
Downtown Development Authority of the Charter
Township of Van Buren

Wayne County, Michigan

Financial Report
with Supplemental Information
December 31, 2017

Downtown Development Authority of the Charter Township of Van Buren

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Independent Auditor's Report

To the Board of Directors
Downtown Development Authority
of the Charter Township of Van Buren

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, the General Fund, and the aggregate remaining fund information of the Charter Township of Van Buren (the "Township") as of and for the year ended December 31, 2017, which collectively comprise the Township's basic financial statements and have issued our report thereon dated May 31, 2018, which contained an unmodified opinion on the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, the General Fund, and the aggregate remaining fund information. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. We have not performed any procedures with respect to the audited financial statements subsequent to May 31, 2018.

In Relation to Opinion on Accompanying Financial Statements

The financial statements of the Downtown Development Authority (the "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 management's discussion and analysis and the budgetary comparison schedule be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in black ink that reads "Plante & Moran, PLLC".

May 31, 2018

Downtown Development Authority of the Charter Township of Van Buren

Management's Discussion and Analysis

The following discussion and analysis of the financial performance of the Downtown Development Authority of the Charter Township of Van Buren (the "DDA" or the "Authority") provides an overview of the DDA's financial activities for the fiscal year ended December 31, 2017. Please read it in conjunction with the Township's financial statements.

Financial Highlights

A project to construct a "Michigan" left turn for the intersection of Belleville and Ecorse Roads was approved in 2010. The engineering for the project was sent to Wayne County, which forwarded it to the Michigan Department of Transportation at the end of April 2012. The bid award for this project occurred in August 2012. The road construction was completed in 2014. This project was concluded in 2016.

- In 2012, the DDA issued Limited Tax General Obligation Development Bonds in the amount of \$4.9 million for the construction and improvements at Belleville and Ecorse Roads. The Authority pledged its tax increment revenue as security for the payment of these bonds.
- Wayne County assisted the DDA with this project with approximately \$1.9 million of federal funding; in addition, Wayne County assigned a project engineer and \$80,000 for construction of a passing lane.
- In 2013, the DDA was awarded federal grant funding of approximately \$774,620 to assist in improvements along 1.2 miles of road, which included hot mix asphalt milling and resurfacing, concrete pavement removal and replacement, drainage structure adjustments, ADA sidewalk ramps, pavement marking and signing work, traffic signal modernization at six locations and one new traffic signal installation, landscape, and other necessary work.
- In 2014, the DDA issued Limited Tax General Obligation Development Bonds in the amount of \$2.6 million. The Authority pledged its tax increment revenue as security for the payment of these bonds.
- Rights-of-way acquisition began in earnest in 2016 along Belleville Road between Tyler and Ecorse Roads. The DDA would like to eventually install sidewalks/pathways to make the entire downtown area pedestrian friendly.
- The DDA has acquired property along Belleville where it is the intent of the DDA to begin construction of a place making initiative. The DDA has received preliminary approval of the project.
- The business district along Belleville Road is bisected by Interstate I-94. In an effort to provide a safer and more uniform connection between the north and south half of the business area, the DDA has been awarded TAP grant funding and design services through MDOT to assist with the installation of a shared use path and bridge widening along Belleville Road with community signage. It is expected that this will be a 2018 construction project.

**Downtown Development Authority of the
Charter Township of Van Buren**

Management’s Discussion and Analysis (Continued)

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

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

The following table shows, in a condensed format, the current year’s net position compared to the prior year:

Summary Condensed Statement of Net Position

	2016	2017	Changes from Prior Year	
			Amount	Percent
Assets				
Current assets	\$ 6,601,867	\$ 6,654,520	\$ 52,653	1 %
Capital assets	340,685	777,824	437,139	128
Long-term assets	<u>1,176,856</u>	<u>1,165,670</u>	<u>(11,186)</u>	(1)
Total assets	8,119,408	8,598,014	478,606	6
Liabilities				
Current liabilities	457,065	440,346	(16,719)	(4)
Long-term liabilities	<u>6,034,442</u>	<u>5,718,812</u>	<u>(315,630)</u>	(5)
Total liabilities	6,491,507	6,159,158	(332,349)	(5)
Deferred Inflows	<u>857,318</u>	<u>1,162,557</u>	<u>305,239</u>	36
Net Position				
Net investment in capital assets	340,685	777,824	437,139	128
Restricted for debt service	531,549	532,880	1,331	0
Unrestricted	<u>(101,651)</u>	<u>(34,405)</u>	<u>67,246</u>	(66)
Total net position	<u>\$ 770,583</u>	<u>\$ 1,276,299</u>	<u>\$ 505,716</u>	66

