

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

**Financial Report
with Required Supplemental Information
December 31, 2013**

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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
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, 2013, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated May 27, 2014, 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 May 27, 2014.

In-Relation-To Opinion on Accompanying Financial Statements

The financial statements of the Downtown Development Authority (the "DDA") are presented for purposes 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.

Emphasis of Matter

As discussed in Note 9 to the financial statements, the Authority adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, as of January 1, 2013. Our opinion is not modified with respect to this matter.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison schedule on pages 3-7 and 20, 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

May 27, 2014

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 Van Buren Downtown Development Authority (the "DDA") provides an overview of the DDA's financial activities for the fiscal year ended December 31, 2013. 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 and is under construction. It is anticipated that this project will require two (2) construction seasons to complete.

- Van Buren Township issued Limited Tax General Obligation Development Bonds in the amount of \$4.9 million. The Authority pledged its tax increment revenue as security for the payment of these bonds.
- Wayne County will be assisting the DDA with this project with approximately \$1.9 million of federal funding; in addition, Wayne County will assign a project engineer and \$80,000 toward a passing lane. Wade-Trim has been approved as the engineer of the project and because of the federal funding involved, Wayne County will oversee the project.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the 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.

Downtown Development Authority of the Charter Township of Van Buren

Management's Discussion and Analysis (Continued)

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

	2012	2013	Changes from Prior Year	
			Amount	Percent
Assets				
Current assets	\$ 6,452,027	\$ 6,534,471	\$ 82,444	1 %
Capital assets	477,737	404,616	(73,121)	(15)
Long-term assets	<u>3,242,737</u>	<u>1,649,884</u>	<u>(1,592,853)</u>	(49)
Total assets	10,172,501	8,588,971	(1,583,530)	(16)
Deferred Outflows	29,451	22,089	(7,362)	(25)
Liabilities				
Current liabilities	893,305	1,108,660	215,355	24
Long-term liabilities	<u>5,350,000</u>	<u>4,500,000</u>	<u>(850,000)</u>	(16)
Total liabilities	6,243,305	5,608,660	(634,645)	(10)
Deferred Inflows	<u>789,556</u>	<u>817,991</u>	<u>28,435</u>	4
Net Position				
Net investment in capital assets	477,737	404,616	(73,121)	(15)
Restricted for debt service	468,908	408,389	(60,519)	(13)
Unrestricted	<u>2,222,446</u>	<u>1,371,404</u>	<u>(851,042)</u>	(38)
Total net position	<u>\$ 3,169,091</u>	<u>\$ 2,184,409</u>	<u>\$ (984,682)</u>	(31)

Downtown Development Authority of the Charter Township of Van Buren

Management's Discussion and Analysis (Continued)

The above decrease in unrestricted net position is consistent with the DDA's long-term financial plan. Cash reserves were used in 2012 in part for the defeasance of the 2005A Bonds. It is expected that the landscape for the Belleville-Ecorse Road improvement project will be completed in 2014. The projects in the near future are (1) Belleville Road Signal Improvement and Roadway Rehabilitation Project from just south of the I-94 South Service Drive to Tyler Road. There are many accidents that stem from poor signal timing and inadequate facilities resulting in needed safety improvements. These safety concerns will be addressed by replacing six existing traffic signals with modernized signals and installing a new traffic signal within this corridor, (2) the DDA acquired some right-of-way along Belleville Road and will be installing 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 in the DDA District to eventually become a pedestrian-friendly area, (4) acquisition of right-of-way on Belleville Road for completion of road widening and sidewalk installation between Tyler and Ecorse Roads, and (5) continuation of the Belleville Road streetscape project, consisting of those features listed in the approved Streetscape design. The DDA reviewed projects in light of their cash balance in April 2012 to prioritize their projects over the following five years in order to continue working toward the completion of the "Plan." The unrestricted net position in 2013 declined as a large portion of the bond proceeds were spent during 2013.

