

PERFORMANCE AUDIT  
OF THE  
CADILLAC LOCAL DEVELOPMENT FINANCE AUTHORITY

November 2002



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November 18, 2002

The Honorable Kenneth R. Sikkema, Chair  
Senate Committee on Natural Resources  
and Environmental Affairs

The Honorable Ruth A. Johnson, Chair  
House Committee on  
Land Use and Environment

The Honorable Joanne G. Emmons, Chair  
Senate Committee on Finance

The Honorable Nancy C. Cassis, Chair  
House Committee on Tax Policy

Dear Chairpersons:

This is our report on the performance audit of the Cadillac Local Development Finance Authority.

This report is issued pursuant to Section 125.2169 of the *Michigan Compiled Laws*, which states that the Auditor General shall annually audit the authority whose authority district includes eligible property to which Section 125.2152(p)(iv) applies. The audit shall be limited to matters pertaining to the district. Upon completion of the audit, the Auditor General shall submit a report on the audit to the committees of the Senate and the House of Representatives primarily responsible for taxation and environmental protection issues.

The report contains our background; audit objective; audit conclusion; audit scope and methodology; description of program; flowchart of the local development finance authority process; significant statutory requirements and related conclusions; various schedules and statements, presented as supplemental information; and a glossary of acronyms and terms.

If you have any questions, please call me or Scott M. Strong, C.P.A., C.I.A., Director of Audit Operations.

AUDITOR GENERAL

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## TABLE OF CONTENTS

### CADILLAC LOCAL DEVELOPMENT FINANCE AUTHORITY

	<u>Page</u>
INTRODUCTION	
Report Letter	1
Background	5
Audit Objective	5
Audit Conclusion	5
Audit Scope and Methodology	5
Description of Program	6
STATUTORY REQUIREMENTS AND CONCLUSIONS	
Flowchart of the Local Development Finance Authority (LDFA) Process	9
Significant Statutory Requirements and Related Conclusions	10
SUPPLEMENTAL INFORMATION	
Description of Supplemental Information	15
Calculation of Tax Increment Revenues	17
Additional State School Aid Resulting From Tax Increment Revenues	18
Comparison of Tax Increment Revenues to Total Taxes	19
Combining Balance Sheet	20
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	22
Comparative Statement of Revenues, Expenses and Changes in Retained Earnings - Utilities Fund	23
Comparative Statement of General Long-Term Debt	24

## GLOSSARY

Glossary of Acronyms and Terms

25

# **CADILLAC LOCAL DEVELOPMENT FINANCE AUTHORITY**

## **BACKGROUND**

This report contains the results of our performance audit\* of the Cadillac Local Development Finance Authority, which was created pursuant to Sections 125.2151 - 125.2174 of the *Michigan Compiled Laws* (Act 281, P.A. 1986, as amended). This statute provided that a local development finance authority\* (LDFA) could be used to finance a public facility designed to reduce, eliminate, or prevent the spread of identified soil and groundwater contamination. Section 125.2169 provides that the Auditor General shall annually audit the authority whose authority district includes the eligible property.

## **AUDIT OBJECTIVE**

The objective of our performance audit of the Cadillac Local Development Finance Authority was to assess compliance with the significant statutory requirements of the LDFA program.

## **AUDIT CONCLUSION**

We concluded that the Cadillac Local Development Finance Authority complied with the significant statutory requirements of the LDFA program.

## **AUDIT SCOPE AND METHODOLOGY**

Our audit scope included determining the Cadillac Local Development Finance Authority district's compliance with the significant statutory requirements that could have a material effect on program performance for the period October 1, 2000 through

\* See glossary at end of report for definition.

September 30, 2001. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

The accompanying schedules and statements, presented as supplemental information, were prepared using information obtained from State departments and the City of Cadillac; we did not audit this information. Also, we did not audit the Cadillac Local Development Finance Authority's financial statements, portions of which are included in this report. Those statements were audited as part of the *City of Cadillac Comprehensive Annual Financial Report* by an auditing firm whose report was furnished to us. Our audit was not directed toward expressing an opinion on this information and, accordingly, we express no opinion on it.

Our audit procedures, conducted from August through October 2001, included analyzing program status and financial data related to the LDFA funds as reported in the *City of Cadillac Comprehensive Annual Financial Report* for the fiscal year ended June 30, 2001. Also, we assessed the operations to determine compliance with significant statutory requirements. In addition, we analyzed the State equalized values used to determine the tax increment revenues\*. We also determined the amount of additional State school aid that was provided as a result of the LDFA program.

## **DESCRIPTION OF PROGRAM**

A portion of the water supply (groundwater) under the City of Cadillac was contaminated by discharges of various chemicals from industrial activity. This contamination happened before implementation of specific requirements that now regulate discharges. As a result of the contamination, the area could not be developed. However, the City believes that if the property is cleared of the contamination, it could be developed. The City estimated that the area of groundwater contamination covers a surface area equivalent to 1 square mile (640 acres). The contaminated area was increasing at the rate of several feet per year.