**Downtown Development Authority of the
Charter Township of Van Buren**

Management’s Discussion and Analysis (Continued)

The above increase in unrestricted net position is consistent with the DDA’s long-term financial plan: (1) The Belleville Road Signal Improvement and Roadway Rehabilitation Project, whereby the many accidents which have occurred due to poor signal timing and much-needed safety improvements have been addressed and completed; (2) the DDA acquired some rights-of-way along Belleville Road in 2015, and in 2016, the DDA installed approximately 1,575 feet of sidewalk and approximately 1,335 feet of pathway along the north side of the I-94 North Service Drive; (3) continuing to add additional sidewalks/pathways in the DDA district to eventually become a complete pedestrian-friendly area; (4) the acquisition of approximately 29 rights-of-way on Belleville Road for eventual completion of road improvements and sidewalk/pathway installation between Tyler and Ecorse Roads; (5) continuation of the Belleville Road streetscape project, consisting of those features listed in the approved streetscape design; (6) acquisition of approximately 1.1 acres of land on Belleville Road as a beginning for the DDA’s place-making initiative in downtown Van Buren; and (7) a determined marketing campaign to promote economic development within the district. The DDA will review projects in light of its cash balance in 2017 to prioritize its projects over the following five years in order to continue working toward the completion of the “Plan.” The unrestricted net position in 2017 increased as the DDA place-making project did not begin construction in 2017 as originally intended.

The long-term liabilities were reduced in 2017 as bond payments were made.

The following table shows the changes in net position during the current year in comparison with the prior year:

Summary Condensed Statement of Activities

	2016	2017	Changes from Prior Year	
			Amount	Percent
Revenue				
Property taxes	\$ 1,249,238	\$ 1,315,842	\$ 66,604	5 %
Unrestricted investment income and other	63,558	75,742	12,184	19
Total revenue	1,312,796	1,391,584	78,788	6
Expenditures				
Administrative	449,470	509,021	59,551	13
Capital outlay and other	545,340	102,363	(442,977)	(81)
Depreciation and amortization	71,008	41,004	(30,004)	(42)
Interest on long-term debt	227,153	233,480	6,327	3
Total expenditures	1,292,971	885,868	(407,103)	(31)
Net Change in Net Position	\$ 19,825	\$ 505,716	\$ 485,891	2,451

Downtown Development Authority of the Charter Township of Van Buren

Management's Discussion and Analysis (Continued)

The DDA is beginning to see a minor increase in taxable value as a result of the economy beginning a slow emergence from the economic difficulties the state of Michigan has experienced. Auto Zone and Aldi Foods was new construction added to the tax roll. Angel Food Catering opened and BP added a Dunkin Donuts. A vacant grocery store was renovated and Planet Fitness opened its doors. T-Rex Arms relocated and renovated a vacant building on the I-94 North Service Road and we have seen other renovations and additions being done within the commercial district. There has also been an uptick in residential permits. Construction of a new commercial development, now houses Starbucks, Qdoba, Which Wich and SVS Vision. Menards began construction on Belleville Road. There is still buildable land and business vacancies are not as extensive as other communities. The DDA is optimistic for 2018.

There was no major increase in expenditures.

The DDA's Fund

The DDA maintains one fund, the General Fund. The fund provides detailed information about the DDA as a whole. The use of this fund helps to manage money for specific purposes as well as to show accountability for certain activities.

General Fund Budgetary Highlights

The General Fund accounts for all programming, maintenance, construction, and administrative functions of the DDA within the DDA boundaries. The budget is monitored closely and amended as needed. The Authority's board of directors determines how DDA resources are allocated in accordance with the plan.

Capital Asset and Debt Administration

The DDA contributes financial support to the Charter Township of Van Buren for administration and some maintenance within the DDA's boundaries. These costs are recorded in the financial statements.

Economic Factors and Next Year's Budgets and Rates

The DDA is preparing for a moderate growth in the economy, which will affect future property values. The DDA will continue to balance resources with operational commitments and needed infrastructure improvements as funding dictates.

Contacting the DDA's Management

This financial report is intended to provide the citizens, taxpayers, customers, and investors with a general overview of the DDA's finances and to show the DDA's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Authority at 46425 Tyler Road, Van Buren Township, Michigan 48111, or via the DDA website at www.vanburendda.com.

