

**CHARTER TOWNSHIP OF VAN BUREN
LOCAL DEVELOPMENT FINANCE AUTHORITY
AGENDA**

Regular Meeting: September 12, 2017 – 2:00 p.m., Denton Room

CALL TO ORDER

ROLL CALL

Chairman Dotson	_____	Doug Peters	_____
Vacant	_____	John Delaney	_____
Leonard Armstrong	_____	James Williams	_____
Chuck Covington	_____	Shareen Barker	_____
Vacant	_____	Danylo Dobriansky	_____
Supervisor McNamara	_____		

Recording Secretary Grishaber _____

APPROVAL OF AGENDA:

APPROVAL OF MINUTES:

1. Regular Meeting: July 11, 2017

CORRESPONDENCE:

PUBLIC COMMENT:

UNFINISHED BUSINESS:

1. Marketing/Community Outreach Update

NEW BUSINESS:

1. 2018 Proposed Budget
2. 2016 Audit

NON-AGENDA ITEMS:

ADJOURNMENT:

CLOSED SESSION:

ADJOURNMENT:

If you are unable to attend this meeting, please notify Secretary Grishaber at 734.699.8913

**CHARTER TOWNSHIP OF VAN BUREN
LOCAL DEVELOPMENT FINANCE AUTHORITY
DRAFT MEETING MINUTES
JULY 11, 2017
2:00 p.m. Denton Room**

CALL TO ORDER: Chairman Dotson called the meeting to order at 2:02pm

ROLL CALL:

Present: Dotson, Armstrong, McNamara, Delaney, Barker, Peters, Dobriansky

Absent/Excused: Covington, Williams.

Staff: Director Akers, Secretary Tina Grishaber

Audience Members: 2

APPROVAL OF AGENDA

Moved by Peters, Delaney supported to approve the July 11, 2017 agenda.

Motion Carried.

APPROVAL OF MINUTES:

Regular meeting: Moved by Barker, Peters supported to approve the minutes of the May 9, 2017 regular meeting.

Motion carried.

Closed Session meeting: Moved by Delaney, Peters supported to approve the minutes of the May 9, 2017 Closed Session meeting.

Motion Carried.

CORRESPONDENCE: None

PUBLIC COMMENT: None

UNFINISHED BUSINESS:

Director Akers stated that the owners of the Grace Lake Corporate Center have submitted a new 150,000 square foot building for Planning Commission approval at the Grace Lake Corporate Center Campus. Additionally, Director Akers indicated that the August 22, 2017 Wayne County Ways and Means Committee meeting will be held at the Grace Lake Corporate Center.

Board Member Dobriansky indicated they were in the final stages of manufacturing the sign to place at the Grace Lake Corporate Center which will be placed along I-275.

NEW BUSINESS:

There was a general discussion about the status of the Township's lawsuit regarding the outstanding debt.

NON AGENDA ITEMS:

The Local Development Finance Authority sends their thoughts and prayers for Chuck Covington and his family.

ADJOURNMENT:

Moved by Delaney, Barkers supported to adjourn the regular meeting at 2:37p.m.
Motion Carried.

Respectfully Submitted,

**Tina Grishaber
Recording Secretary**



Memo

TO: Local Development Finance Authority Board of Directors

**FROM: Ron Akers, AICP
Director of Planning and Economic Development**

RE: Proposed 2018 Budget

DATE: 9-8-2017

Please find attached to this memo the proposed 2018 budget. I will give an overview of the budget at the meeting on Tuesday.