\* See glossary at end of report for definition.

The City of Cadillac began a project to clean up the groundwater in 1983. The project began with the creation of a partnership that included several local companies and the City. As the project progressed, additional funds became necessary. In 1989 and 1990, the project added partners, primarily to provide financing for an electrical generating plant. In 1991, the City began to pursue the use of an LDFA and tax increment financing\* (TIF) to finance the cleanup of the groundwater.

Sections 125.2151 - 125.2174 of the *Michigan Compiled Laws* (Act 281, P.A. 1986, as amended) provide for the establishment of LDFAs that allow local governing bodies to establish local authorities to promote economic growth in the communities served by these local units of government. TIF permits an LDFA to capture tax revenues attributable to increases in the value of real and personal eligible property\* located in the LDFA's district. The amount by which the current assessed value exceeds the initial assessed value in any one year is the captured assessed value. For the duration of the TIF plan, the local taxing jurisdiction will continue to receive tax revenues based on the initial assessed value. The State reimburses schools for their lost revenue.

The original enabling legislation for LDFAs and TIFs did not include generation facilities\* as eligible property. The law was amended in 1991 to include generation facilities as eligible property. The 1991 amendment also added several requirements that directly related to this project. These included (1) the establishment of an initial TIF plan between January 1, 1991 and May 1, 1991 and (2) the provision that not less than 50% of the amount specifically assessed against all parcels in the special assessment district\* be assessed against parcels owned by parties potentially responsible for the identified groundwater contamination. The reduction in school operating millage resulting from the adoption of Proposal A in 1994 created an uncertainty for LDFAs to meet their obligations. The Legislature passed Act 282, P.A. 1994, to help reduce the impact of the school finance reform on LDFAs. The new amendments provided LDFAs, with eligible obligations, a three-step process to fund the related debt. If the first step does not provide sufficient funding, the LDFA goes to the next step. The three steps are: step 1, captured school revenues; step 2, captured revenues from nonschool millage; and step 3, reimbursement to the LDFA from the State up to the amount that would have been captured if the 1993 school millages were still being levied.

\* See glossary at end of report for definition.

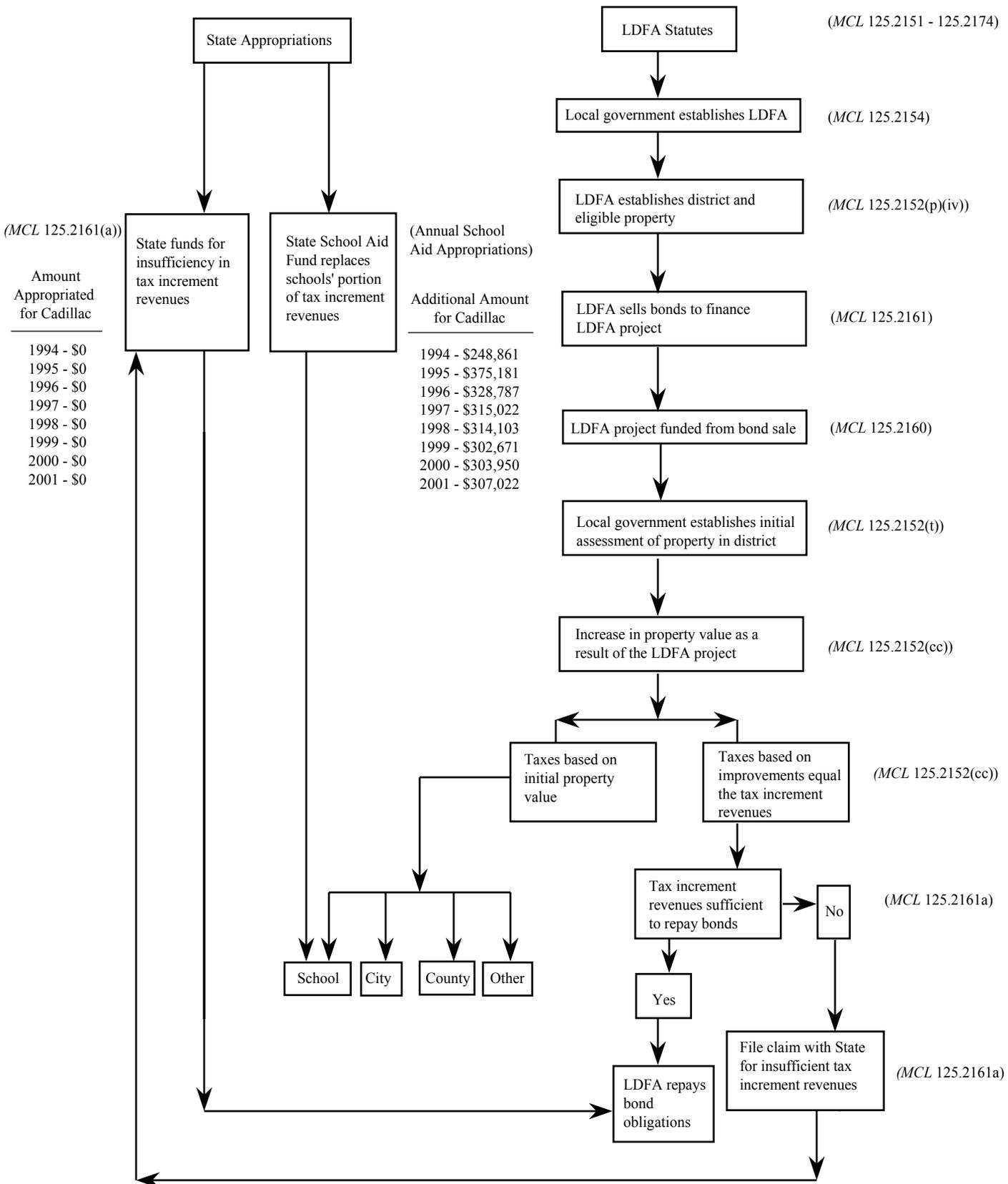
In 1991, the City designated approximately 120 acres as eligible property under Sections 125.2151 - 125.2174 of the *Michigan Compiled Laws* (Act 281, P.A. 1986, as amended). The City adopted an initial TIF plan on April 8, 1991. The City's plan centered around a wood-burning electrical generating plant that would sell power to a major power supplier. Under the plan, the Cadillac Local Development Finance Authority constructed a facility complex of wells, pumps, and decontamination towers. The Authority issued bonds to finance the construction. The Authority uses TIF revenue to pay the bond principal and interest. In 1994, the Authority refinanced the bonds originally sold in 1992. In 2000, the Authority refinanced the bonds again.

