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

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**Financial Report  
with Supplemental Information  
December 31, 2018**

# 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, each major 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, 2018, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated May 29, 2019, 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 29, 2019.

As discussed in Note 10 to the basic financial statements, in 2018, the Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which established accounting and financial reporting standards for defined benefit OPEB plans provided to the employees of governmental employers. Our opinion is not modified with respect to this matter.

### ***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.

*Plante & Moran, PLLC*

May 29, 2019

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

## **Management's Discussion and Analysis**

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As management of the Downtown Development Authority of the Charter Township of Van Buren (the "DDA" or the "Authority"), we offer readers this narrative overview and analysis of the financial activities for the year ended December 31, 2018. 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, Michigan, 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, Michigan assisted the DDA with this project with approximately \$1.9 million of federal funding; in addition, Wayne County, Michigan assigned a project engineer and \$80,000 for construction of a passing lane.
- The DDA has agreed to continue to maintain the landscape at that project area, as required by Wayne County, Michigan.
- 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 to finance a portion of the costs to design, acquire, construct, and purchase components of certain development projects, including, but not limited to, street construction and reconstruction, paving, boulevard improvements, service drive improvements, curb and gutter, sidewalk improvements, drainage and storm sewer improvements, streetscape improvements, pedestrian crossings, utilities, traffic control devices, lighting, street and directional signage, landscaping and irrigation, restoration, and any other public improvements included in the development projects included in the plan together with all work necessary or incidental to the improvements. The Authority pledged its tax increment revenue as security for the payment of these bonds.
- Wayne County, Michigan requires that the DDA maintain certain areas of land within the Belleville Road Streetscape.
- 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. This will be a 2019 construction project.
- The business district along Belleville Road is bisected by Interstate 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 2018-2019 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 activities of the Authority as a whole and present a longer-term view of the Authority's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell the reader how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Authority's operations in more detail than the government-wide financial statements by providing information about the Authority's most significant funds. The fiduciary fund statements provide financial information about activities for which the Authority acts solely as a trustee or agent for the benefit of those outside of the government.

### Summary Condensed Statement of Net Position

	<u>2017</u>	<u>2018</u>	<u>Change</u>	<u>Percent Change</u>
<b>Assets</b>				
Current and other assets	\$ 7,709,691	\$ 8,433,139	\$ 723,448	9.4
Capital assets	<u>777,824</u>	<u>857,035</u>	<u>79,211</u>	10.2
Total assets	8,487,515	9,290,174	802,659	9.5
<b>Deferred Outflows of Resources</b>	-	19,344	19,344	-
<b>Liabilities</b>				
Current liabilities	118,328	444,204	325,876	275.4
Noncurrent liabilities	<u>6,388,146</u>	<u>7,890,277</u>	<u>1,502,131</u>	23.5
Total liabilities	6,506,474	8,334,481	1,828,007	28.1
<b>Deferred Inflows of Resources</b>	<u>1,162,557</u>	<u>1,337,006</u>	<u>174,449</u>	15.0
<b>Net Position</b>				
Net investment in capital assets	777,824	857,035	79,211	10.2
Restricted	532,880	1,347,049	814,169	152.8
Unrestricted	<u>(492,220)</u>	<u>(2,566,053)</u>	<u>(2,073,833)</u>	421.3
Total net position	<u>\$ 818,484</u>	<u>\$ (361,969)</u>	<u>\$ (1,180,453)</u>	(144.2)

\* Note that the total net position includes the impact of implementing GASB Statement No. 75. Due to this impact, the net position decreased by \$457,815. See Note 10 for further information.

The above decrease 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 that 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 2018 to prioritize its projects over the following five years in order to continue working toward the completion of the "Plan." The DDA place-making project did not begin construction in 2018 as originally intended.

# Downtown Development Authority of the Charter Township of Van Buren

## Management's Discussion and Analysis (Continued)

The long-term liabilities were increased in 2018, as the DDA issued a new 2018 Tax Increment Revenue Bond for \$1,970,000 in July 2018.

