

**DEARBORN HEIGHTS TAX INCREMENT  
FINANCE AUTHORITY**

**FINANCIAL REPORT  
WITH  
SUPPLEMENTARY INFORMATION**

**JUNE 30, 2023**

# DEARBORN HEIGHTS TAX INCREMENT FINANCE AUTHORITY

---

## Contents

	<u>Page No.</u>
Independent Auditor's Report .....	1
Management's Discussion and Analysis.....	2
<b>Basic Financial Statements</b>	
Governmental Fund Balance Sheet/Statement of Net Position .....	5
Statement of Governmental Fund Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities.....	6
Notes to Financial Statements .....	7
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule - Operating Fund .....	18



# *Alan C. Young & Associates, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

7310 Woodward Ave, Suite 740  
Detroit, MI 48202

(313) 873-7500 (Tel.)  
(313) 873-7502 (Fax)  
[www.alancyoung.com](http://www.alancyoung.com)

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
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, 2023, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 27, 2023, 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 December 27, 2023.

### ***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.

### ***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.

*Alan C. Young & Assoc.*

Detroit, Michigan  
December 27, 2023

# DEARBORN HEIGHTS TAX INCREMENT FINANCE AUTHORITY

Management's Discussion and Analysis  
June 30, 2023

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, 2023.

## ***Financial Highlights***

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2023:

Captured property tax revenue, the Authority's largest revenue source, decreased in 2023, which resulted in an overall decrease in property tax revenue of approximately 0.7 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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>	<u>Change</u>	<u>Percent Change</u>
<b>Assets</b>				
Current and Other Assets	\$ 5,915,408	\$ 5,213,079	\$ 702,329	13.5%
Capital Assets	14,865,836	15,008,557	(142,721)	-1.0%
<b>Total Assets</b>	<u>20,781,244</u>	<u>20,221,636</u>	<u>559,608</u>	<u>2.8%</u>
<b>Liabilities</b>				
Current Liabilities	133,420	75,507	57,913	76.7%
Noncurrent Liabilities	8,830,000	9,835,000	(1,005,000)	-10.2%
<b>Total Liabilities</b>	<u>8,963,420</u>	<u>9,910,507</u>	<u>(947,087)</u>	<u>-9.6%</u>
<b>Net Position</b>				
Net Investment in Capital Assets	6,035,836	5,173,557	862,279	16.7%
Unrestricted	5,781,988	5,137,572	644,416	12.5%
<b>Total Net Position</b>	<u>\$ 11,817,824</u>	<u>\$ 10,311,129</u>	<u>\$ 1,506,695</u>	<u>14.6%</u>

The Authority's total net position increased from 2022 by approximately 15 percent, primarily as a result of the increase in current assets and reduction in the noncurrent liabilities.

# DEARBORN HEIGHTS TAX INCREMENT FINANCE AUTHORITY

Management's Discussion and Analysis (Continued)  
June 30, 2023

## *The Authority's Change in Net Position*

The following table shows the change in net position during the years ended June 30, 2023 and 2022:

	2023	2022	Change	Percent Change
<b>Revenue</b>				
Property Taxes	\$ 2,469,520	\$ 2,485,950	\$ (16,430)	-0.7%
Interest and Other	120,281	6,028	114,253	1895.4%
Operating Grants and Contributions	220,497	110,420	110,077	99.7%
<b>Total Revenue</b>	2,810,298	2,602,398	207,900	8.0%
<b>Expenses</b>				
Public Works	396,413	385,587	10,826	2.8%
Public Safety	378,337	358,066	20,271	5.7%
Recreation	4,403	6,442	(2,039)	-31.7%
Economic Development	90,063	24,791	65,272	263.3%
Debt Service	434,387	452,606	(18,219)	-4.0%
<b>Total Expenses</b>	1,303,603	1,227,492	76,111	6.2%
<b>Change in Net Position</b>	1,506,695	1,374,906	131,789	9.6%
<b>Net Position - Beginning of Year</b>	10,311,129	8,936,223	1,374,906	15.4%
<b>Net Position - End of Year</b>	<u>\$ 11,817,824</u>	<u>\$ 10,311,129</u>	<u>\$ 1,506,695</u>	<u>14.6%</u>

Total revenue and expenses for the Authority remained similar to the amounts in 2022.