The Authority has a contract with the City of Cadillac for the operation of the facility. The City of Cadillac operates the facility on eligible property. The operation of the facility is funded by special assessment. Water is pumped from the wells to the two airstripping towers. The water contaminated with volatile organic compounds is airstripped. The water contaminated with chromium is carbon-filtered and then airstripped. The cleaned water is available for sale to the power plant to cool the boiler. If not used to cool the boiler, the clean water goes into a local stream.

The cleanup project received final U.S. Environmental Protection Agency (EPA) approval and facility construction was started in 1995 and completed in September 1996. The Authority will operate the facility for the 20 to 30 years it is estimated it will take to clean up the groundwater to EPA standards.

# CADILLAC LOCAL DEVELOPMENT FINANCE AUTHORITY

## Flowchart of the Local Development Finance Authority (LDFA) Process



## **SIGNIFICANT STATUTORY REQUIREMENTS AND RELATED CONCLUSIONS**

### Statutory Requirement

Section 125.2152(p)(iv)(A) of the *Michigan Compiled Laws* states:

Tax increment revenues captured from the eligible property will be used to finance, or will be pledged for debt service on tax increment bonds used to finance, a public facility in or near the authority district designed to reduce, eliminate, or prevent the spread of identified soil and groundwater contamination, pursuant to law.

### Auditor's Compliance Conclusion

This requirement was complied with. The tax increment revenues captured from the eligible property for the fiscal year ended June 30, 2001 were used for debt service on bonds issued to finance a public facility, including wells and filtering equipment, designed to reduce, eliminate, and prevent the spread of groundwater contamination under the City of Cadillac. According to the 1999 performance report prepared by a private company (Tetra Tech MPS) for the facility, the groundwater contamination has been contained and contaminants are being removed from the groundwater.

### Statutory Requirement

Section 125.2152(p)(iv)(C) of the *Michigan Compiled Laws* states:

Not less than 50% of the amount specially assessed against all parcels in the special assessment district shall be assessed against parcels owned by parties potentially responsible for the identified groundwater contamination pursuant to law.

### Auditor's Compliance Conclusion

This requirement was complied with. Special assessments were assessed 100% against parcels owned by parties potentially responsible for the identified groundwater contamination. The special assessments were used to pay the public facility's operating costs for the fiscal year ended June 30, 2001.

### Statutory Requirement

Section 125.2160 of the *Michigan Compiled Laws* states:

The activities of the authority shall be financed from 1 or more of the following sources:

- (a) Contributions to the authority for the performance of its functions.
- (b) Revenues from any property, building, or facility owned, leased, licensed, or operated by the authority or under its control, subject to the limitations imposed upon the authority by trusts or other agreements.
- (c) Tax increment revenues received pursuant to a tax increment financing plan established under sections 12 to 14.
- (d) Proceeds of tax increment bonds issued pursuant to section 14.
- (e) Proceeds of revenue bonds issued pursuant to section 11.
- (f) Money obtained from any other legal source approved by the governing body of the municipality or otherwise authorized by law for use by the authority or the municipality to finance a development program.
- (g) Money obtained pursuant to section 11a.
- (h) Loans from the Michigan strategic fund or the Michigan economic development corporation.