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

### Summary Condensed Statement of Activities

	<u>2017</u>	<u>2018</u>	<u>Change</u>	<u>Percent Change</u>
<b>Revenue - General revenue</b>				
Property taxes	\$ 1,315,842	\$ 1,660,274	\$ 344,432	26.2
Unrestricted investment income and other	75,742	115,348	39,606	52.3
Total revenue	<u>1,391,584</u>	<u>1,775,622</u>	<u>384,038</u>	<u>27.6</u>
<b>Expenses</b>				
Administrative	509,021	620,187	111,166	21.8
Infrastructure improvements	102,363	2,034,222	1,931,859	1,887.3
Depreciation and amortization	41,004	50,108	9,104	22.2
Interest on long-term debt	233,480	251,558	18,078	7.7
Total expenses	<u>885,868</u>	<u>2,956,075</u>	<u>2,070,207</u>	<u>233.7</u>
<b>Change in Net Position</b>	505,716	(1,180,453)	(1,686,169)	(333.4)
<b>Net Position - Beginning of year</b>	<u>770,583</u>	<u>818,484</u>	<u>47,901</u>	<u>6.2</u>
<b>Net Position - End of year</b>	<u><u>\$ 1,276,299</u></u>	<u><u>\$ (361,969)</u></u>	<u><u>\$ (1,638,268)</u></u>	<u>(128.4)</u>

The DDA continues to see a steady consistent growth within the district. Speedway constructed a new 4,608-square-foot gas station, which includes a minimart and cafe. Better Health relocated within the DDA district in order to expand its store and added a juice and café bar. Town Place Suites by Marriott is under construction, Verdeterre Contracting has expanded its office area, and a new commercial development is in the planning stages.

The DDA's infrastructure improvements increased approximately \$2 million due to the construction of the passenger bridge and the start to the placemaking project.

### The DDA's Fund

The DDA maintains one fund, the Governmental 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.

### Budgetary Highlights

The Governmental 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 Assets 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.

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

## **Management's Discussion and Analysis (Continued)**

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### **Requests for Further Information**

This financial report is intended to provide a general overview of the Authority's finances and demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional information, please contact the Authority at 46425 Tyler Road, Van Buren Township, MI 48111. This report, township budgets, and other financial information are available on the Authority's website at [www.vanburendda.com](http://www.vanburendda.com).

# Downtown Development Authority of the Charter Township of Van Buren

## Statement of Net Position/Governmental Fund Balance Sheet

December 31, 2018

	Governmental Fund	Adjustments (Note 3)	Statement of Net Position - Full Accrual Basis
<b>Assets</b>			
Cash and cash equivalents (Note 5)	\$ 6,399,643	\$ -	\$ 6,399,643
Receivables	14,177	-	14,177
Prepaid expenses and other assets	4,620	-	4,620
Restricted assets	2,014,699	-	2,014,699
Capital assets: (Note 6)			
Assets not subject to depreciation	-	426,262	426,262
Assets subject to depreciation - Net	-	430,773	430,773
Total assets	8,433,139	857,035	9,290,174
<b>Deferred Outflows of Resources</b> - Deferred outflows related to OPEB (Note 9)	-	19,344	19,344
Total assets and deferred outflows of resources	<b>\$ 8,433,139</b>	<b>876,379</b>	<b>9,309,518</b>
<b>Liabilities</b>			
Accounts payable	\$ 375,163	-	375,163
Accrued liabilities and other	3,409	65,632	69,041
Noncurrent liabilities: (Note 7)			
Due within one year	-	411,022	411,022
Due in more than one year:			
Net OPEB liability (Note 9)	-	217,072	217,072
Long-term debt	-	7,262,183	7,262,183
Total liabilities	378,572	7,955,909	8,334,481
<b>Deferred Inflows of Resources</b>			
Property taxes levied for the following year (Note 2)	1,262,411	-	1,262,411
Deferred OPEB cost reductions (Note 9)	-	74,595	74,595
Total deferred inflows of resources	1,262,411	74,595	1,337,006
<b>Equity</b>			
Fund balance:			
Nonspendable - Prepays	4,620	(4,620)	-
Restricted:			
Debt service	1,339,127	(1,339,127)	-
Capital projects (unspent bond proceeds)	675,572	(675,572)	-
Unassigned	4,772,837	(4,772,837)	-
Total fund balance	6,792,156	(6,792,156)	-
Total liabilities, deferred inflows of resources, and fund balance	<b>\$ 8,433,139</b>		
<b>Net Position</b>			
Net investment in capital assets		857,035	857,035
Restricted:			
Debt service		671,477	671,477
Capital projects		675,572	675,572
Unrestricted		(2,566,053)	(2,566,053)
Total net position		<b>\$ (361,969)</b>	<b>\$ (361,969)</b>