Charter Township of Van Buren
LDFA Fund

	2015 Actual	2016 Actual	2017 Budget	2017 Amended	2018 Proposed	2019 Projected
Revenue:						
251-000-403-000	520,812	526,111	502,043	514,045	650,405	618,731
251-000-573-000	15,731	75,561	99,659	62,131	96,178	110,964
251-000-664-000	29,269	633	500	500	4,634	5,407
251-000-698-000	12,190,000	-	-	-	-	-
251-000-699-000	820,737	-	-	-	-	-
251-000-	-	-	-	-	-	-
Total Revenue	13,576,549	602,305	602,202	576,676	751,217	735,102
Expenditures:						
251-000-702-000	2,000	2,000	2,000	2,000	2,000	2,000
251-000-703-000	2,000	2,000	2,000	2,000	2,000	2,000
251-000-705-000	3,000	3,000	3,000	3,000	3,000	3,000
251-000-719-000	1,000	1,000	1,000	1,000	1,000	1,000
251-000-727-000	-	-	-	-	-	-
251-000-728-000	-	-	-	-	-	-
251-000-801-000	6,465	3,925	5,000	5,000	5,000	5,000
251-000-802-000	80,191	108,061	100,000	100,000	100,000	100,000
251-000-803-000	750	6,075	1,000	1,000	1,000	1,000
251-000-956-000	2,044	239	2,000	2,000	2,000	2,000
251-000-972-000	-	-	-	-	-	-
251-000-992-000	174,056	-	-	-	-	-
251-000-994-000	575,000	-	-	-	-	1,575,000
251-000-994-001	17,352,681	-	-	-	-	-
251-000-995-000	420,701	552,925	521,081	521,081	521,081	498,206
251-000-996-000	300	500	300	301	500	500
Total Expenditures	18,620,189	679,725	637,381	637,382	637,581	2,189,706
Net Income (Expense)	(5,043,640)	(77,420)	(35,179)	(60,706)	113,636	(1,454,605)
Beginning Fund Balance	5,789,022	745,383	653,030	667,962	607,256	720,892
Excess of revenues over expenses	(5,043,640)	(77,420)	(35,179)	(60,706)	113,636	(1,454,605)
Fund Balance (Deficit)	745,383	667,962	617,851	607,256	720,892	(733,712)



Table -- Cash Flow

LOCAL DEVELOPMENT FINANCE AUTHORITY OF THE TOWNSHIP OF VAN BUREN
County of Wayne, State of Michigan

Schedule of Projected Tax Increment Revenues, Debt Service Requirements and Coverage

Levy/ Value Year	Taxable Value (Growth Projection)		Ad valorem		IFT		IFT		Summer Captures		Winter Capture		Total		100%		Total Estimated Revenue
	Real Prop.	Personal Prop.	Real Prop.	Personal Prop.	Real Prop.	Personal Prop.	Real Prop.	Personal Prop.	Millage Revenue	Millage Revenue	Revenue	Revenue	Estimated Captured Revenue	Exemption Reimburse	Pers Prop Tax Exemption Reimburse	Total Estimated Revenue	
2014			\$13,963,397	\$6,244,900	\$16,433,200	\$1,687,200	\$29,268,497	5.6483	\$165,317	11.2435	\$329,080	\$494,398	\$8,708	\$503,106			
2015			21,152,607	5,845,100	9,208,500	1,602,900	32,403,407	5.6483	183,024	11.2435	364,328	547,352	15,731	563,083			
2016	0.02%	-56.60%	21,156,793	2,536,800	9,208,500	689,900	28,642,793	5.6483	161,783	11.2435	322,045	483,828	75,561	559,389			
2017	0.50%	-55.00%	30,209,397	3,729,139	31,200	332,200	34,120,236	5.6483	192,721	13.7435	468,931	661,653	62,131	723,784			
2018	0.50%	-55.00%	30,360,444	1,678,113	31,356	149,490	32,128,980	5.6483	181,474	13.7435	441,565	623,039	96,178	719,216			
2019	0.50%	-55.00%	30,543,759	822,421	-	-	31,366,180	5.6483	177,166	13.7435	431,081	608,247	110,964	719,211			
2020	0.50%	-55.00%	30,696,478	370,090	-	-	31,066,567	5.6483	175,473	13.7435	426,963	602,437	118,152	720,589			
2021	0.50%	-55.00%	30,849,960	166,540	-	-	31,016,500	5.6483	175,190	13.7435	426,275	601,466	121,387	722,853			
2022	0.50%	-55.00%	31,004,210	74,943	-	-	31,079,153	5.6483	175,544	13.7435	427,136	602,681	122,843	725,523			
2023	0.50%	-100.00%	31,159,231	-	-	-	31,159,231	5.6483	175,997	13.7435	428,237	604,234	124,034	728,267			
2024	0.50%	0.00%	31,315,027	-	-	-	31,315,027	5.6483	176,877	13.7435	430,378	607,255	124,034	731,288			
2025	0.50%	0.00%	31,471,602	-	-	-	31,471,602	5.6483	177,761	13.7435	432,530	610,291	124,034	734,325			
2026	0.50%	0.00%	31,628,960	-	-	-	31,628,960	5.6483	178,650	13.7435	434,693	613,342	124,034	737,376			
2027	0.50%	0.00%	31,787,105	-	-	-	31,787,105	5.6483	179,543	13.7435	436,866	616,409	124,034	740,443			
2028	0.50%	0.00%	31,946,041	-	-	-	31,946,041	5.6483	180,441	13.7435	439,050	619,491	124,034	743,525			
2029	0.50%	0.00%	32,105,771	-	-	-	32,105,771	5.6483	181,343	13.7435	441,246	622,589	124,034	746,622			
2030	0.50%	0.00%	32,266,300	-	-	-	32,266,300	5.6483	182,250	13.7435	443,452	625,702	124,034	749,735			
2031	0.50%	0.00%	32,427,631	-	-	-	32,427,631	5.6483	183,161	13.7435	445,669	628,830	124,034	752,864			
2032	0.50%	0.00%	32,589,769	-	-	-	32,589,769	0.0000	-	0.0000	0	-	-	-			
2033	0.50%	0.00%	32,752,718	-	-	-	32,752,718	0.0000	-	0.0000	0	-	-	-			
													\$7,569,526	\$10,773,242	\$1,847,959	\$12,621,201	
													\$3,203,716				