### Auditor's Compliance Conclusion

This requirement has been complied with. The activities of the Cadillac Local Development Finance Authority were financed with tax increment revenues received pursuant to a TIF plan and amounts assessed against parties potentially responsible for the identified groundwater contamination pursuant to law.

### Statutory Requirement

Section 125.2162(2) of the *Michigan Compiled Laws* states:

. . . to the extent that captured tax increment revenues are utilized for the costs of cleanup of identified soil and groundwater contamination, the captured tax increment revenues shall be first credited against the shares of responsibility for the total costs of cleanup of uncollectible parties who are responsible for the identified soil and groundwater contamination pursuant to law, and then shall be credited on a pro rata basis against the shares of responsibility for the total costs of cleanup of other parties who are responsible for the identified soil and groundwater contamination pursuant to law.

### Auditor's Compliance Conclusion

This requirement has been complied with. The captured tax increment revenues have been used to pay for the debt service on the tax increment revenue bonds issued for the cleanup project. The special assessments against those potentially responsible parties

for the identified groundwater contamination were used to pay the operating expenses for the public facility for the fiscal year ended June 30, 2001. The City of Cadillac has not experienced any amounts as being uncollectible.

#### Statutory Requirement

Section 125.2162(3) of the *Michigan Compiled Laws* states:

The percentage of taxes levied for school operating purposes that is captured and used by the tax increment financing plan and the tax increment financing plans under 1975 PA 197, *MCL* 125.1651 to 125.1681, the tax increment finance authority act, 1980 PA 450, *MCL* 125.1801 to 125.1830, and the brownfield redevelopment financing act, 1996 PA 381, *MCL* 125.2651 to 125.2672, shall not be greater than the percentage capture and use of taxes levied by a municipality or county for operating purposes under the tax increment financing plan and tax increment financing plans under 1975 PA 197, *MCL* 125.1651 to 125.1681, the tax increment finance authority act, 1980 PA 450, *MCL* 125.1801 to 125.1830, and the brownfield redevelopment financing act, 1996 PA 381, *MCL* 125.2651 to 125.2672. For purposes of the previous sentence, taxes levied by a county for operating purposes include only millage allocated for county or charter county purposes under the property tax limitation act, 1933 PA 62, *MCL* 211.201 to 211.217a.

#### Auditor's Compliance Conclusion

This requirement has been complied with. The percentage of taxes levied for school operating purposes captured and used by the TIF plan did not exceed the plan's percentage captured and used of the taxes levied by the City of Cadillac and the County of Wexford for the fiscal year ended June 30, 2001.

#### Statutory Requirement

Section 125.2163(2) of the *Michigan Compiled Laws* states:

The authority shall expend the tax increment revenues received for the development program only in accordance with the tax increment financing plan. Tax increment revenues in excess of the estimated tax increment revenues or of the actual costs of the plan to be paid by the tax increment revenues may be retained by the authority only for purposes, that by resolution of the board, are determined to further the development program in accordance with the tax increment financing plan. The excess tax increment revenues not so used shall revert proportionately to the respective taxing jurisdictions. These revenues shall not be used to circumvent existing property tax laws or a local charter that provides a maximum authorized rate for the levy of property taxes.

### Auditor's Compliance Conclusion

This requirement has been complied with. The Cadillac Local Development Finance Authority expended tax increment revenues received for the LDFA program in accordance with the TIF plan. Tax increment revenues in excess of the actual costs of the plan were retained by the Authority to further the development program in accordance with the TIF plan. The revenues were not used to circumvent existing property tax laws or a local charter that provides a maximum authorized rate for the levy of property taxes.

### Statutory Requirement

Section 125.2163(3) of the *Michigan Compiled Laws* states:

The authority shall submit annually to the governing body and the state tax commission a financial report on the status of the tax increment financing plan.

### Auditor's Compliance Conclusion

This requirement has been complied with. The Cadillac Local Development Finance Authority has submitted financial reports as due to the State Tax Commission.

## SUPPLEMENTAL INFORMATION

## Description of Supplemental Information

The following schedules were prepared from information in the *City of Cadillac Comprehensive Annual Financial Report*, the City of Cadillac Annual Report, and the City of Cadillac Tax Increment Financial Plan Report:

1. Calculation of Tax Increment Revenues (see page 17). This schedule shows how the tax increment revenues were determined. The schedule shows the actual State equalized value and related millage by type of tax.
2. Additional State School Aid Resulting From Tax Increment Revenues (see page 18). This schedule reports the total tax increment revenues that relate to the increase in the property values as a result of the acquisition and construction of eligible property in the district. It also reports the amount of additional State school aid needed to make up that portion of the property taxes that would have gone to the schools but went to fund the Cadillac Local Development Finance Authority.
3. Comparison of Tax Increment Revenues to Total Taxes (see page 19). This schedule shows compliance with Section 125.2162(3) of the *Michigan Compiled Laws*, which limits the amount of tax increment revenues levied for school operations to an amount equal to the taxes levied by the municipality or county for operations.