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

### Statement of Activities/Statement of Revenue, Expenditures, and Changes in Fund Balance

**Year Ended December 31, 2018**

	Governmental Fund	Adjustments (Note 3)	Statement of Net Position - Full Accrual Basis
<b>Revenue</b>			
Property taxes	\$ 1,660,274	\$ -	\$ 1,660,274
Local Community Stabilization share appropriation	3,747	-	3,747
Interest income	111,601	-	111,601
Total revenue	1,775,622	-	1,775,622
<b>Expenditures</b>			
Administrative	695,046	(74,859)	620,187
Infrastructure improvements and other	2,229,992	(195,770)	2,034,222
Depreciation and amortization	-	50,108	50,108
Debt service:			
Debt principal	315,000	(315,000)	-
Debt interest	218,928	32,630	251,558
Total expenditures	3,458,966	(502,891)	2,956,075
<b>Other Financing Sources (Uses)</b>			
New debt issued	1,970,000	(1,970,000)	-
Debt premium or discount	(22,600)	22,600	-
Sale of capital assets	46,485	(46,485)	-
Total other financing sources	1,993,885	(1,993,885)	-
<b>Excess of Revenue Over Expenditures</b>	310,541	(1,490,994)	(1,180,453)
<b>Fund Balance/Net Position - Beginning of year, as restated</b>	6,481,615	(5,663,131)	818,484
<b>Fund Balance/Net Position - End of year</b>	\$ 6,792,156	\$ (7,154,125)	\$ (361,969)

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

## **Notes to Financial Statements**

**December 31, 2018**

### **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. 57 of 2018. 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, 2018.

### **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 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.

#### ***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.

# Downtown Development Authority of the Charter Township of Van Buren

## Notes to Financial Statements

December 31, 2018

### **Note 2 - Significant Accounting Policies (Continued)**

#### **Restricted Assets**

Restricted assets as of December 31, 2018 consist of cash and cash equivalents totaling \$2,014,699. These assets are restricted for the debt service reserve for the 2012 Tax Increment Revenue Bonds, the 2014 Tax Increment Revenue Bonds, and the 2018 Tax Increment Revenue Bonds. A total of \$671,477 is for debt service reserves, \$667,650 is for next year's bond payments, and \$675,572 is for unspent bond proceeds. Fund balance has also been restricted for \$2,014,699, and net position has been restricted for \$671,477.

#### **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 one item that qualify as reporting in this category, deferred outflows of resources related to the OPEB plan, presented in the government-wide statement of net position.

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.

**Note 2 - Significant Accounting Policies (Continued)**

The Authority has two types of item that qualify for reporting in this category. One 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, 2018, the Authority has recorded \$1,262,411 for property taxes levied for tax year 2018, which will be recognized during the year ending December 31, 2019. This amount is recognized as a deferred inflow of resources at December 31, 2018. The other item, deferred OPEB cost reductions, represents differences in experience and changes in assumptions and is presented in the government-wide statement of net position.

**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.

**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 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 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.

# Downtown Development Authority of the Charter Township of Van Buren

## Notes to Financial Statements

December 31, 2018

### Note 2 - Significant Accounting Policies (Continued)

#### Other Postemployment Benefit Costs

The Authority offers other postemployment benefits to its employees. The Authority records a net OPEB liability for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. Investments are reported at fair value.

### Note 3 - Reconciliation of Individual Fund Columns of the Statement of Net Position/Statement of Activities

Net position reported in the statement of net position column is different than the fund balance reported in the individual fund column because of the different measurement focus and basis of accounting, as discussed in Note 2. Below is a reconciliation of the differences:

<b>Fund Balances Reported in Governmental Fund</b>	<b>\$ 6,792,156</b>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the fund:	
Cost of capital assets	2,086,353
Accumulated depreciation	<u>(1,229,318)</u>
Net capital assets used in governmental activities	857,035
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the fund	(7,666,683)
Accrued interest is not due and payable in the current period and is not reported in the fund	(65,632)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(6,522)
Retiree healthcare benefits	<u>(272,323)</u>
<b>Net Position of Governmental Activities</b>	<b><u><u>\$ (361,969)</u></u></b>

# Downtown Development Authority of the Charter Township of Van Buren

## Notes to Financial Statements

December 31, 2018

### Note 3 - Reconciliation of Individual Fund Columns of the Statement of Net Position/Statement of Activities (Continued)