Assumes 100% of captured revenue loss due to EMPP is reimbursed.

Levy Year	Bond Payment	Projected "Equivalent" Captured Value ¹	Projected Available Funds			Bond Debt Service	Annual Surplus (Shortfall)	2-Apr Cumulative Balance	Potential Township Millage Impact ⁴
	Year Ending April 1		Captured Tax Incr. Revenue ²	Pers Prop Tax Exemption Reimburmt ³	Total Available Funds				
2016	2017				\$719,731		-	\$719,731	
2017	2018	\$34,120,236 a	\$661,653	\$62,131	723,784	521,081	202,703	922,433	0.00
2018	2019	32,128,980	623,039	96,178	719,216	1,436,081	(716,865)	205,569	0.00
2019	2020	31,366,180	608,247	110,964	719,211	2,363,831	(1,644,621)	(1,439,052)	1.43
2020	2021	31,066,567	602,437	118,152	720,589	2,407,469	(1,686,880)	(3,125,932)	1.66
2021	2022	31,016,500	601,466	121,387	722,853	2,439,981	(1,717,128)	(4,843,060)	1.67
2022	2023	31,079,153	602,681	122,843	725,523	2,481,606	(1,756,083)	(6,599,143)	1.68
2023	2024	31,159,231	604,234	124,034	728,267	2,521,756	(1,793,489)	(8,392,632)	1.69
2024	2025	31,315,027	607,255	124,034	731,288	2,564,531	(1,833,243)	(10,225,875)	1.70
2025	2026	31,471,602	610,291	124,034	734,325	2,600,881	(1,866,556)	(12,092,431)	1.71
2026	2027	31,628,960	613,342	124,034	737,376	2,667,450	(1,930,074)	(14,022,505)	1.74
2027	2028	31,787,105	616,409	124,034	740,443	3,215,397	(2,474,954)	(16,497,459)	2.20
2028	2029	31,946,041	619,491	124,034	743,525	3,284,063	(2,540,538)	(19,037,996)	2.22
2029	2030	32,105,771	622,589	124,034	746,622	3,351,219	(2,604,596)	(21,642,593)	2.25
2030	2031	32,266,300	625,702	124,034	749,735	3,417,438	(2,667,702)	(24,310,295)	2.27
2031	2032	32,427,631	628,830	124,034	752,864	4,145,156	(3,392,292)	(27,702,587)	2.84
2032	2033	32,589,769	-	-	-	-	-	(27,702,587)	0.00
			<u>\$9,247,664</u>	<u>\$1,747,959</u>	<u>\$11,715,353</u>	<u>\$39,417,941</u>			

a 2017 value reflects actual value provided by the Township as of June 2017.

1 Projected captured values based on a 1% increase in real property values and IFT value at 1/2 the value until the IFTs expire on December 31, 2018, at which time they are shown at full value.