The following statements are as presented in the *City of Cadillac Comprehensive Annual Financial Report*:

- 1) Combining Balance Sheet (see page 20)
- 2) Combining Statement of Revenues, Expenditures and Changes in Fund Balances (see page 22)
- 3) Comparative Statement of Revenues, Expenses and Changes in Retained Earnings - Utilities Fund (see page 23)
- 4) Comparative Statement of General Long-Term Debt (see page 24)

These statements include activities of the following funds and account group:

- (1) Operating Fund - This fund was established to account for the operations of the groundwater cleanup facility located in the industrial park.
- (2) Debt Retirement Fund - This fund was established to account for the accumulation of resources and payment of bond principal and interest.
- (3) Utilities Fund - This fund was established to account for the provision of water utility services to the cogeneration plant located within the boundaries of the Authority.
- (4) General Long-Term Debt Account Group - General obligation bonds and other forms of long-term debt supported by general revenues are obligations of the Authority as a whole and not its individual constituent funds. Also, the proceeds of such debt may be spent on facilities which are utilized in the operations of several funds. For these reasons, the amount of such unmatured, long-term indebtedness is recorded and accounted for in a separate self-balancing group of accounts entitled "General Long-Term Debt Account Group."

These schedules and statements are included in this report as supplemental information. Our audit was not directed toward expressing an opinion on this information and, accordingly, we express no opinion on it.

CADILLAC LOCAL DEVELOPMENT FINANCE AUTHORITY  
 Calculation of Tax Increment Revenues  
 For the Years Ended June 30

Type of Tax		2000 (Based on 1999 SEV)			2001 (Based on 2000 SEV)		
		State Equalized Value	Millage	Total Captured Levy	State Equalized Value	Millage	Total Captured Levy
Education Captured Revenues:							
School	General	\$ 16,729,600	18.0000	\$ 301,132	\$ 17,039,600	17.8434	\$ 304,044
	IFT	\$ 84,850	33.2000	2,817	\$ 81,150	33.2000	2,694
	New				\$ 15,900	17.8434	284
				<u>\$ 303,949</u>			<u>\$ 307,022</u>
ISD	General	\$ 16,729,600	6.1232	\$ 102,439	\$ 17,039,600	6.0882	\$ 103,740
	IFT	\$ 84,850	6.1232	520	\$ 97,050	6.0882	591
				<u>\$ 102,959</u>			<u>\$ 104,331</u>
SET	General	\$ 16,729,600	6.0000	\$ 100,378	\$ 17,039,600	6.0000	\$ 102,238
	IFT	\$ 84,850	0.0000	0	\$ 31,800	6.0000	191
				<u>\$ 100,378</u>			<u>\$ 102,429</u>
Total Education Captured Revenues				<u>\$ 507,286</u>			<u>\$ 513,782</u>
Noneducation Captured Revenues:							
County	General	\$ 16,729,600	8.3383	\$ 139,496	\$ 17,039,600	8.2506	\$ 140,587
	IFT	\$ 84,850	8.3383	708	\$ 97,050	8.2506	801
				<u>\$ 140,204</u>			<u>\$ 141,388</u>
City	General	\$ 16,729,600	15.1850	\$ 254,039	\$ 17,039,600	15.0371	\$ 256,226
	IFT	\$ 84,850	15.1850	1,288	\$ 97,050	15.0371	1,459
				<u>\$ 255,327</u>			<u>\$ 257,685</u>
CWTA	General	\$ 16,729,600	0.3984	\$ 6,665	\$ 17,039,600	0.3942	\$ 6,717
	IFT	\$ 84,850	0.3984	34	\$ 97,050	0.3942	38
				<u>\$ 6,699</u>			<u>\$ 6,755</u>
Public Library	General	\$ 16,729,600	0.5500	\$ 9,201	\$ 17,039,600	0.5500	\$ 9,372
	IFT	\$ 84,850	0.5500	47	\$ 97,050	0.5500	53
				<u>\$ 9,248</u>			<u>\$ 9,425</u>
Council on Aging	General	\$ 16,729,600	0.9960	\$ 16,663	\$ 17,039,600	0.9913	\$ 16,891
	IFT	\$ 84,850	0.9960	85	\$ 97,050	0.9913	96
				<u>\$ 16,748</u>			<u>\$ 16,987</u>
Total Noneducation Captured Revenues				<u>\$ 428,226</u>			<u>\$ 432,240</u>
Total Captured Revenues				<u>\$ 935,511</u>			<u>\$ 946,022</u>

Source of data - City of Cadillac Comprehensive Annual Financial Report.

Not audited by the Office of the Auditor General - see audit scope and methodology.