The change in net position reported in the statement of activities column is different than the change in fund balance reported in the individual fund column because of the different measurements focus and basis of accounting, as discussed in Note 2. Below is a reconciliation of the differences:

<b>Net Change in Fund Balance Reported in Governmental Fund</b>	<b>\$ 310,541</b>
Amounts reported for governmental activities in the statement of activities are different because:	
The governmental fund reports capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	195,770
Depreciation expense	(70,074)
Net book value of assets disposed of	(46,485)
Issuing debt provides current financial resources to the governmental fund, but increases long-term liabilities in the statement of net position	(1,947,400)
Repayment of bond principal is an expenditure in the governmental fund, but not in the statement of activities (where it reduces long-term debt)	315,159
Interest expense is recognized in the government-wide statements as it accrues	(12,823)
Some employee costs (OPEB, compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund	<u>74,859</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ (1,180,453)</u></b>

### 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.

# Downtown Development Authority of the Charter Township of Van Buren

## Notes to Financial Statements

December 31, 2018

### 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 \$2,147,782 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	21.35
U.S. government agencies	2,038,000	33.22

#### **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 - Part of the Charter Township of Van Buren pooled account	\$ 2,469,377	AAA	S&P
Negotiable CDs	1,400,000	Not Rated	N/A
U.S. government agencies	2,038,000	AA+	S&P
Money market	2,014,700	A1/P1/F1	S&P

**Note 5 - Deposits and Investments (Continued)**

***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 Private Bank for the DDA. The Authority's concentration percentage of the certificates of deposit is 18.91, 7.27, and 14.54 percent each. The Authority's concentration percentage of Federal Home Loan Bank, Federal National Mortgage Association, and Federal Home Loan Mortgage Corporation securities is 40.72, 11.29, and 7.27 percent, respectively.

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 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.

The Authority has the following recurring fair value measurements as of December 31, 2018:

- 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).
- Comerica Investment Pool investment of \$2,469,377 is valued at net asset value (NAV). There are no unfunded commitments and no redemption notice period, and the redemption frequency is n/a.

The Comerica Investment Pool (LGIP) is not registered with the SEC and does not issue a separate report. The fair value of the position in the pool is not the same as the value of the pool shares, since the pool does not meet the requirements under GASB 79 to report its value for financial reporting purposes at amortized cost.



# Downtown Development Authority of the Charter Township of Van Buren

## Notes to Financial Statements

December 31, 2018

### Note 6 - Capital Assets

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

	Balance January 1, 2018	Additions	Disposals and Adjustments	Balance December 31, 2018
Capital assets not being depreciated - Land	\$ 426,262	\$ -	\$ -	\$ 426,262
Capital assets being depreciated:				
Rights-of-way	229,136	-	(62,444)	166,692
Office furnishings	6,794	-	-	6,794
Land improvements	1,290,835	195,770	-	1,486,605
Subtotal	1,526,765	195,770	(62,444)	1,660,091
Accumulated depreciation:				
Rights-of-way	29,919	19,966	(15,959)	33,926
Office furnishings	3,757	1,518	-	5,275
Land improvements	1,141,527	48,590	-	1,190,117
Subtotal	1,175,203	70,074	(15,959)	1,229,318
Net capital assets being depreciated	351,562	125,696	(46,485)	430,773
Net governmental activities capital assets	<u>\$ 777,824</u>	<u>\$ 125,696</u>	<u>\$ (46,485)</u>	<u>\$ 857,035</u>

# Downtown Development Authority of the Charter Township of Van Buren

## Notes to Financial Statements

December 31, 2018

### 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, 2018 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	\$ 3,905,000	\$ -	\$ (205,000)	\$ 3,700,000	\$ 215,000
2014 Revenue Bond: Amount of issue - \$2,600,000 Maturing through 2032	2.00% - 4.00%	\$105,000 - \$180,000	2,120,000	-	(110,000)	2,010,000	115,000
2018 Revenue Bond: Amount of issue - \$1,970,000 Maturing through 2038	3.00%- 3.625%	\$75,000- \$130,000	-	1,970,000	-	1,970,000	75,000
2014 Bond premium			9,442	-	(630)	8,812	630
2018 Bond discount			-	(22,600)	471	(22,129)	(1,130)
<b>Total bonds payable</b>			<b>6,034,442</b>	<b>1,947,400</b>	<b>(315,159)</b>	<b>7,666,683</b>	<b>404,500</b>
Net OPEB liability			347,316	-	(130,244)	217,072	-
Compensated absences			6,388	6,522	(6,388)	6,522	6,522
<b>Total governmental activities long-term debt</b>			<b>\$ 6,388,146</b>	<b>\$ 1,953,922</b>	<b>\$ (451,791)</b>	<b>\$ 7,890,277</b>	<b>\$ 411,022</b>