The long-term liabilities were reduced in 2013 as bond payments are 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

	2012	2013	Changes from Prior Year	
			Amount	Percent
Revenue				
Property taxes	\$ 1,849,605	\$ 1,692,897	\$ (156,708)	(8) %
Unrestricted investment income	64,877	49,369	(15,508)	(24)
Total revenue	1,914,482	1,742,266	(172,216)	(9)
Expenditures				
Administrative	408,240	404,781	(3,459)	(1)
Capital outlay and other	2,104,792	2,032,762	(72,030)	(3)
Depreciation and amortization	73,121	73,121	-	-
Interest on long-term debt	635,900	216,284	(419,616)	(66)
Total expenditures	3,222,053	2,726,948	(495,105)	(15)
Net Change in Net Position	\$ (1,307,571)	\$ (984,682)	\$ 322,889	(25)

Downtown Development Authority of the Charter Township of Van Buren

Management's Discussion and Analysis (Continued)

The decrease in captured taxes was expected because the DDA is experiencing some of the same economic difficulties as the remainder of the state; however, there is still buildable land and business vacancies are not as extensive as many other communities. There are a few new developments anticipated to become part of the DDA District; however, it would be inappropriate to disclose what they are as they have not completed the planning process.

During 2013, the DDA learned that there were chargebacks related to previous tax years that were owed to Wayne County related to MTT settlements for the 2009-2012 tax years. The total amount of these chargebacks was \$140,077.

There was no major increase in expenditures. The Belleville/Ecorse intersection project continued in 2013.

The decrease in expenditures for debt service is due to the fact that one of the bond issues was defeased during 2012 which resulted in additional costs that did not recur in 2013.

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 Downtown Development Authority 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 continued slowdown in the economy which affects future property values. The DDA will continue to balance a reduction in resources with operational commitments and needed infrastructure improvements as funding dictates.

Downtown Development Authority of the Charter Township of Van Buren

Management's Discussion and Analysis (Continued)

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 Van Buren Downtown Development Authority, 46425 Tyler Road, Van Buren Township, Michigan 48111, or via the Van Buren Township website at www.vanburen-mi.org.

Downtown Development Authority of the Charter Township of Van Buren

Statement of Net Position/Governmental Funds Balance Sheet December 31, 2013

	Governmental Fund	Adjustments (Note 2)	Statement of Net Position
Assets			
Cash and cash equivalents (Note 4)	\$ 6,516,513	\$ -	\$ 6,516,513
Accounts receivable	17,037	-	17,037
Prepaid expenses	921	-	921
Restricted assets (Note 1)	1,649,884	-	1,649,884
Capital assets being depreciated - Net (Note 5)	-	404,616	404,616
Total assets	8,184,355	404,616	8,588,971
Deferred Outflows of Resources (Note 1) -			
Bond refunding loss being amortized	-	22,089	22,089
Total assets and deferred outflows	<u>\$ 8,184,355</u>		
Liabilities			
Accounts payable	41,843	-	41,843
Due to other governmental units	140,077	-	140,077
Accrued liabilities and other	27,061	45,531	72,592
Noncurrent liabilities: (Note 7)			
Due within one year:			
Compensated absences	-	4,148	4,148
Current portion of long-term debt	-	850,000	850,000
Due in more than one year	-	4,500,000	4,500,000
Total liabilities	208,981	5,399,679	5,608,660
Deferred Inflows of Resources - Property taxes levied for the following year (Note 1)	817,991	-	817,991
Equity			
Fund balance			
Nonspendable - Prepaids	921	(921)	-
Restricted:			
Debt service	824,611	(824,611)	-
Capital projects (unspent bond proceeds)	825,273	(825,273)	-
Unassigned	5,506,578	(5,506,578)	-
Total fund balance	7,157,383	(7,157,383)	-
Total liabilities, deferred inflows, and fund balance	<u>\$ 8,184,355</u>		
Net Position			
Net investment in capital assets		404,616	404,616
Restricted - Debt service		408,389	408,389
Unrestricted		1,371,404	1,371,404
Total net position		<u>\$ 2,184,409</u>	<u>\$ 2,184,409</u>

Downtown Development Authority of the Charter Township of Van Buren

Statement of Activities/Governmental Fund Revenues, Expenditures, and Changes in Fund Balance Year Ended December 31, 2013

	<u>Governmental Fund</u>	<u>Adjustments (Note 2)</u>	<u>Statement of Net Activities</u>
Revenues			
Property taxes	\$ 1,692,897	\$ -	\$ 1,692,897
Interest income	<u>49,369</u>	<u>-</u>	<u>49,369</u>
Total revenues	1,742,266	-	1,742,266
Expenditures/Expenses			
Administrative	400,633	4,148	404,781
Infrastructure improvements and other	2,032,762	-	2,032,762
Depreciation and amortization	-	73,121	73,121
Debt principal	815,000	(815,000)	-
Debt interest	<u>192,299</u>	<u>23,985</u>	<u>216,284</u>
Total expenditures/expenses	<u>3,440,694</u>	<u>(713,746)</u>	<u>2,726,948</u>
Excess of Expenditures Over Revenue	(1,698,428)	713,746	(984,682)
Net Change in Fund Balances/Net Position	(1,698,428)	713,746	(984,682)
Fund Balances/Net Position - Beginning of year, as restated (Note 9)	<u>8,855,811</u>	<u>(5,686,720)</u>	<u>3,169,091</u>
Fund Balances/Net Position - End of year	<u>\$ 7,157,383</u>	<u>\$ (4,972,974)</u>	<u>\$ 2,184,409</u>