CADILLAC LOCAL DEVELOPMENT FINANCE AUTHORITY  
Additional State School Aid  
Resulting From Tax Increment Revenues

Year	Base Valuation (1990)	State Equalized Valuation	Basis for Determining Tax Increment Revenues (a)	Tax Increment Revenues	Additional State School Aid Paid (b)	Percentage of Tax Increment Revenues Reimbursed by State School Aid
1990	\$ 551,400	\$ 551,400	\$ 0	\$ 0	\$ 0	
1991	\$ 551,400	\$ 551,400	\$ 0	\$ 0	\$ 0	
1992	\$ 551,400	\$ 551,400	\$ 0	\$ 0	\$ 0	
1993	\$ 551,400	\$ 551,400	\$ 0	\$ 0	\$ 0	
1994 (c)	\$ 551,400	\$ 7,570,892	\$ 7,019,492	\$ 491,948	\$ 248,861 (d)	50.59%
1995	\$ 551,400	\$ 21,410,800	\$ 20,859,400	\$ 1,165,420	\$ 375,181 (d)	32.19%
1996	\$ 551,400	\$ 18,832,100	\$ 18,280,700	\$ 1,016,318	\$ 328,767 (d)	32.35%
1997	\$ 551,400	\$ 18,067,200	\$ 17,515,800	\$ 967,456	\$ 315,022 (d)	32.56%
1998	\$ 551,400	\$ 18,015,800	\$ 17,464,400	\$ 960,783	\$ 314,103 (d)	32.69%
1999	\$ 551,400	\$ 17,379,900	\$ 16,828,500	\$ 932,962	\$ 302,671 (d)	32.44%
2000	\$ 551,400	\$ 17,365,850	\$ 16,814,450	\$ 935,511	\$ 303,950 (d)	32.49%
2001	\$ 551,400	\$ 17,688,050	\$ 17,136,650	\$ 946,022	\$ 307,022 (d)	32.45%

(a) This amount equals the current year's assessment on the eligible property less the base year valuation (value prior to changes relating to the LDFA project).

(b) The amount of school taxes that went to fund the LDFA program via the tax increment revenue process that were made up by an increase in school aid paid by the State.

(c) Construction began on the generating plant.

(d) This amount was calculated using the following from the *City of Cadillac Comprehensive Annual Financial Report*:

Basis of Tax Increment Revenues Requiring Additional State School Aid

Type of Tax	2000			2001		
	Net SEV	School Operating Millage	Captured Revenues	Net SEV	School Operating Millage	Captured Revenues
General	\$16,729,600	18.0000	\$ 301,132	\$ 17,039,600	17.8434	\$ 304,044
IFT	\$ 84,850	33.2000	2,817	\$ 81,150	33.2000	2,694
New				\$ 15,900	17.8434	284
			<u>\$ 303,949</u>			<u>\$ 307,022</u>

Source of data - *City of Cadillac Comprehensive Annual Financial Report*, *City of Cadillac Annual Report*, and *City of Cadillac Tax Increment Financing Plan Report*.

Not audited by the Office of the Auditor General - see audit scope and methodology.

CADILLAC LOCAL DEVELOPMENT FINANCE AUTHORITY  
Comparison of Tax Increment Revenues to Total Taxes  
(Documentation of Compliance With Section 125.2162(3) of the *Michigan Compiled Laws*)  
For the Years Ended June 30

<u>School District</u>	<u>2000</u>	<u>2001</u>
Operating Taxes Levied:		
General taxes - School operating	\$ 1,363,428	\$ 1,362,452
IFT - Prior to Proposal A	337,126	294,766
IFT - After Proposal A	101,156	183,419
SET	454,476	458,136
ISD - General	463,808	464,871
ISD - IFT	96,588	116,637
Total Operating Taxes Levied	<u>\$ 2,816,581</u>	<u>\$ 2,880,281</u>
Tax Increment Revenues:		
General taxes - School operating	\$ 301,132	\$ 304,044
IFT - Prior to Proposal A	2,817	2,694
IFT - After Proposal A	0	284
SET	100,378	102,429
ISD - General	102,439	103,740
ISD - IFT	520	591
Total Tax Increment Revenues	<u>\$ 507,286</u>	<u>\$ 513,782</u>
Tax increment revenues as a percentage of total operating taxes levied	<u>18%</u>	<u>18%</u>
<u>City of Cadillac and Wexford County</u>		
Operating Taxes Levied:		
Wexford County	\$ 631,593	\$ 629,983
IFT - Wexford County	131,530	158,064
City general fund	1,066,882	1,071,818
IFT taxes - City general fund	222,179	268,921
Policemen and Firemen Retirement	83,321	76,356
IFT - Policemen and Firemen Retirement	17,352	19,158
CWTA	30,177	30,100
IFT - CWTA	6,284	7,552
Cadillac Wexford Public Library	41,660	41,996
IFT - Cadillac Wexford Public Library	8,676	10,537
Wexford County Council on Aging	75,443	75,692
IFT - Wexford County Council on Aging	15,711	18,991
Total City and County Operating Taxes Levied	<u>\$ 2,330,807</u>	<u>\$ 2,409,168</u>
Tax Increment Revenues:		
Wexford County	\$ 139,496	\$ 140,587
IFT - Wexford County	708	801
City general fund	235,636	239,187
IFT taxes - City general fund	1,195	1,362
Policemen and Firemen Retirement	18,403	17,040
IFT - Policemen and Firemen Retirement	93	97
CWTA	6,665	6,717
IFT - CWTA	34	38
Cadillac Wexford Public Library	9,201	9,372
IFT - Cadillac Wexford Public Library	47	53
Wexford County Council on Aging	16,663	16,891
IFT - Wexford County Council on Aging	85	96
Total Tax Increment Revenues	<u>\$ 428,225</u>	<u>\$ 432,240</u>
Tax increment revenues as a percentage of total city and county operating taxes levied	<u>18%</u>	<u>18%</u>