Downtown Development Authority of the Charter Township of Van Buren

Statement of Net Position/Governmental Fund Balance Sheet

December 31, 2017

	Governmental Fund	Adjustments (Note 3)	Statement of Net Position - Full Accrual Basis
Assets			
Cash and cash equivalents (Note 5)	\$ 6,637,262	\$ -	\$ 6,637,262
Receivables	15,192	-	15,192
Prepaid expenses and other assets	2,066	-	2,066
Restricted assets	1,055,171	-	1,055,171
Net OPEB asset	-	110,499	110,499
Capital assets: (Note 6)			
Assets not subject to depreciation	-	426,262	426,262
Assets subject to depreciation - Net	-	351,562	351,562
Total assets	\$ 7,709,691	888,323	8,598,014
Liabilities			
Accounts payable	\$ 61,812	-	61,812
Due to other governmental units	1,065	-	1,065
Accrued liabilities and other	2,642	52,809	55,451
Noncurrent liabilities: (Note 7)			
Due within one year	-	322,018	322,018
Due in more than one year	-	5,718,812	5,718,812
Total liabilities	65,519	6,093,639	6,159,158
Deferred Inflows of Resources - Property taxes levied for the following year (Note 2)	1,162,557	-	1,162,557
Equity			
Fund balance:			
Nonspendable - Prepays	2,066	(2,066)	-
Restricted - Debt service	1,055,171	(1,055,171)	-
Unassigned	5,424,378	(5,424,378)	-
Total fund balance	6,481,615	(6,481,615)	-
Total liabilities, deferred inflows of resources, and fund balance	\$ 7,709,691		
Net Position			
Net investment in capital assets		777,824	777,824
Restricted - Debt service		532,880	532,880
Unrestricted		(34,405)	(34,405)
Total net position		\$ 1,276,299	\$ 1,276,299

Downtown Development Authority of the Charter Township of Van Buren

Statement of Activities/Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended December 31, 2017

	Governmental Fund	Adjustments (Note 3)	Statement of Net Position - Full Accrual Basis
Revenue			
Property taxes	\$ 1,315,842	\$ -	\$ 1,315,842
Local Community Stabilization share appropriation	10,598	-	10,598
Interest income	65,144	-	65,144
Total revenue	<u>1,391,584</u>	<u>-</u>	<u>1,391,584</u>
Expenditures			
Administrative	620,117	(111,096)	509,021
Infrastructure improvements and other	600,903	(498,540)	102,363
Depreciation and amortization	-	41,004	41,004
Debt service:			
Debt principal	310,000	(310,000)	-
Debt interest	214,538	18,942	233,480
Total expenditures	<u>1,745,558</u>	<u>(859,690)</u>	<u>885,868</u>
Excess of Revenue (Under) Over Expenditures	<u>(353,974)</u>	<u>859,690</u>	<u>505,716</u>
Fund Balance/Net Position - Beginning of year	<u>6,835,589</u>	<u>(6,065,006)</u>	<u>770,583</u>
Fund Balance/Net Position - End of year	<u>\$ 6,481,615</u>	<u>\$ (5,205,316)</u>	<u>\$ 1,276,299</u>

December 31, 2017

Note 1 - Nature of Business

The Downtown Development Authority of the Charter Township of Van Buren (the "Authority" or the "DDA") is organized pursuant to State of Michigan Public Act No. 197 of 1975. The primary purpose of the Authority is to encourage economic activity in the Charter Township of Van Buren (the "Township"). The purpose is accomplished by the Authority collecting property taxes under a tax increment financing plan in accordance with state law and budgeting expenditures for improvements in the Authority's district boundaries.

The Authority is a component unit of the Township and is included in the basic financial statements of the Township at December 31, 2017.

Note 2 - Significant Accounting Policies

Accounting and Reporting Principles

The DDA 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. There are no component units required to be included in these financial statements. The following is a summary of the significant accounting policies used by the Authority:

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 healthcare-related costs or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenue is not recognized until it is collected, or collected soon enough after the end of the year that they are available to pay for obligations outstanding at the end of the year. For this purpose, the Authority considers amounts collected within 60 days of year end to be available for recognition.

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The governmental fund column presents its activities on the modified accrual basis of accounting, as discussed above, which demonstrates accountability for how the current resources have been spent. The government-wide column 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.

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.

Note 2 - Significant Accounting Policies (Continued)

Restricted Assets

Restricted assets as of December 31, 2017 consist of cash and cash equivalents totaling \$1,055,171. These assets are restricted for the debt service reserve for the 2012 Tax Increment Revenue Bonds and the 2014 Tax Increment Revenue Bonds. A total of \$532,880 is for debt service reserves and \$522,291 is for next year's bond payments. Fund balance has also been restricted for \$1,055,171 and net position has been restricted for \$532,880.