## *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 \$2,170,907 in the current year, which was less than budgeted. This is primarily due to a conservative budget pertaining to contingency expenses.

# **DEARBORN HEIGHTS TAX INCREMENT FINANCE AUTHORITY**

---

Management's Discussion and Analysis (Continued)  
June 30, 2023

## ***Capital Assets***

At June 30, 2023 the Authority had a net capital asset balance of \$14,865,836 consisting of roads, land, and buildings and improvements.

## ***Debt Administration***

The Authority paid approximately \$1,209,000 in principal and interest on the related outstanding bonds in the current year. The outstanding balance at June 20, 2023 was \$8,830,000.

## ***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.

## ***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, 2023

	Operating Fund	Adjustments	Statement of Net Position
<b>Assets:</b>			
Cash and Cash Equivalents (Note 3)	\$ 3,261,152	\$ -	\$ 3,261,152
Due from Primary Government	2,654,227	-	2,654,227
Other Assets	29	-	29
Capital Assets:			
Assets not Subject to Depreciation (Note 4)	-	2,771,156	2,771,156
Assets Subject to Depreciation (Note 4)	-	12,094,680	12,094,680
<b>Total Assets</b>	<u>5,915,408</u>	<u>14,865,836</u>	<u>20,781,244</u>
<b>Liabilities:</b>			
Accounts Payable	84,890	-	84,890
Accrued Liabilities and Other	-	48,530	48,530
Noncurrent Liabilities:			
Due within One Year:			
Current Portion of Long-term Debt (Note 6)	-	1,025,000	1,025,000
Due in More than One Year:			
Long-term Debt (Note 6)	-	7,805,000	7,805,000
<b>Total Liabilities</b>	<u>84,890</u>	<u>8,878,530</u>	<u>8,963,420</u>
<b>Equity</b>			
Fund Balance - Unassigned	<u>5,830,518</u>	<u>(5,830,518)</u>	<u>-</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 5,915,408</u>		
<b>Net Position</b>			
Net Investment in Capital Assets		6,035,836	6,035,836
Unrestricted		<u>5,781,988</u>	<u>5,781,988</u>
<b>Total Net Position</b>		<u>\$ 11,817,824</u>	<u>\$ 11,817,824</u>

*The accompanying notes are an integral part of these financial statements.*

# DEARBORN HEIGHTS TAX INCREMENT FINANCE AUTHORITY

## Statement of Governmental Fund Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended June 30, 2023

	Statement of Governmental Fund Revenue, Expenditures, and Changes in Fund Balance		
	Operating Fund	Adjustments	Statement of Activities
<b>Revenue</b>			
Property Taxes	\$ 2,469,520	\$ -	\$ 2,469,520
Interest and Other - Investment Earnings	120,281	-	120,281
Operating Grants and Contributions	220,497	-	220,497
<b>Total Revenue</b>	2,810,298	-	2,810,298
<b>Expenditures</b>			
Public Works	396,413	-	396,413
Public Safety	235,616	142,721	378,337
Recreation	4,403	-	4,403
Economic Development	90,063	-	90,063
Debt Service	1,444,412	(1,010,025)	434,387
<b>Total Expenditures</b>	2,170,907	(867,304)	1,303,603
<b>Net Change in Fund Balance/Net Position - Excess of Revenue over Expenditures</b>	639,391	867,304	1,506,695
<b>Fund Balance/Net Position - Beginning of Year</b>	5,191,127	5,120,002	10,311,129
<b>Fund Balance/Net Position - End of Year</b>	\$ 5,830,518	\$ 5,987,306	\$ 11,817,824

*The accompanying notes are an integral part of these financial statements.*



# DEARBORN HEIGHTS TAX INCREMENT FINANCE AUTHORITY

Notes to Financial Statements  
June 30, 2023

## 1) 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 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 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).

# DEARBORN HEIGHTS TAX INCREMENT FINANCE AUTHORITY

Notes to Financial Statements (Continued)

June 30, 2023

## 1) SIGNIFICANT ACCOUNTING POLICIES (Continued)

### *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.

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

# DEARBORN HEIGHTS TAX INCREMENT FINANCE AUTHORITY

Notes to Financial Statements (Continued)

June 30, 2023

## 1) 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 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 no items that qualify for reporting this category.