Source of data - *City of Cadillac Comprehensive Annual Financial Report* and City of Cadillac Annual Report.

Not audited by the Office of the Auditor General - see audit scope and methodology.

CITY OF CADILLAC, MICHIGAN

L.D.F.A. FUNDS  
COMBINING BALANCE SHEET

JUNE 30, 2001

WITH COMPARATIVE TOTALS FOR JUNE 30, 2000

	<u>OPERATING</u>	<u>DEBT</u>
	<u>FUND</u>	<u>RETIREMENT</u>
	<u>FUND</u>	<u>FUND</u>
<u>ASSETS AND OTHER DEBITS</u>		
<u>ASSETS</u>		
Cash	\$ 6,208	\$ 938
Investments	1,774,316	716,957
Receivables		
Taxes	0	3,006
Accrued Interest	21,916	7,549
Accounts	0	4,500
Unbilled Services	0	0
Due from Primary Government	0	95
Fixed Assets (Net of Accumulated Depreciation)	0	0
<u>OTHER DEBITS</u>		
Amount Available in Debt Service Funds	0	0
Amount to be Provided for Long-Term Debt	0	0
TOTAL ASSETS	\$ 1,802,440	\$ 733,045
<u>LIABILITIES, EQUITY AND OTHER CREDITS</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 3,429	\$ 0
Accrued Expenditures	0	0
Due to Primary Government	490	0
Deferred Revenue	197,978	0
Revenue Bonds Payable	0	0
Total Liabilities	\$ 197,978	\$ 0
<u>EQUITY AND OTHER CREDITS</u>		
Contributed Capital	\$ 0	\$ 0
Retained Earnings		
Unreserved	0	0
Fund Balance		
Reserved for:		
Debt Service	0	733,045
Ground Water Clean-up	1,600,543	0
Total Equity and Other Credits	\$ 1,600,543	\$ 733,045
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	\$ 1,802,440	\$ 733,045

Source of data - *City of Cadillac Comprehensive Annual Financial Report.*

Not audited by the Office of the Auditor General - see audit scope and methodology.

STATEMENT J-12

UTILITIES FUND	GENERAL LONG-TERM DEBT	TOTALS	
		2001	2000
\$ 13,737	\$ 0	\$ 20,883	\$ 74,173
75,508	0	2,566,781	4,294,863
	0	3,006	0
	0	29,465	17,834
	0	4,500	3,100
4,346	0	4,346	0
0	0	95	0
186,170	0	186,170	190,467
	733,045	733,045	2,522,093
0	2,456,955	2,456,955	2,587,907
<b>\$ 279,761</b>	<b>\$ 3,190,000</b>	<b>\$ 6,005,246</b>	<b>\$ 9,690,437</b>
\$ 0	\$ 0	\$ 3,429	\$ 15,984
44	0	44	318
0	0	490	89,864
0	0	197,978	154,341
0	3,190,000	3,190,000	5,110,000
\$ 44	\$ 3,190,000	\$ 3,391,941	\$ 5,370,507
\$ 214,812	\$ 0	\$ 214,812	\$ 214,812
64,905	0	64,905	53,189
	0	733,045	2,522,093
0	0	1,600,543	1,529,836
<b>\$ 279,717</b>	<b>\$ 0</b>	<b>\$ 2,613,305</b>	<b>\$ 4,319,930</b>
<b>\$ 279,761</b>	<b>\$ 3,190,000</b>	<b>\$ 6,005,246</b>	<b>\$ 9,690,437</b>