Capital Assets

Capital assets, which include land and land improvements, are defined by the Authority as assets with an initial individual cost of more than \$1,000 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.

Land improvements and rights-of-way are depreciated using the straight-line method over 15 years. Office equipment is depreciated using the straight-line method over three years.

Long-term Obligations

In the government-wide column, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances as an "other financing source," as well as bond premiums and discounts.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority has no items that qualify as reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

The Authority has only one type of item that qualifies for reporting in this category. Accordingly, the item, property taxes levied for the following year, is reported on the statement of net position as a deferred inflow of resources. As of December 31, 2017, the Authority has recorded \$1,162,557 for property taxes levied for tax year 2017, which will be recognized during the year ending December 31, 2018. This amount is recognized as a deferred inflow of resources at December 31, 2017.

Net Position Flow Assumption

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

Note 2 - Significant Accounting Policies (Continued)

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 Authority'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 fund is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Authority 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 DDA board is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Authority for specific purposes, but do not meet the criteria to be classified as committed. The Authority has, by resolution, authorized the finance director to assign fund balance. The DDA 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.

Other Postemployment Benefit Costs

The Authority offers retiree healthcare benefits to retirees. The Authority receives an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. In the governmental funds, pension and OPEB costs are recognized as contributions are made. For the government-wide statements and proprietary funds, the Authority reports the full accrual cost equal to the current year required contribution adjusted for interest and "adjustment to the ARC" on the beginning of year underpaid (overpaid) amount, if any.

Note 3 - Reconciliation of Government-wide and Fund Financial Statements

The governmental fund balance sheet and statement of governmental fund revenue, expenditures, and changes in fund balance of the Authority's governmental fund differ from the statement of net position and statement of activities. This difference results primarily from the long-term economic focus of the statement of net position and statement of activities versus the current focus of the governmental fund balance sheet and statement of governmental fund revenue, expenditures, and changes in fund balances.

The statement of net position includes the capital assets, OPEB asset, and the long-term debt, along with the accrued interest expense. The statement of activities includes the reclassification of the capital outlay to capital asset additions, depreciation expense, change in OPEB asset, and the reclassification of the debt principal payments from the expense to offset the liability.

December 31, 2017

Note 4 - Stewardship, Compliance, and Accountability

Budgetary Information

The annual budget is prepared by the Authority's executive director and approved by the Authority's board of directors. This is then forwarded to the Township's board of trustees for approval; subsequent amendments are authorized by the Authority's board of directors and approved by the Township's board. During the current year, the budget was amended in a legally permissible manner. The budget has been adopted on a line-item basis and has been prepared in accordance with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the budget as adopted by the Authority's board is included in the required supplemental information.

Excess of Expenditures Over Appropriations in Budgeted Funds

The Authority did not have significant expenditure budget variances.

Note 5 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The Authority has elected to comply with the Township's investment policy. The investment policy adopted by the Township's board in accordance with Public Act 196 of 1997 has authorized investment in all of the state statutory authorities listed above.

The Authority's cash 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 \$3,504,433 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The Authority believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Authority 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 does not have an investment policy that addresses interest rate risk.

At year end, the Authority had the following investments:

Investment	Fair Value	Weighted-average Maturity (Years)
Negotiable CDs	\$ 1,400,000	33.35
U.S. government agencies	2,038,000	34.54

Note 5 - 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 Authority has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Bank investment pools	\$ 1,055,171	A1/P1/F1	S&P
Negotiable CDs	1,400,000	Not Rated	N/A
U.S. government agencies	2,038,000	AA+	S&P

Concentration of Credit Risk

The Authority places no limit on the amount it may invest in any one issuer. More than 5 percent of the component unit investments are in negotiable certificates of deposit at Chase Bank, Wells Fargo Bank, and Stephenson National Bank for the DDA. The Authority's concentration percentage of the certificates of deposit is 7.27 percent each.

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Authority's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The Authority has the following recurring fair value measurements as of December 31, 2017:

- U.S. government securities with a value of \$2,038,000 are valued using a matrix pricing model (Level 2 inputs).
- Negotiable CDs of \$1,400,000 are valued using a matrix pricing model (Level 2 inputs).