#### 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
2019	\$ 405,000	\$ 262,532	\$ 667,532
2020	415,000	250,382	665,382
2021	425,000	237,932	662,932
2022	435,000	225,181	660,181
2023	450,000	212,131	662,131
2024-2028	2,500,000	827,594	3,327,594
2029-2033	2,445,000	348,893	2,793,893
2034-2038	605,000	66,954	671,954
<b>Total</b>	<b>\$ 7,680,000</b>	<b>\$ 2,431,599</b>	<b>\$ 10,111,599</b>

**Note 7 - Long-term Debt (Continued)**

***Future Revenue Pledged for Debt Payment***

The Authority has pledged a portion of future property tax revenue to repay \$3,700,000, \$2,010,000, and 1,970,000 in DDA bonds issued in 2012, 2014, and 2018, 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 \$10,111,599, payable through 2038. For the current year, principal and interest paid and total property tax captures were \$546,751 and \$1,660,274, 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.

**Note 9 - Other Postemployment Benefit Plan**

***Plan Description***

The Authority provides OPEB for all employees who meet eligibility requirements. The benefits are provided through the Van Buren Township OPEB Plan, a cost-sharing plan administered by the Township.

The financial statements of the OPEB plan are included in the Township's financial statements as an other employee benefit trust fund (a fiduciary fund).

Management of the plan is vested in the pension and OPEB board, which consists of seven members - three elected by plan members, three appointed by the Township, and the Township treasurer, who serves as an ex officio member.

***Benefits Provided***

Van Buren Township OPEB Plan provides medical coverage and life insurance benefits for retirees and medical coverage for their spouses. Benefits are provided through a third-party insurer, and the full cost of the benefits is covered by the plan. The AFSCME, POLC Patrol/Dispatch, and MAFF union retirees contribute 10 percent of the premium cost.

***Contributions***

Retiree healthcare costs are paid by the Township on a "pay-as-you-go" basis. The Authority has no obligation to make contributions in advance of when the insurance premiums are due for payment. Contributions to the plan from the Authority were \$100,000 for the year ended December 31, 2018.

***Net OPEB Liability***

At December 31, 2018, the Authority reported a liability of \$217,072 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net OPEB liability was based on the Authority's actual participation in the plan.

***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

For the year ended December 31, 2018, the Authority recognized OPEB expense of \$25,007.

# Downtown Development Authority of the Charter Township of Van Buren

## Notes to Financial Statements

December 31, 2018

### Note 9 - Other Postemployment Benefit Plan (Continued)

At December 31, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (68,409)
Changes in assumptions	-	(6,186)
Net difference between projected and actual earnings on OPEB plan investments	19,344	-
Total	<u>\$ 19,344</u>	<u>\$ (74,595)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending December 31	Amount
2019	\$ (9,372)
2020	(9,372)
2021	(9,372)
2022	(9,372)
2023	(14,208)
Thereafter	(3,555)
Total	<u>\$ (55,251)</u>

#### **Actuarial Assumptions**

The total OPEB liability in the December 31, 2018 actuarial valuation was determined using an inflation assumption of 2.5 percent; assumed salary increases (including inflation) of 3.5 percent; an investment rate of return (net of investment expenses) of 6.54 percent; a healthcare cost trend rate of 8.5 percent for 2018, decreasing to 4.5 percent in year 10; and the PUB-2010 mortality tables. These assumptions were applied to all periods included in the measurement.