2 Based on a total summer and winter captured millage rate of 19.3918 mills, assume captured voted millage rates are renewed, and millage is not reduced.

3 Assumes the full value of the personal property tax losses will be reimbursed by the State.

4 Township millage impact represents this estimated millage requirement to satisfy the potential tax increment revenue shortfall assuming a 1.5% growth in taxable value annually. NOTE: THE TOWNSHIP'S MAXIMUM ALLOWABLE OPERATING MILLAGE RATE IS 0.9144 MILLS. Any millage required above that level would need to be approved by the voters or ordered by a court.

FORWARD LOOKING STATEMENTS:

This information contains statements relating to future results that are "forward looking statements." Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward looking statements. Any forecast is subject to such uncertainties. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.



Memo

TO: Local Development Finance Authority Board of Directors

FROM: Ron Akers, AICP
Director of Planning and Economic Development

RE: 2016 Audit

DATE: 9-8-2017

Please find attached to this memo the audit for the 2016 fiscal year. I will give an overview of this at the meeting on Tuesday.

**Local Development Financing Authority
of the Charter Township of Van Buren
Wayne County, Michigan**

**Financial Report
with Required Supplemental Information
December 31, 2016**

Local Development Financing Authority of the Charter Township of Van Buren

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Independent Auditor's Report

To the Board of Directors
Local Development Financing Authority of the
Charter Township of Van Buren
Wayne County, Michigan

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, 2016, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated June 5, 2017, which contained unmodified opinions 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 June 5, 2017.

In Relation To Opinion on Accompanying Financial Statements

The financial statements of the Local Development Financing Authority (the "LDFA") 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 governmental fund budgetary comparison schedule on pages 2-5 and 17, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Plante & Moran, PLLC

June 5, 2017

Local Development Financing Authority of the Charter Township of Van Buren

Management's Discussion and Analysis

The following discussion and analysis of the financial performance of the Charter Township of Van Buren's Local Development Financing Authority (the "LDFA") provides an overview of the LDFA's financial activities for the fiscal year ended December 31, 2016. Please read it in conjunction with the Charter Township of Van Buren's (the "Township") financial statements.

Financial Highlights

There was minimal financial activity within the LDFA fund in 2016, other than receipt of tax capture and payment of semiannual debt obligations. In addition, the LDFA refinanced bonds in 2015. Please see "The LDFA as a Whole" section for details. The primary concern of the LDFA is to conserve financial resources for use to pay debt as it becomes due.

Using this Annual Report

This annual report consists of a series of financial statements. The statements of net position and activities provide information about the activities of the LDFA as a whole and present a longer-term view of the LDFA'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 LDFA's operations in more detail than the government-wide financial statements.

Local Development Financing Authority of the Charter Township of Van Buren

Management's Discussion and Analysis (Continued)

The LDFA as a Whole

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

	2015	2016	Changes from Prior Year	
			In Dollars	Percent
Assets				
Current assets	\$ 1,111,811	\$ 990,215	\$ (121,596)	(11)
Long-term assets	-	-	-	0
Total assets	1,111,811	990,215	(121,596)	(11)
Deferred Outflows	369,118	344,510	(24,608)	(7)
Liabilities				
Current liabilities	148,261	181,742	33,481	23
Long-term liabilities	26,849,780	27,352,373	502,593	2
Total liabilities	26,998,041	27,534,115	536,074	2
Deferred Inflows	364,328	322,045	(42,283)	(12)
Net Position - Unrestricted	(25,881,440)	(26,521,435)	(639,995)	2
Total net position	<u>\$ (25,881,440)</u>	<u>\$ (26,521,435)</u>	<u>\$ (639,995)</u>	2

Current assets continue to gradually decrease from year to year, as annual revenue is less than the annual operating expenses and debt service. Long-term liabilities continue to increase as a result of the accrued interest obligations owed for the 2003 capital appreciation bonds.

This is the third reporting period during which the Township has been subject to GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This GASB statement requires that potential liabilities of a governmental entity be accounted for, at present value, in its financial reporting process. In the case of the Township, this potential liability has been booked within the governmental funds of the Township's financial statements.