Downtown Development Authority of the Charter Township of Van Buren

Notes to Financial Statements

December 31, 2017

Note 6 - Capital Assets

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

	Balance January 1, 2017	Additions	Balance December 31, 2017
Capital assets not being depreciated - Land	\$ -	\$ 426,262	\$ 426,262
Capital assets being depreciated:			
Rights-of-way	161,413	67,723	229,136
Office furnishings	2,239	4,555	6,794
Land improvements	1,290,835	-	1,290,835
Subtotal	1,454,487	72,278	1,526,765
Accumulated depreciation:			
Rights-of-way	9,522	20,397	29,919
Office furnishings	1,555	2,202	3,757
Buildings and improvements	1,102,725	38,802	1,141,527
Subtotal	1,113,802	61,401	1,175,203
Net capital assets being depreciated	340,685	10,877	351,562
Net governmental activities capital assets	\$ 340,685	\$ 437,139	\$ 777,824

Note 7 - Long-term Debt

The Authority issues bonds to provide for the acquisition and construction of major capital facilities.

Long-term debt activity for the year ended December 31, 2017 can be summarized as follows:

Governmental Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2012 Revenue Bond:							
Amount of issue -							
\$4,900,000 Maturing through 2032	2.00% - 3.75%	\$190,000 - \$330,000	\$ 4,105,000	\$ -	\$ (200,000)	\$ 3,905,000	\$ 205,000
2014 Revenue Bond:							
Amount of issue -							
\$2,600,000 Maturing through 2032	2.00% - 4.00%	\$105,000 - \$180,000	2,230,000	-	(110,000)	2,120,000	110,000
2014 Bond Premium			10,072	-	(630)	9,442	630
Total bonds payable			6,345,072	-	(310,630)	6,034,442	315,630
Compensated absences			6,985	-	(597)	6,388	6,388
Total governmental activities long-term debt			\$ 6,352,057	\$ -	\$ (311,227)	\$ 6,040,830	\$ 322,018

Note 7 - 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 December 31	Governmental Activities		
	Principal	Interest	Total
2018	\$ 315,000	\$ 207,238	\$ 522,238
2019	330,000	197,788	527,788
2020	340,000	187,887	527,887
2021	345,000	177,687	522,687
2022	355,000	167,337	522,337
2023-2027	1,980,000	618,740	2,598,740
2028-2032	2,360,000	277,063	2,637,063
Total	<u>\$ 6,025,000</u>	<u>\$ 1,833,740</u>	<u>\$ 7,858,740</u>

Future Revenue Pledged for Debt Payment

The Authority has pledged a portion of future property tax revenue to repay \$4,105,000 and \$2,230,000 in DDA bonds issued in 2012 and 2014, respectively, to finance various capital improvements. The bonds are payable solely from the incremental property taxes captured by the Authority and are projected to produce 100 percent of debt service requirements over the life of the bonds. Principal and interest remaining on the bonds total \$7,858,740, payable through 2032. For the current year, principal and interest paid and total property tax captures were \$523,908 and \$1,315,842, respectively.

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 Authority is covered by insurance purchased by the Township for all claims.

Required Supplemental Information

Downtown Development Authority of the Charter Township of Van Buren

**Required Supplemental Information
Budgetary Comparison Schedule - Governmental Fund**

Year Ended December 31, 2017

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Revenue				
Property taxes	\$ 1,258,000	\$ 1,258,000	\$ 1,315,842	\$ 57,842
Local Community Stabilization share appropriation	-	10,598	10,598	-
Interest income	<u>36,500</u>	<u>50,000</u>	<u>65,144</u>	<u>15,144</u>
Total revenue	1,294,500	1,318,598	1,391,584	72,986
Expenditures				
Administrative	524,673	754,926	620,117	(134,809)
Infrastructure improvements and other	1,945,000	1,184,440	600,903	(583,537)
Debt service:				
Debt principal	310,000	310,000	310,000	-
Debt interest	<u>214,538</u>	<u>214,538</u>	<u>214,538</u>	<u>-</u>
Total expenditures	<u>2,994,211</u>	<u>2,463,904</u>	<u>1,745,558</u>	<u>(718,346)</u>
Net Change in Fund Balances	(1,699,711)	(1,145,306)	(353,974)	791,332
Fund Balances/Net Position - Beginning of year	<u>6,835,589</u>	<u>6,835,589</u>	<u>6,835,589</u>	<u>-</u>
Fund Balances/Net Position - End of year	<u>\$ 5,135,878</u>	<u>\$ 5,690,283</u>	<u>\$ 6,481,615</u>	<u>\$ 791,332</u>