Downtown Development Authority of the Charter Township of Van Buren

Notes to Financial Statements December 31, 2013

Note I - Summary of Significant Accounting Policies

Reporting Entity

The Downtown Development Authority 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 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 Downtown Development Authority is a component unit of the Township and is included in the basic financial statements of the Township at December 31, 2013.

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

Revenues are not recognized until they are 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.

Downtown Development Authority of the Charter Township of Van Buren

Notes to Financial Statements December 31, 2013

Note 1 - 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 governmental 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 revenues 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, 2013 consist of cash and cash equivalents totaling \$1,649,884. These assets are restricted for the debt service reserve for the 2012 Tax Increment Revenue Bonds and the 2005B Tax Incremental Revenue Refunding Bonds as well as unspent bond proceeds for the 2012 Tax Increment Revenue Bonds. A total of \$408,389 is for debt service reserves, \$825,273 is for unspent bond proceeds, and \$416,222 is for next year's bond payments. Fund balance has also been restricted for \$1,649,884 and net position has been restricted for \$408,389.

Capital Assets - Capital assets, which includes 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 fair market value at the date of donation.

Land improvements are depreciated using the straight-line method over 15 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 governmental fund column, bond issuances are recognized as an "other financing source," as well as bond premiums and discounts.

Downtown Development Authority of the Charter Township of Van Buren

Notes to Financial Statements December 31, 2013

Note I - Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) 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 financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental fund reports unavailable revenues from property taxes. As of December 31, 2013, the Authority has recorded \$817,991 for property taxes levied for tax year 2013, which will be recognized during the year ending December 31, 2014. This amount is recognized as a deferred inflow of resources at December 31, 2013.

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.

Downtown Development Authority of the Charter Township of Van Buren

Notes to Financial Statements December 31, 2013

Note 1 - 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 the 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 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 DDA board may 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.

Reclassifications - Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Downtown Development Authority of the Charter Township of Van Buren

Notes to Financial Statements December 31, 2013

Note 2 - 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 balance.

The statement of net position includes the capital assets and the long-term debt along with the accrued interest expense and bond refunding loss being amortized. The statement of activities includes the reclassification of the capital outlay to capital asset additions, depreciation expense, and the reclassification of the debt principal payments from the expense to offsetting the liability.

Note 3 - Budget Information

The annual budget is prepared by the DDA executive director and approved by the DDA board of directors. This is then forwarded to the Township board of trustees for approval; subsequent amendments are authorized by the DDA board of directors and approved by the Township board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at December 31, 2013 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.

Downtown Development Authority of the Charter Township of Van Buren

Notes to Financial Statements December 31, 2013

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 mature 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.

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 \$2,678,509 of bank deposits (certificates of deposit, 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 average maturities of investments are as follows:

Investment	Fair Value	Weighted Average Maturity (Years)
Negotiable CDs	\$ 1,188,000	38.07 months
U.S. government agencies	2,150,000	44.52 months

Downtown Development Authority of the Charter Township of Van Buren

Notes to Financial Statements December 31, 2013

Note 4 - Cash and Cash Equivalents (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	\$ 1,649,883	AI/PI/FI	S&P
Negotiable CDs	1,188,000	Not Rated	N/A
U.S. government agencies	2,150,000	AA+	S&P

Note 5 - Capital Assets

Capital asset activity of the Authority was as follows:

Downtown Development Authority	Balance January 1, 2013	Additions	Balance December 31, 2013
Capital assets being depreciated - Land improvements	\$ 1,290,835	\$ -	\$ 1,290,835
Accumulated depreciation - Land improvements	813,098	73,121	886,219
Net capital assets	<u>\$ 477,737</u>	<u>\$ (73,121)</u>	<u>\$ 404,616</u>