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.

### 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.

# DEARBORN HEIGHTS TAX INCREMENT FINANCE AUTHORITY

Notes to Financial Statements (Continued)

June 30, 2023

## 1) SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Fund Balance Policies

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The 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. The Authority had no committed fund balance at June 30, 2023.

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 exist only 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. The Authority had no assigned fund balance at June 30, 2023.

### 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 Authority's 2022 tax is levied and collectible on July 1, 2022 and is recognized as revenue in the year ended June 30, 2023 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2022 taxable valuation of the City approximated \$1.493 billion (a portion of which is abated and a portion of which is captured by the TIFA), on which taxes levied consisted of 21.9049 mills. These captures, in conjunction with captures the TIFA is entitled to receive from other taxing authorities, resulted in approximately \$2.5 million of property tax revenue for the TIFA in the current year.

# DEARBORN HEIGHTS TAX INCREMENT FINANCE AUTHORITY

Notes to Financial Statements (Continued)

June 30, 2023

## 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.

## 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, 2023 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 negative expenditure budget variances.

# DEARBORN HEIGHTS TAX INCREMENT FINANCE AUTHORITY

Notes to Financial Statements (Continued)  
June 30, 2023

**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.

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 bank deposits of \$189,924 (checking account); 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	\$ 49,657	N/A
Commercial Paper	1,997,200	A2
Certificate of Deposit	1,030,492	N/A

# DEARBORN HEIGHTS TAX INCREMENT FINANCE AUTHORITY

Notes to Financial Statements (Continued)

June 30, 2023

## 3) DEPOSITS AND INVESTMENTS (Continued)

### *Credit Risk*

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The 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:

<u>Investment</u>	<u>Amortized Cost</u>	<u>Investment Maturities Less Than One Year</u>
Pooled Investments	\$ 49,657	\$ 49,657
Commercial Paper	1,997,200	1,997,200
Certificate of Deposit	1,030,492	1,030,492

## 4) CAPITAL ASSETS

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

	<u>Balance July 1, 2022</u>	<u>Additions 2022-23</u>	<u>Disposals 2022-23</u>	<u>Balance June 30, 2023</u>
Capital Assets not being Depreciated:				
Land	\$ 2,771,156	\$ -	\$ -	\$ 2,771,156
Capital Assets being Depreciated:				
Roads	22,244,570	298,524	-	22,543,094
Buildings and Improvements	5,000,000	-	-	5,000,000
<b>Subtotal</b>	27,244,570	298,524	-	27,543,094
Accumulated Depreciation:				
Roads	10,007,169	441,245	-	10,448,414
Buildings and Improvements	5,000,000	-	-	5,000,000
<b>Subtotal</b>	15,007,169	441,245	-	15,448,414
<b>Net Capital Assets being Depreciated</b>	12,237,401	(142,721)	-	12,094,680
<b>Net Capital Assets</b>	<u>\$ 15,008,557</u>	<u>\$ (142,721)</u>	<u>\$ -</u>	<u>\$ 14,865,836</u>

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

# DEARBORN HEIGHTS TAX INCREMENT FINANCE AUTHORITY

Notes to Financial Statements (Continued)

June 30, 2023

## 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, 2023, \$4,545,000 is outstanding on these bonds. During the year, the TIFA Operating Fund transferred \$235,243 to the City's governmental Library Fund to cover a portion of current year principal and interest expense payments.

## 6) LONG-TERM DEBT

Long-term debt activity for the year ended June 30, 2023 can be summarized as follows:

	<u>Beginning Balance</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Governmental Activities - 2016 Tax Increment Development Bonds	<u>\$ 9,835,000</u>	<u>\$ (1,005,000)</u>	<u>\$ 8,830,000</u>	<u>\$ 1,025,000</u>

### *Debt Service Requirements to Maturity*

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

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 1,025,000	\$ 183,868	\$ 1,208,868
2025	1,045,000	163,168	1,208,168
2026	1,065,000	142,068	1,207,068
2027	1,090,000	120,518	1,210,518
2028	1,110,000	97,825	1,207,825
2029-31	<u>3,495,000</u>	<u>134,878</u>	<u>3,629,878</u>
Total	<u>\$ 8,830,000</u>	<u>\$ 842,325</u>	<u>\$ 9,672,325</u>

### *Advance Refunding*

In previous years, the Authority defeased an advance refunding. As of June 30, 2023, there is still \$9,115,000 of bonds outstanding that is considered defeased.