Local Development Financing Authority of the Charter Township of Van Buren

Management’s Discussion and Analysis (Continued)

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

Summary Condensed Statement of Activities

	2015	2016	Changes from Prior Year	
			In Dollars	Percent
Revenue				
Property taxes	\$ 520,812	\$ 526,111	\$ 5,299	1
Local Community Stabilization Share	15,731	75,561	59,830	-
Unrestricted investment income	29,269	633	(28,636)	(98)
Total revenue	565,812	602,305	36,493	6
Expenses				
Professional services	86,656	111,986	25,330	29
Administrative	11,095	14,814	3,719	34
Bond issuance cost	174,056	-	(174,056)	-
Interest on long-term debt	1,401,505	1,115,500	(286,005)	(20)
Total expenses	1,673,312	1,242,300	(431,012)	(26)
Excess of Expenditures Over Revenue	\$ (1,107,500)	\$ (639,995)	\$ 467,505	(42)

Property tax capture remained relatively “flat” in comparison to 2015. The LDFA did see a substantial increase in its Local Community Stabilization Share payment, which helps supplement the loss of personal property tax capture revenue slowly being phased out.

The LDFA’s Fund

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

Governmental Fund Budgetary Highlights

The governmental fund accounts for all programming, maintenance, construction, and administrative functions of the LDFA within the LDFA’s boundaries. The budget is monitored closely and amended as needed. The LDFA committee recommends how LDFA resources are allocated.

Local Development Financing Authority of the Charter Township of Van Buren

Management's Discussion and Analysis (Continued)

Capital Asset and Debt Administration

The LDFA's primary focus is payment of debt obligations from tax captures within the LDFA district. Capital projects within the LDFA are minimal. All resources are focused on payment of existing debt.

Economic Factors and Next Year's Budget

The LDFA is preparing for very modest growth in the economy, which affects future property values. The LDFA's primary focus will be to balance a reduction in resources with future debt commitments.

Contacting the LDFA's Management

This financial report is intended to provide the citizens, taxpayers, customers, and investors with a general overview of the LDFA's finances and to show the LDFA's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township's office located at 46425 Tyler Road, Belleville, MI 48111.

Local Development Financing Authority of the Charter Township of Van Buren

Statement of Net Position/Governmental Fund Balance Sheet December 31, 2016

	Governmental Fund	Adjustments (Note 2)	Statement of Net Position
Assets - Cash and cash equivalents (Note 4)	\$ 990,215	\$ -	\$ 990,215
Deferred Outflows of Resources - Bond refunding loss being amortized (Note 1)	-	344,510	344,510
Total assets and deferred outflows of resources	<u>\$ 990,215</u>	344,510	1,334,725
Liabilities			
Accounts payable	\$ 207	-	207
Accrued liabilities and other	-	130,239	130,239
Noncurrent liabilities (Note 5):			
Due within one year	-	51,296	51,296
Accrued interest - Capital appreciation bonds	-	7,867,396	7,867,396
Long-term debt	-	19,484,977	19,484,977
Total liabilities	207	27,533,908	27,534,115
Deferred Inflows of Resources - Property taxes levied for the following year (Note 1)	322,045	-	322,045
Equity - Fund balance			
Restricted - Debt service reserve	593,920	(593,920)	-
Unassigned	74,043	(74,043)	-
Total fund balance	<u>667,963</u>	<u>(667,963)</u>	-
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 990,215</u>		
Net Position - Unrestricted		<u>\$ (26,521,435)</u>	<u>\$ (26,521,435)</u>

Local Development Financing Authority of the Charter Township of Van Buren

Statement of Activities/Governmental Fund Revenue, Expenditures, and Changes in Fund Balance Year Ended December 31, 2015

	Governmental Fund	Adjustments (Note 2)	Statement of Activities
Revenue			
Property taxes	\$ 526,111	\$ -	\$ 526,111
Local Community Stabilization Share			
Appropriation	75,561	-	75,561
Interest income	633	-	633
Total revenue	602,305	-	602,305
Expenditures			
Professional services	111,986	-	111,986
Administrative and other	14,814	-	14,814
Debt service	552,925	562,575	1,115,500
Total expenditures	679,725	562,575	1,242,300
Net Change in Fund Balance/Net Position	(77,420)	(562,575)	(639,995)
Fund Balance/Net Position - Beginning of year	745,383	(26,626,823)	(25,881,440)
Fund Balance/Net Position - End of year	\$ 667,963	\$ (27,189,398)	\$ (26,521,435)