Note 6 - 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
Downtown Development Authority:							
2005 Refunding Bond:							
Amount of issue - \$4,440,000		\$605,000 -					
Maturing through 2015	5.00%	\$660,000	\$ 1,265,000	\$ -	\$ (605,000)	\$ 660,000	\$ 660,000
2012 Revenue Bond:							
Amount of issue - \$4,900,000	2.00% -	\$190,000 -	4,900,000	-	(210,000)	4,690,000	190,000
Maturing through 2032	3.75%	\$330,000					
Total bonds payable			6,165,000	-	(815,000)	5,350,000	850,000
Compensated absences			-	4,148	-	4,148	4,148
Total governmental activities			<u>\$ 6,165,000</u>	<u>\$ 4,148</u>	<u>\$ (815,000)</u>	<u>\$ 5,354,148</u>	<u>\$ 854,148</u>

Downtown Development Authority of the Charter Township of Van Buren

Notes to Financial Statements December 31, 2013

Note 6 - Long-term Debt (Continued)

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

Year Ending December 31	Component Unit Activities		
	Principal	Interest	Total
2014	\$ 850,000	\$ 182,125	\$ 1,032,125
2015	195,000	145,325	340,325
2016	200,000	141,425	341,425
2017	200,000	137,425	337,425
2018	205,000	133,425	338,425
2019-2023	1,130,000	570,375	1,700,375
2024-2028	1,325,000	376,313	1,701,313
2029-2033	1,245,000	118,875	1,363,875
Total	<u>\$ 5,350,000</u>	<u>\$ 1,805,288</u>	<u>\$ 7,155,288</u>

Defeased Debt - In prior years, the Downtown Development Authority defeased certain bonds by placing the proceeds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the financial statements. At December 31, 2013, \$1,845,000 of bonds outstanding is considered to be defeased.

Future Revenue Pledged for Debt Payment - The Downtown Development Authority has pledged a portion of future property tax revenue to repay \$660,000 and \$4,690,000 in Downtown Development Authority bonds issued in 2005 and 2012, 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. Total principal and interest remaining on the bonds total \$7,155,288, payable through 2032. For the current year, principal and interest paid and total property tax captures were \$1,031,284 and \$1,692,897, respectively.

Note 7 - 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.

Downtown Development Authority of the Charter Township of Van Buren

Notes to Financial Statements December 31, 2013

Note 8 - Construction Commitments

The Authority has active construction projects at year end. At year end, the Authority's commitments with contractors are as follow:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Ecorse Road project	\$ 3,427,054	\$ 1,472,946

Note 9 - Change in Accounting

During the current year, the Authority adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The objective of this Statement is to establish standards that reclassify certain items that were previously reported as assets and liabilities and instead to classify them as deferred inflows of resources, deferred outflows of resources, or as outflows of resources.

As a result of implementing this statement, the following assets and liabilities have been reclassified, as indicated:

<u>Item</u>	<u>Amount</u>	<u>Prior Reporting Classification/ Treatment</u>	<u>New Classification After Adoption of GASB No. 65</u>
Deferred amounts on debt refundings	\$ 22,089	Adjustment to the bonds payable liability	Deferred outflow of resources
Bond issuance costs	260,166	Asset	Outflow of resources (an expense)
Property taxes billed, but which were levied for next year's budget	817,991	Liability	Deferred inflow of resources

The financial statements for the year ended December 31, 2013 have been restated in order to implement GASB No. 65 as described above. Prior to the implementation, bond issuance costs for the Authority were recorded as an asset and amortized over the life of the bonds. Under GASB No. 65, these costs are expensed as incurred. Beginning net position for the Authority was reduced by \$260,166 which represented the balance of the asset at January 1, 2013.

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, 2013

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenues				
Property taxes	\$ 1,790,000	\$ 1,856,458	\$ 1,692,897	\$ (163,561)
Interest income	75,000	33,000	49,369	16,369
Total revenues	1,865,000	1,889,458	1,742,266	(147,192)
Expenditures				
Administrative	413,509	616,686	400,633	216,053
Infrastructure improvements and other:	2,081,010	1,971,147	2,032,762	(61,615)
Debt principal	815,000	815,000	815,000	-
Debt interest	193,250	193,250	192,299	951
Total expenditures	3,502,769	3,596,083	3,440,694	155,389
Net Change in Fund Balance	(1,637,769)	(1,706,625)	(1,698,428)	8,197
Fund Balance - Beginning of year, as restated	8,855,811	8,855,811	8,855,811	-
Fund Balance - End of year	<u>\$ 7,218,042</u>	<u>\$ 7,149,186</u>	<u>\$ 7,157,383</u>	<u>\$ 8,197</u>