
Dearborn Heights Tax Increment Finance Authority

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

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, 2020, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 11, 2020, 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 opinions on the financial statements as a whole. We have not performed any procedures with respect to the audited financial statements subsequent to November 11, 2020.

In Relation to Opinions 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.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the operating fund budgetary comparison schedule and the 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 11, 2020

Dearborn Heights Tax Increment Finance Authority

Management's Discussion and Analysis

As management of the Dearborn Heights Tax Increment Finance Authority (the "Authority"), we offer readers this narrative overview and analysis of the financial activities for the year ended June 30, 2020.

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, 2020:

Captured property tax revenue, the Authority's largest revenue source, increased in 2020, which resulted in an overall increase in property tax revenue of approximately 5 percent.

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 the reader how the taxpayers' resources were spent during the year and 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 most significant funds.

The Authority's Net Position

The following table shows, in a condensed format, the net position as of June 30, 2020 and 2019:

	2019	2020	Change	Percent Change
Assets				
Current and other assets	\$ 3,210,063	\$ 3,925,735	\$ 715,672	22.3
Capital assets	16,144,230	15,669,764	(474,466)	(2.9)
Total assets	19,354,293	19,595,499	241,206	1.2
Deferred Outflows of Resources	110,414	55,205	(55,209)	(50.0)
Liabilities				
Current liabilities	78,081	70,454	(7,627)	(9.8)
Noncurrent liabilities	12,730,000	11,785,000	(945,000)	(7.4)
Total liabilities	12,808,081	11,855,454	(952,627)	(7.4)
Net Position				
Net investment in capital assets	3,524,644	3,939,969	415,325	11.8
Unrestricted	3,131,982	3,855,281	723,299	23.1
Total net position	<u>\$ 6,656,626</u>	<u>\$ 7,795,250</u>	<u>\$ 1,138,624</u>	17.1

The Authority's total net position increased from 2019 by approximately 17 percent, primarily as a result of the reduction in the noncurrent liabilities.

Dearborn Heights Tax Increment Finance Authority

Management's Discussion and Analysis (Continued)

The Authority's Change in Net Position

The following table shows the change in net position during the years ended June 30, 2020 and 2019:

	<u>2019</u>	<u>2020</u>	<u>Change</u>	<u>Percent Change</u>
Revenue				
Property taxes	\$ 2,100,372	\$ 2,202,475	\$ 102,103	4.9
Interest and other	70,480	66,070	(4,410)	(6.3)
Operating grants and contributions	159,100	193,830	34,730	21.8
Total revenue	<u>2,329,952</u>	<u>2,462,375</u>	<u>132,423</u>	<u>5.7</u>
Expenses				
Public works	422,488	254,523	(167,965)	(39.8)
Public safety	523,142	514,188	(8,954)	(1.7)
Recreation	26,835	600	(26,235)	(97.8)
Economic development	20,000	5,000	(15,000)	(75.0)
Debt service	557,985	549,440	(8,545)	(1.5)
Total expenses	<u>1,550,450</u>	<u>1,323,751</u>	<u>(226,699)</u>	<u>(14.6)</u>
Change in Net Position	<u>779,502</u>	<u>1,138,624</u>	<u>359,122</u>	<u>46.1</u>
Net Position - Beginning of year	<u>5,877,124</u>	<u>6,656,626</u>	<u>779,502</u>	<u>13.3</u>
Net Position - End of year	<u><u>\$ 6,656,626</u></u>	<u><u>\$ 7,795,250</u></u>	<u><u>\$ 1,138,624</u></u>	<u>17.1</u>

Total revenue for the Authority increased approximately \$132,000 from 2019, primarily due to the increase in property taxes. Total expenses decreased approximately \$227,000 from 2019, or nearly 15 percent.

Financial Analysis of Individual Funds

As noted earlier, the Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the Authority's governmental fund (the Operating Fund) is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Authority'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 board or a group or individual that has been delegated authority to assign resources for use for particular purposes by the board.

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 \$1,738,719 in the current year, which was less than budgeted. This is primarily due to a conservative budget pertaining to contingency expenses.

Debt Administration

The Authority paid approximately \$1.4 million in principal and interest on the related outstanding bonds in the current year.

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.

Dearborn Heights Tax Increment Finance Authority

Management's Discussion and Analysis (Continued)

Requests for Further Information

This financial report is intended to provide a general overview of the Authority's finances and demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional information, please contact the Authority at 25637 Michigan Avenue, Dearborn Heights, MI 48125 or the City of Dearborn Heights, Michigan's finance office at 6045 Fenton, Dearborn Heights, MI 48127.