## CITY OF CADILLAC, MICHIGAN

## L.D.F.A. FUNDS

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2001

WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2000

	OPERATING FUND	DEBT RETIREMENT FUND	TOTALS	
			2001	2000
<b>REVENUES</b>				
Taxes	\$ 121,845	\$ 946,023	\$ 1,067,868	\$ 1,145,708
Interest and Rents	111,536	50,662	162,198	205,099
Total Revenues	\$ 233,381	\$ 996,685	\$ 1,230,066	\$ 1,350,807
<b>EXPENDITURES</b>				
Public Works	\$ 162,674	\$ 0	\$ 162,674	\$ 270,328
Debt Service				
Principal Retirement	0	450,000	450,000	315,000
Interest and Fiscal Charges	0	285,284	285,284	464,625
Refunding Bond Issuance Costs	0	81,494	81,494	0
Advance Refunding Escrow	0	2,059,555	2,059,555	0
Total Expenditures	\$ 162,674	\$ 2,876,333	\$ 3,039,007	\$ 1,049,953
Excess (Deficiency) of Revenues Over Expenditures	\$ 70,707	\$ (1,879,648)	\$ (1,808,941)	\$ 300,854
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds of Refunding Bonds	\$ 0	\$ 3,603,600	\$ 3,603,600	\$ 0
Payment to Refunded Bond Escrow Agent	0	(3,513,000)	(3,513,000)	0
Total Other Financing Sources (Uses)	\$ 0	\$ 90,600	\$ 90,600	\$ 0
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	\$ 70,707	\$ (1,789,048)	\$ (1,718,341)	\$ 300,854
FUND BALANCE - Beginning of Year	1,529,836	2,522,093	4,051,929	3,751,075
FUND BALANCE - End of Year	\$ 1,600,543	\$ 733,045	\$ 2,333,588	\$ 4,051,929

Source of data - City of Cadillac Comprehensive Annual Financial Report.

Not audited by the Office of the Auditor General - see audit scope and methodology.

CITY OF CADILLAC, MICHIGAN  
L.D.F.A. UTILITIES FUND  
A COMPONENT UNIT OF THE CITY OF CADILLAC, MICHIGAN

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS  
YEAR ENDED JUNE 30,

	<u>2001</u>	<u>2000</u>
<u>OPERATING REVENUES</u>		
Water Charges to Customers	\$ 15,576	\$ 15,123
<u>OPERATING EXPENSES</u>		
Personal Services	\$ 2,344	\$ 2,546
Employee Benefits	1,112	182
Audit	325	300
Depreciation	4,296	4,296
Operating Supplies	228	776
Total Operating Expenses	\$ 8,305	\$ 8,100
Operating Income (Loss)	\$ 7,271	\$ 7,023
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Interest Revenue	4,445	3,267
Net Income (Loss)	\$ 11,716	\$ 10,290
<u>RETAINED EARNINGS - Beginning of Year</u>	53,189	42,899
<u>RETAINED EARNINGS - End of Year</u>	\$ 64,905	\$ 53,189

Source of data - *City of Cadillac Comprehensive Annual Financial Report.*

Not audited by the Office of the Auditor General - see audit scope and methodology.

CITY OF CADILLAC, MICHIGAN  
LOCAL DEVELOPMENT FINANCE AUTHORITY

COMPARATIVE STATEMENT OF GENERAL LONG-TERM DEBT  
JUNE 30,

	2001	2000
<u>AMOUNT AVAILABLE AND TO BE PROVIDED FOR PAYMENT</u> <u>OF GENERAL LONG-TERM DEBT</u>		
<u>Serial Bonds</u>		
Amount Available for Retirement of Serial Bonds		
L.D.F.A. Debt Retirement Fund	\$ 733,045	\$ 2,522,093
Amount to be Provided for Retirement of Serial Bonds		
L.D.F.A. Debt Retirement Fund	2,456,955	2,587,907
Total Available and To Be Provided	\$ 3,190,000	\$ 5,110,000
<u>GENERAL LONG-TERM DEBT PAYABLE</u>		
<u>Serial Bonds Payable</u>		
L.D.F.A. Tax Increment Revenue Refunding Bonds	\$ 3,190,000	\$ 5,110,000

Source of data - *City of Cadillac Comprehensive Annual Financial Report.*

Not audited by the Office of the Auditor General - see audit scope and methodology.

## Glossary of Acronyms and Terms

<b>CWTA</b>	Cadillac-Wexford Transportation Authority (county public transportation).
<b>eligible property</b>	Land improvements, buildings, and other real property located within an authority district.
<b>EPA</b>	U.S. Environmental Protection Agency.
<b>generation facility</b>	A facility that generates energy.
<b>IFT</b>	industrial facilities tax.
<b>ISD</b>	intermediate school district.
<b>local development finance authority (LDFA)</b>	A public body to oversee the operations of a tax increment financing plan.
<b>performance audit</b>	An economy and efficiency audit or a program audit that is designed to provide an independent assessment of the performance of a governmental entity, program, activity, or function to improve public accountability and to facilitate decision making by parties responsible for overseeing or initiating corrective action.
<b>SET</b>	State education tax.
<b>SEV</b>	State equalized value.
<b>special assessment district</b>	A district that pays not less than 50% of the operating expenses of the public facility per Section 125.2152(p)(iv)(C) of the <i>Michigan Compiled Laws</i> .

**tax increment  
financing (TIF)**

Allows a municipality to capture any increase in the property taxes paid on eligible property that is caused by an increase in the value of the property after it is included in the district.

**tax increment  
revenues**

The amount of ad valorem property taxes attributable to the application of the levy of all taxing jurisdictions on the captured assessed value of the property in the development area.