Local Development Financing Authority of the Charter Township of Van Buren

**Notes to Financial Statements
December 31, 2016**

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The Local Development Financing Authority (the "Authority" or the "LDFA") of the Charter Township of Van Buren (the "Township") is organized pursuant to State of Michigan Public Act No. 281 of 1986. The primary purpose is to encourage local development to prevent conditions of unemployment and promote economic growth. This purpose is accomplished by the Authority collecting captured 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 Charter Township of Van Buren and is included in the basic financial statements of the Township at December 31, 2016.

Accounting and Reporting Principles

The LDFA 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.

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 Authority 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 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 Authority considers amounts collected within 60 days of year end to be available for recognition.

Local Development Financing Authority of the Charter Township of Van Buren

Notes to Financial Statements December 31, 2016

Note I - Summary of Significant Accounting Policies (Continued)

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 its activity 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 authority services, and the extent to which constituents have paid the full cost of authority 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.

Restricted Assets - Restricted assets as of December 31, 2016 consist of cash and cash equivalents totaling \$593,920. These assets are restricted for next year's bond payments. Fund balance has been restricted for \$593,920. There have been no restrictions for net position.

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 governmental fund column, bond issuances are recognized as an "other financing source," as well as bond premiums and discounts.

The capital appreciation bonds with a total principal amount of \$6,589,656 have accrued \$7,867,396 in interest, which is recorded as a liability. The principal and interest do not become due and payable until 2023 through 2032; therefore, these amounts are only reported at the government-wide level.

Local Development Financing Authority of the Charter Township of Van Buren

**Notes to Financial Statements
December 31, 2016**

Note I - Summary of Significant Accounting Policies (Continued)

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 so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of 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 so 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 in the governmental funds balance sheet. As of December 31, 2016, the Authority received \$322,045 of property taxes levied for tax year 2016, which will be recognized during the year ending December 31, 2017. The amount is recognized as a deferred inflow of resources at December 31, 2016.

Net Position Flow Assumption

Sometimes the Authority will 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 column, 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 net position to have been depleted before unrestricted net position is applied.

Local Development Financing Authority of the Charter Township of Van Buren

**Notes to Financial Statements
December 31, 2016**

Note I - Summary of Significant Accounting Policies (Continued)

Fund Balance Flow Assumption

Sometimes the Authority will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund column, 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. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The 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 LDFA board is the highest level of decision-making authority for the Authority 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 LDFA board may 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.

Local Development Financing Authority of the Charter Township of Van Buren

**Notes to Financial Statements
December 31, 2016**

Note 2 - Reconciliation of Government-wide and Fund Financial Statements

The governmental fund balance sheet and governmental fund statement of 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 governmental fund statement of revenue, expenditures, and changes in fund balance.

The statement of net position includes the recognition of long-term debt along with the accrued interest expense. The statement of activities includes the reclassification of the debt principal payments from expense to offsetting the liability and accrual of the interest expense.

Note 3 - Budget Information

The annual budget is prepared by the Authority's board and adopted by the Township's board; subsequent amendments are approved by the Authority's board and the Township's board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at December 31, 2016 has not been calculated. 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.

Note 4 - Cash and Cash Equivalents

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 board in accordance with Public Act 196 of 1997 has authorized investment in all of the state statutory authorities listed above.

Local Development Financing Authority of the Charter Township of Van Buren

Notes to Financial Statements December 31, 2016

Note 4 - Cash and Cash Equivalents (Continued)

The LDFA's cash and investments are subject to custodial risk, which is 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 LDFA's deposits may not be returned to it. The LDFA does not have a deposit policy for custodial credit risk. At year end, the LDFA had \$990,215 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The LDFA 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 LDFA 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.