Dearborn Heights Tax Increment Finance Authority

Governmental Fund Balance Sheet/Statement of Net Position

June 30, 2020

	Balance Sheet		Statement of Net Position
	Operating Fund	Adjustments	
Assets			
Cash and cash equivalents (Note 3)	\$ 3,925,553	\$ -	\$ 3,925,553
Other assets	182	-	182
Capital assets:			
Assets not subject to depreciation (Note 4)	-	2,771,156	2,771,156
Assets subject to depreciation (Note 4)	-	12,898,608	12,898,608
Total assets	3,925,735	15,669,764	19,595,499
Deferred Outflows of Resources - Bond refunding loss being amortized	-	55,205	55,205
Total assets and deferred outflows of resources	<u>\$ 3,925,735</u>	15,724,969	19,650,704
Liabilities			
Accounts payable	\$ 5,859	-	5,859
Due to the City	234	-	234
Accrued liabilities and other	1,056	63,305	64,361
Noncurrent liabilities:			
Due within one year - Current portion of long-term debt (Note 6)	-	965,000	965,000
Due in more than one year - Long-term debt (Note 6)	-	10,820,000	10,820,000
Total liabilities	7,149	11,848,305	11,855,454
Fund Balance - Unassigned	3,918,586	(3,918,586)	-
Total liabilities and fund balance	<u>\$ 3,925,735</u>		
Net Position			
Net investment in capital assets		3,939,969	3,939,969
Unassigned		3,855,281	3,855,281
Total net position		<u>\$ 7,795,250</u>	<u>\$ 7,795,250</u>

Dearborn Heights Tax Increment Finance Authority

Statement of Governmental Fund Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities

Year Ended June 30, 2020

	Statement of Governmental Fund Revenue, Expenditures, and Changes in Fund Balance		
	Operating Fund	Adjustments	Statement of Activities
Revenue			
Property taxes	\$ 2,202,475	\$ -	\$ 2,202,475
Interest and other - Investment earnings	66,070	-	66,070
Operating grants and contributions	193,830	-	193,830
Total revenue	2,462,375	-	2,462,375
Expenditures			
Public works	254,523	-	254,523
Public safety	39,722	474,466	514,188
Recreation	600	-	600
Economic development	5,000	-	5,000
Debt service	1,438,874	(889,434)	549,440
Total expenditures	1,738,719	(414,968)	1,323,751
Net Change in Fund Balance/Net Position - Excess of revenue over expenditures	723,656	414,968	1,138,624
Fund Balance/Net Position - Beginning of year	3,194,930	3,461,696	6,656,626
Fund Balance/Net Position - End of year	\$ 3,918,586	\$ 3,876,664	\$ 7,795,250

June 30, 2020

Note 1 - Significant Accounting Policies

Reporting Entity

The Dearborn Heights Tax Increment Finance Authority (the "Authority" or the "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 Authority follows accounting principles generally accepted in the United States of America (GAAP) 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 individual fund column presents the Operating Fund's activities on the modified accrual basis of accounting, which demonstrates accountability for how the current resources have been spent. The government-wide column (statement of net position and statement of activities) is presented on the economic resources measurement focus and the full accrual basis of accounting in order to measure the cost of providing government services and the extent to which constituents have paid the full cost of government services.

On 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. 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.

Fund Accounting

The Dearborn Heights Tax Increment Finance Authority accounts for its various activities in the Operating Fund in order to demonstrate accountability for how it spends certain resources.

Governmental Funds

Governmental funds include all activities that provide general governmental services that are not business-type activities. The Authority reports the Operating Fund as its major fund. This 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 (none in the current year).

Basis of Accounting

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

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree 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.

Note 1 - Significant Accounting Policies (Continued)

Revenue is not recognized until it is collected or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the City considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements (if any) will be collected after the period of availability; receivables have been recorded for these, along with a deferred inflow.

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 are stated at amortized cost.

Capital Assets

Capital assets, which include property and infrastructure assets (e.g., roads), are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the 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 acquisition value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

<u>Capital Asset Class</u>	<u>Depreciable Life - Years</u>
Roads	25
Buildings and improvements	5 to 50

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 lives 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 Operating Fund is 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 future periods and 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 future periods and 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.

Note 1 - Significant Accounting Policies (Continued)

Net Position Flow Assumption

The Authority 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 government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions

The Authority 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 government'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 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 Authority's board is the highest level of decision-making authority for the government that can, by adoption of an ordinance passing a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance/resolution remains in place until a similar action is taken 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 Authority has, by resolution, authorized the city comptroller 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 and become an enforceable lien at that time; the tax is based 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.

The Dearborn Heights Tax Increment Finance Authority's 2019 tax is 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 taxable valuation of the City approximated \$1.293 billion (a portion of which is abated and a portion of which is captured by the TIFA), on which taxes levied consisted of 23.6099 mills. These captures, in conjunction with captures for which the TIFA is entitled to receive from other taxing authorities, resulted in approximately \$2.2 million of property tax revenue for the TIFA in the current year.

Note 1 - Significant Accounting Policies (Continued)

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. All annual appropriations lapse at fiscal year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2020 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.

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

The Authority did not have any significant expenditure budget variance.