#### **Discount Rate**

The discount rate used to measure the total OPEB liability was 6.54 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

**Notes to Financial Statements**

**December 31, 2018**

**Note 9 - Other Postemployment Benefit Plan (Continued)**

**Investment Rate of Return**

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic real rates of return as of the December 31, 2018 measurement date for each major asset class included in the OPEB plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following tables:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	56.30 %	8.00 %
Global fixed income	30.20	5.50
Real assets	2.20	6.20
Diversifying strategies	8.10	2.75
Cash	3.20	0.50

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the net OPEB liability of the Authority, calculated using the discount rate of 6.54 percent, as well as what the Authority's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (5.54%)	Current Discount Rate (6.54%)	1 Percent Increase (7.54%)
Net OPEB liability of the Van Buren Township OPEB Plan	\$ 261,081	\$ 217,072	\$ 176,013

**Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate**

The following presents the net OPEB liability of the Authority, calculated using the healthcare cost trend rate of 8.5 percent, as well as what the Authority's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease	Current Healthcare Cost Trend Rate	1 Percent Increase
Net OPEB liability of the Van Buren Township OPEB Plan	\$ 179,095	\$ 217,072	\$ 265,161

**OPEB Plan Fiduciary Net Position**

Detailed information about the plan's fiduciary net position is available in the separately issued financial report of the Township. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the plan's fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

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

**Notes to Financial Statements**

**December 31, 2018**

**Note 10 - Change in Accounting Principle**

During the current year, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result, the government-wide statements now include a liability for the unfunded portion of the Authority's retiree healthcare costs. Some of the change in this net OPEB liability will be recognized immediately as part of the OPEB expense measurement, and part will be deferred and recognized over future years. Refer to the other postemployment benefit plan footnote for further details (see Note 9). This change does not impact the Governmental Fund.

As a result of implementing this statement, the beginning net position has been restated as follows:

	<u>As Computed Under Old Method</u>	<u>As Reported Under New Method</u>	<u>Effect of Change</u>
DDA net position	\$ 1,276,299	\$ 818,484	\$ (457,815)

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## Required Supplemental Information

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

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

**Year Ended December 31, 2018**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
<b>Revenue</b>				
Property taxes	\$ 1,295,740	\$ 1,657,000	\$ 1,660,274	\$ 3,274
Local Community Stabilization share appropriation	-	3,628	3,747	119
Interest income	50,000	55,000	111,601	56,601
<b>Total revenue</b>	<b>1,345,740</b>	<b>1,715,628</b>	<b>1,775,622</b>	<b>59,994</b>
<b>Expenditures</b>				
Administrative	915,642	886,423	695,046	(191,377)
Infrastructure improvements and other	4,351,020	4,961,500	2,229,992	(2,731,508)
Debt service:				
Debt principal	415,000	415,000	315,000	(100,000)
Debt interest	287,238	224,180	218,928	(5,252)
<b>Total expenditures</b>	<b>5,968,900</b>	<b>6,487,103</b>	<b>3,458,966</b>	<b>(3,028,137)</b>
<b>Other Financing Sources (Uses)</b>				
New debt issued	1,800,000	1,894,895	1,970,000	75,105
Debt premium or discount	-	-	(22,600)	(22,600)
Sale of capital assets	-	-	46,485	46,485
<b>Total other financing sources</b>	<b>1,800,000</b>	<b>1,894,895</b>	<b>1,993,885</b>	<b>98,990</b>
<b>Net Change in Fund Balance</b>	<b>(2,823,160)</b>	<b>(2,876,580)</b>	<b>310,541</b>	<b>3,187,121</b>
<b>Fund Balance - Beginning of year</b>	<b>6,481,615</b>	<b>6,481,615</b>	<b>6,481,615</b>	<b>-</b>
<b>Fund Balance - End of year</b>	<b>\$ 3,658,455</b>	<b>\$ 3,605,035</b>	<b>\$ 6,792,156</b>	<b>\$ 3,187,121</b>



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

**Required Supplemental Information  
Schedule of the Authority's Proportionate Share of the Net OPEB Liability  
Van Buren OPEB Plan**

**Last One Plan Year  
Plan Year Ended December 31**

	<u>2018</u>
Authority's proportion of the net OPEB liability	1.06193 %
Authority's proportionate share of the net OPEB liability	\$ 217,072
Plan fiduciary net position as a percentage of total OPEB liability	13.80 %

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

**Required Supplemental Information  
Schedule of OPEB Contributions  
Van Buren Township OPEB Plan**

**Last Two Fiscal Year  
Years Ended December 31**

	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>100,000</u>	<u>165,003</u>
<b>Contribution Excess</b>	<b><u><u>\$ 100,000</u></u></b>	<b><u><u>\$ 165,003</u></u></b>

\* The Authority did not contribute to the OPEB plan prior to 2017, and no contribution information is available prior to the 2018 year end.