Note 5 - Long-term Debt

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

Long-term debt activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Local Development Financing Authority							
2003 Capital Appreciation Bond -							
Amount of issue - \$6,589,656							
maturing through 2032	5.27% - 5.38%	\$510,859 - \$766,818	\$ 6,589,656	\$ -	\$ -	\$ 6,589,656	\$ -
2015 Refunding Bond -							
Amount of issue - \$12,190,000							
maturing through 2031	3.75% - 5.00%	\$305,000 - \$2,275,000	12,190,000	-	-	12,190,000	-
Issuance premium			807,913	-	(51,296)	756,617	51,296
Total bonds payable			<u>\$ 19,587,569</u>	<u>\$ -</u>	<u>\$ (51,296)</u>	<u>\$ 19,536,273</u>	<u>\$ 51,296</u>

Local Development Financing Authority of the Charter Township of Van Buren

Notes to Financial Statements December 31, 2016

Note 5 - Long-term Debt (Continued)

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

Years Ending December 31	Component Unit Activities		
	Principal	Interest	Total
2017	\$ -	\$ 521,081	\$ 521,081
2018	-	521,081	521,081
2019	1,575,000	498,206	2,073,206
2020	1,970,000	411,206	2,381,206
2021	2,085,000	332,106	2,417,106
2022-2026	6,512,974	5,648,282	12,161,256
2027-2031	5,970,379	10,583,165	16,553,544
2032	666,303	2,383,697	3,050,000
Total	<u>\$ 18,779,656</u>	<u>\$ 20,898,824</u>	<u>\$ 39,678,480</u>

Capital Appreciation Bonds - The LDFA has issued capital appreciation bonds in 2003 in the amount of \$6,589,656, total principal. As of December 31, 2016, the LDFA had recorded \$7,867,396 in accrued interest.

Future Revenue Pledged for Debt Payment - The Township has pledged a portion of future property tax revenue to repay \$18,779,656 in Local Development Financing Authority bonds issued in 2003 and a portion refunded in 2006, then again refunded in 2015 to finance various capital improvements. The bonds are payable solely from the incremental property taxes captured by the Authority and were originally projected to produce 100 percent of debt service requirements over the life of the bonds. Current economic conditions are resulting in annual captures being less than annual debt service payments. Total principal and interest remaining of the bonds are \$39,678,481, payable through 2032. For the current year, principal and interest paid and total property tax captures were \$1,142,188 and \$526,111, respectively.

Note 6 - 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 has purchased commercial insurance for all claims.

Local Development Financing Authority of the Charter Township of Van Buren

**Notes to Financial Statements
December 31, 2016**

Note 7 - Property Tax Settlement

In 2009, Visteon Corporation, which is located in the Local Development Financing Authority, filed for bankruptcy. During 2010, the Township sold its bankruptcy claim in the bankruptcy proceedings for approximately \$5,700,000 to assist in offsetting the decline in future tax revenue that resulted from the significant drop in taxable value.

Note 8 - Nonexchange Financial Guarantee

In May 2003, the Local Developing Financing Authority issued bonds and then refinanced a portion of the bonds in 2006. In 2015, the Authority refinanced the 2006 bonds. The bonds mature annually through April 2032, with semiannual interest payments. All required payments on the bonds are guaranteed by the Township in the event that the LDFA is unable to make required payments. Because it has been determined that the Township will more likely than not be required to make a payment under this obligation, in accordance with GASB Statement No. 70, the Township has recorded a liability on its financial statements for this guarantee. However, the LDFA has not been released from its obligation on this debt.

Required Supplemental Information

Local Development Financing Authority of the Charter Township of Van Buren

Required Supplemental Information Budgetary Comparison Schedule - Governmental Fund Year Ended December 31, 2016

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 550,000	\$ 526,111	\$ 526,111	\$ -
Local community stabilization	-	75,561	75,561	-
Interest and other income	5,000	700	633	(67)
Total revenue	555,000	602,372	602,305	(67)
Expenditures				
Professional services	105,000	125,000	111,986	13,014
Administrative and other	11,300	16,800	14,814	1,986
Debt interest	552,925	552,925	552,925	-
Total expenditures	669,225	694,725	679,725	15,000
Net Change in Fund Balance	(114,225)	(92,353)	(77,420)	14,933
Fund Balance - Beginning of year	745,383	745,383	745,383	-
Fund Balance - End of year	<u>\$ 631,158</u>	<u>\$ 653,030</u>	<u>\$ 667,963</u>	<u>\$ 14,933</u>

