial paper	1,500,000	A2

Dearborn Heights Tax Increment Finance Authority

Notes to Financial Statements June 30, 2014

Note 4 - Deposits and Investments (Continued)

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The 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	Fair Value
Primary Government			
Pooled investments	\$ 951,966	\$ 951,966	\$ -
Commercial paper	1,500,000	1,500,000	-

Note 5 - Capital Assets

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

Governmental Activities	Balance July 1, 2013	Additions	Disposals	Balance June 30, 2014
Capital assets not being depreciated -				
Land	\$ 2,767,640	\$ 1,444	\$ -	\$ 2,769,084
Capital assets being depreciated:				
Roads	5,000,000	-	-	5,000,000
Buildings and improvements	22,017,690	-	-	22,017,690
Subtotal	27,017,690	-	-	27,017,690
Accumulated depreciation:				
Roads	3,800,000	200,000	-	4,000,000
Buildings and improvements	5,873,681	467,751	-	6,341,432
Subtotal	9,673,681	667,751	-	10,341,432
Net capital assets being depreciated	17,344,009	(667,751)	-	16,676,258
Net capital assets	\$ 20,111,649	\$ (666,307)	\$ -	\$ 19,445,342

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

Dearborn Heights Tax Increment Finance Authority

Notes to Financial Statements June 30, 2014

Note 6 - Interfund Transfers

During the year, the Capital Projects Fund transferred \$63,907 and the Debt Service Fund transferred \$29,163 to the Operating Fund related to the settlement of interfund balances and cash accounts that were closed. In addition, the Operating Fund transferred \$217,538 to the City's governmental Library Fund to cover current year principal and interest expense payments. This is recorded in debt service expenditures.

Note 7 - 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 obligation activity can be summarized as follows:

Governmental Activities	Matures	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligations - 2007 Tax Increment Development Bonds	2031	4.00% - 4.50%	\$ 18,560,000	\$ -	\$ 890,000	\$ 17,670,000	\$ 925,000

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

Year Ending June 30	Principal	Interest	Total
2015	\$ 925,000	\$ 734,129	\$ 1,659,129
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
2020-2024	4,585,000	2,311,418	6,896,418
2025-2029	5,470,000	1,224,165	6,694,165
2030-2034	2,640,000	121,500	2,761,500
Total	<u>\$ 17,670,000</u>	<u>\$ 6,937,328</u>	<u>\$ 24,607,328</u>

Dearborn Heights Tax Increment Finance Authority

Notes to Financial Statements June 30, 2014

Note 8 - 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	\$ 2,435,520
Amounts reported in the statement of net position are different because:	
Capital assets are not financial resources and are not reported in the funds	19,445,342
Long-term liabilities and accrued interest are not due and payable in the current period and are not reported in the funds	(17,670,000)
Accrued interest is not due and payable in the current period and is not reported in the funds	(177,506)
Deferred outflows of resources are not financial resources and are not reported in the funds	<u>386,459</u>
Total Net Position - Full Accrual Basis	<u>\$ 4,419,815</u>

Dearborn Heights Tax Increment Finance Authority

Notes to Financial Statements June 30, 2014

Note 8 - 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 \$ (156,237)

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	1,444
Depreciation	(667,751)

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

9,606

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)

890,000

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 \$ 21,853

Note 9 - 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, 2014

Note 10 - Fund Balance Constraints

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

Fund balances:

Capital improvements:

Westwood School	\$	462
Industrial park		66,393
Water main		789
Fire department		14,402
Justice center improvements		41,810
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		44,647
DPW improvements		<u>1,619</u>
Total capital improvements		179,467
Debt service		1,978,017
Other:		
Westwood drug education		25
Vanborn commercial improvements		1,611
Sidewalk		8,729
Ordinance officer		14,192
Right of way		522
Emergency management		<u>2,125</u>
Total other		27,204
Unassigned		<u>250,832</u>
Total fund balance	\$	<u><u>2,435,520</u></u>

Required Supplemental Information

Dearborn Heights Tax Increment Finance Authority

Required Supplemental Information Budgetary Comparison Schedule - Operating Fund Year Ended June 30, 2014

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Resources (inflows):				
Property taxes	\$ 3,531,177	\$ 3,531,182	\$ 2,177,504	\$ (1,353,678)
Interest and other	-	-	4,413	4,413
Total resources (inflows)	3,531,177	3,531,182	2,181,917	(1,349,265)
Charges to appropriations (outflows):				
Public works:				
Administration	246,974	246,974	178,989	67,985
Contingency	632,704	632,704	166,776	465,928
Water main replacement	313,349	313,349	310,949	2,400
DPW improvements	1,619	1,619	-	1,619
Tree trimming	404	404	-	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	20,306	20,306	19,785	521
Sidewalk installation	8,729	8,729	-	8,729
Public safety:				
Crime prevention officer	30,000	30,000	30,000	-
Ordinance officer	21,487	21,487	7,315	14,172
Fire station improvements	14,285	14,285	-	14,285
Rescue squad	2,711	2,711	373	2,338
Justice Center improvements	43,375	43,375	1,663	41,712
Recreation - Daly Park improvements	4,797	4,797	-	4,797
Economic development:				
Westwood School drug information program	11,482	11,487	11,000	487
Industrial Park improvements	76,260	76,260	9,867	66,393
Commercial rehabilitation program	84,130	84,130	39,483	44,647
Library improvements	464,051	246,513	2,786	243,727
Debt service - Interest and principal	1,550,370	1,767,908	1,622,167	145,741
Total charges to appropriations (outflows)	3,531,177	3,531,182	2,401,153	1,130,029
Other Financing Sources -				
Interfund transfers in	-	-	93,070	93,070
Net Change in Fund Balance	-	-	(126,166)	(126,166)
Fund Balance - Beginning of year	2,561,686	2,561,686	2,561,686	-
Fund Balance - End of year	\$ 2,561,686	\$ 2,561,686	\$ 2,435,520	\$ (126,166)