# DEARBORN HEIGHTS TAX INCREMENT FINANCE AUTHORITY

Notes to Financial Statements (Continued)

June 30, 2023

## 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:

<b>Total Fund Balance - Modified Accrual Basis</b>	\$ 5,830,518
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	14,865,836
Long-term liabilities and accrued interest are not due and payable in the current period and are not reported in the fund	(8,830,000)
Accrued interest is not due and payable in the current period and is not reported in the fund	<u>(48,530)</u>
<b>Total Net Position - Full Accrual Basis</b>	<u>\$ 11,817,824</u>

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:

<b>Total Change in Fund Balance - Modified Accrual Basis</b>	\$ 639,391
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:	
Capital Outlay	298,524
Depreciation Expense	(441,245)
Change in Accrued Interest Payable	5,025
Repayment of bond principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt)	<u>1,005,000</u>
<b>Total Change in Net Position - Full Accrual Basis</b>	<u>\$ 1,506,695</u>

# **DEARBORN HEIGHTS TAX INCREMENT FINANCE AUTHORITY**

---

Notes to Financial Statements (Continued)

June 30, 2023

## **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 SUPPLEMENTARY INFORMATION**

# DEARBORN HEIGHTS TAX INCREMENT FINANCE AUTHORITY

## Required Supplementary Information Budgetary Comparison Schedule – Operating Fund Year Ended June 30, 2023

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
<b>Resources (Inflows)</b>				
Property Taxes	\$ 2,307,058	\$ 2,307,058	\$ 2,469,520	\$ 162,462
Interest and Other - Investment Earnings	5,785	-	120,281	120,281
Operating Grants and Contributions	95,000	95,000	220,497	125,497
<b>Total Resources (Inflows)</b>	<u>2,407,843</u>	<u>2,402,058</u>	<u>2,810,298</u>	<u>408,240</u>
<b>Charges to Appropriations (Outflows)</b>				
Public Works				
Administration	235,243	235,300	209,693	25,607
Contingency	100,000	100,000	6,585	93,415
DPW Improvements	100,000	100,000	92,080	7,920
Right-of-way Maintenance and Repair	300,000	300,000	30,265	269,735
Library Improvements	37,000	37,000	32,790	4,210
Tree Trimming	25,000	25,000	25,000	-
Public Safety:				
Ordinance Office	35,000	35,000	-	35,000
Crime Prevention Officer	1,000	1,000	-	1,000
Fire Station	65,000	65,000	59,330	5,670
Justice Center Improvements	250,000	250,000	176,286	73,714
Recreation:				
Daly Park Improvements	10,000	10,000	-	10,000
Beech Daly Improvements	10,000	10,000	4,403	5,597
Economic Development				
Westwood School Drug Information Program	85,000	85,000	85,000	-
Industrial Park Improvements	10,000	10,000	63	9,937
Commercial Rehabilitation Program	50,000	50,000	5,000	45,000
Vanborn Commercial Improvements	100,000	100,000	-	100,000
Debt Service - Interest and Principal	1,468,501	1,486,700	1,444,412	42,288
<b>Total Charges to Appropriations (Outflows)</b>	<u>2,881,744</u>	<u>2,900,000</u>	<u>2,170,907</u>	<u>729,093</u>
<b>Net Change in Fund Balance</b>	(473,901)	(497,942)	639,391	1,137,333
<b>Fund Balances - July 1, 2022</b>	<u>5,191,127</u>	<u>5,191,127</u>	<u>5,191,127</u>	<u>-</u>
<b>Fund Balances - June 30, 2023</b>	<u>\$ 4,717,226</u>	<u>\$ 4,693,185</u>	<u>\$ 5,830,518</u>	<u>\$ 1,137,333</u>