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 no 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 governing body has designated four 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 Dearborn Heights Tax Increment Finance Authority's deposits and investments are in accordance with statutory authority.

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

The Authority's deposits 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 Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. At year end, the Authority had \$2,986 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	Amortized Cost	Rating
Pooled investments	\$ 626,332	A1
Commercial paper	997,809	A1
Commercial paper	2,298,426	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	Amortized Cost	Investment Maturities Less Than One Year
Pooled investments	\$ 626,332	\$ 626,332
Commercial paper	997,809	997,809
Commercial paper	2,298,426	2,298,426

Dearborn Heights Tax Increment Finance Authority

Notes to Financial Statements

June 30, 2020

Note 4 - Capital Assets

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

	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	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	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	<u>\$ 16,144,230</u>	<u>\$ (474,466)</u>	<u>\$ -</u>	<u>\$ 15,669,764</u>

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

Note 5 - Debt Service Contributions

The Authority has committed to make a contribution annually to defray a portion of the debt service payments being made by the City related to 2013 General Obligation Building Authority Library Bonds. The amount of the contribution is at the discretion of the TIFA board. At June 30, 2020, \$5,630,000 is outstanding on these bonds. During the year, the TIFA Operating Fund transferred \$231,205 to the City's governmental Library Fund to cover a portion of current year principal and interest expense payments.

Note 6 - Long-term Debt

Long-term debt activity for the year ended June 30, 2020 can be summarized as follows:

	Beginning Balance	Reductions	Ending Balance	Due within One Year
Governmental activities - 2016 Tax Increment Development Bonds	\$ 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	Principal	Interest	Total
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	1,195,000	15,684	1,210,684
Total	\$ 11,785,000	\$ 1,514,129	\$ 13,299,129

Advance Refunding

In previous years, the Authority defeased an advance refunding. As of June 30, 2020, there is still \$11,750,000 of bonds outstanding that is considered defeased.

Note 7 - Reconciliation of Individual Fund Column 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 column 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	\$ 3,918,586
Amounts reported 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 fund	15,669,764
Long-term liabilities and accrued interest are not due and payable in the current period and are not reported in the fund	(11,785,000)
Accrued interest is not due and payable in the current period and is not reported in the fund	(63,305)
Deferred outflows of resources are not financial resources and are not reported in the fund	55,205
Total Net Position - Full Accrual Basis	\$ 7,795,250

June 30, 2020

Note 7 - Reconciliation of Individual Fund Column 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 column because of the different measurements 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	\$ 723,656
Amounts reported 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	(474,466)
Change in accrued interest payable	(357)
Repayment of bond principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt)	945,000
Deferred charges on refunding are amortized over the life of debt on the statement of activities	<u>(55,209)</u>
Total Change in Net Position - Full Accrual Basis	<u><u>\$ 1,138,624</u></u>

Note 8 - Risk Management

The Authority 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 has purchased commercial insurance for 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.

Required Supplemental Information

Dearborn Heights Tax Increment Finance Authority

Required Supplemental Information Budgetary Comparison Schedule - Operating Fund

Year Ended June 30, 2020

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Resources (Inflows)				
Property taxes	\$ 2,050,000	\$ 2,050,000	\$ 2,202,475	\$ 152,475
Interest and other - Investment earnings	-	-	66,070	66,070
Operating grants and contributions	175,000	175,000	193,830	18,830
Total resources (inflows)	2,225,000	2,225,000	2,462,375	237,375
Charges to Appropriations (Outflows)				
Public works:				
Administration	221,000	221,000	200,544	20,456
Contingency	220,000	220,000	1,222	218,778
DPW improvements	25,000	25,000	-	25,000
Right-of-way maintenance and repair	60,000	60,000	27,757	32,243
Vanborn commercial improvements	50,000	50,000	-	50,000
Beech Daly improvements	10,000	10,000	-	10,000
Tree trimming	25,000	25,000	25,000	-
Public safety:				
Ordinance office	25,000	25,000	18,233	6,767
Crime prevention officer	2,000	2,000	-	2,000
Fire station roof	25,000	25,000	15,333	9,667
Justice Center improvements	25,000	25,000	6,156	18,844
Recreation - Daly Park improvements	10,000	10,000	600	9,400
Economic development:				
Industrial park improvements	10,000	10,000	-	10,000
Commercial rehabilitation program	50,000	50,000	5,000	45,000
Library improvements	5,000	5,000	-	5,000
Westwood School improvements	20,000	20,000	-	20,000
Debt service - Interest and principal	1,442,000	1,442,000	1,438,874	3,126
Total charges to appropriations (outflows)	2,225,000	2,225,000	1,738,719	486,281
Net Change in Fund Balance	-	-	723,656	723,656
Fund Balance - Beginning of year	3,194,930	3,194,930	3,194,930	-
Fund Balance - End of year	<u>\$ 3,194,930</u>	<u>\$ 3,194,930</u>	<u>\$ 3,918,586</u>	<u>\$ 723,656</u>