

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

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

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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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, the General Fund, and the aggregate remaining fund information of the Charter Township of Van Buren (the "Township") as of and for the year ended December 31, 2016, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated June 5, 2017, which contained unmodified opinions on the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, the General Fund, and the aggregate remaining fund information. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. We have not performed any procedures with respect to the audited financial statements subsequent to June 5, 2017.

In-relation-to Opinion on Accompanying Financial Statements

The financial statements of the Downtown Development Authority (the "DDA") 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 on pages 2-5 and 18, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Plante & Moran, PLLC

June 5, 2017

Downtown Development Authority of the Charter Township of Van Buren

Management's Discussion and Analysis

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

Financial Highlights

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

- In 2012, the DDA issued Limited Tax General Obligation Development Bonds in the amount of \$4.9 million. The Authority pledged its tax increment revenue as security for the payment of these bonds.
- Wayne County assisted the DDA with this project with approximately \$1.9 million of federal funding; in addition, Wayne County assigned a project engineer and \$80,000 for construction of a passing lane.
- In 2014, the DDA issued Limited Tax General Obligation Development Bonds in the amount of \$2.6 million. The Authority pledged its tax increment revenue as security for the payment of these bonds.
- 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.
- 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 downtown area pedestrian friendly.
- The business district along Belleville Road is bisected by Interstate I-94. In an effort to provide a safer and more uniform connection between the north and south half of the business area, the DDA has been awarded TAP grant funding and design services through MDOT to assist with the installation of a pedestrian overpass along Belleville Road with community signage. It is expected that this will be a 2018 construction project.

Downtown Development Authority of the Charter Township of Van Buren

Management's Discussion and Analysis (Continued)

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the undertakings of the DDA as a whole and present a longer-term view of the DDA's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year and whether the taxpayers have funded the full cost of providing government services.

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

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

	2015	2016	Changes from Prior Year	
			Amount	Percent
Assets				
Current assets	\$ 6,886,451	\$ 6,601,867	\$ (284,584)	(4) %
Capital assets	331,916	340,685	8,769	3
Long-term assets	<u>1,177,663</u>	<u>1,176,856</u>	<u>(807)</u>	(0)
Total assets	8,396,030	8,119,408	(276,622)	(3)
Liabilities				
Current liabilities	469,656	457,065	(12,591)	(3)
Long-term liabilities	<u>6,345,702</u>	<u>6,034,442</u>	<u>(311,260)</u>	(5)
Total liabilities	6,815,358	6,491,507	(323,851)	(5)
Deferred Inflows	<u>829,914</u>	<u>857,318</u>	<u>27,404</u>	3
Net Position				
Net investment in capital assets	331,916	340,685	8,769	3
Restricted for debt service	530,480	531,549	1,069	0
Unrestricted	<u>(111,638)</u>	<u>(101,651)</u>	<u>9,987</u>	(9)
Total net position	<u>\$ 750,758</u>	<u>\$ 770,583</u>	<u>\$ 19,825</u>	3

Downtown Development Authority of the Charter Township of Van Buren

Management's Discussion and Analysis (Continued)

The above increase in unrestricted net position is consistent with the DDA's long-term financial plan: (1) The Belleville Road Signal Improvement and Roadway Rehabilitation Project, whereby the many accidents which have occurred due to poor signal timing and much-needed safety improvements have been addressed and completed; (2) the DDA acquired some rights-of-way along Belleville Road in 2015, and in 2016, the DDA installed approximately 1,575 feet of sidewalk and approximately 1,335 feet of pathway along the north side of the I-94 North Service Drive; (3) continuing to add additional sidewalks/pathways in the DDA district to eventually become a complete pedestrian-friendly area; (4) the acquisition of approximately 29 rights-of-way on Belleville Road for eventual completion of road widening and sidewalk 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 2016 to prioritize its projects over the following five years in order to continue working toward the completion of the "Plan." The unrestricted net position in 2016 increased as a large portion of bond proceeds was spent during 2016.

The long-term liabilities were reduced in 2016 as bond payments were made.

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

Summary Condensed Statement of Activities

	2015	2016	Changes from Prior Year	
			Amount	Percent
Revenue				
Property taxes	\$ 1,227,307	\$ 1,249,238	\$ 21,931	2 %
Unrestricted investment income and other	64,930	63,558	(1,372)	(2)
Total revenue	1,292,237	1,312,796	20,559	2
Expenditures				
Administrative	467,318	449,470	(17,848)	(4)
Capital outlay and other	1,200,406	545,340	(655,066)	(55)
Depreciation and amortization	73,868	71,008	(2,860)	(4)
Interest on long-term debt	227,197	227,153	(44)	(0)
Total expenditures	1,968,789	1,292,971	(675,818)	(34)
Net Change in Net Position	\$ (676,552)	\$ 19,825	\$ 696,377	(103)

Downtown Development Authority of the Charter Township of Van Buren

Management’s Discussion and Analysis (Continued)

The DDA is beginning to see a minor increase in taxable value as a result of the economy beginning a slow emergence from the economic difficulties the state of Michigan has experienced. Belle Tire was a new construction added to the tax roll, Marathon was a teardown/rebuild, and we have seen some renovations and additions being done within the commercial district and a slight uptick in residential permits. The Big Boy restaurant was sold and the new owner constructed a new commercial development, with Starbucks being the first business to open, and Menards received final site plan approval. There is still buildable land and business vacancies are not as extensive as those of many other communities. The DDA is optimistic for 2017.

There was no major increase in expenditures.

The DDA’s Fund

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

General Fund Budgetary Highlights

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

Capital Asset and Debt Administration

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

Economic Factors and Next Year’s Budgets and Rates

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

Contacting the DDA’s Management

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

Downtown Development Authority of the Charter Township of Van Buren

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

	Governmental Fund	Adjustments (Note 2)	Statement of Net Position
Assets			
Cash and cash equivalents (Note 4)	\$ 6,588,955	\$ -	\$ 6,588,955
Accounts receivable	10,805	-	10,805
Prepaid expenses	2,107	-	2,107
Restricted assets	1,176,856	-	1,176,856
Capital assets being depreciated - Net (Note 5)	-	340,685	340,685
Total assets	\$ 7,778,723	340,685	8,119,408
Liabilities			
Accounts payable	\$ 77,604	-	77,604
Accrued liabilities and other	8,212	53,634	61,846
Noncurrent liabilities (Note 6):			
Due within one year	-	317,615	317,615
Due in more than one year	-	6,034,442	6,034,442
Total liabilities	85,816	6,405,691	6,491,507
Deferred Inflows of Resources - Property taxes levied for the following year (Note 1)	857,318	-	857,318
Equity			
Fund balance:			
Nonspendable - Prepays	2,107	(2,107)	-
Restricted:			
Debt service	1,056,146	(1,056,146)	-
Capital projects (unspent bond proceeds)	120,710	(120,710)	-
Unassigned	5,656,626	(5,656,626)	-
Total fund balance	6,835,589	(6,835,589)	-
Total liabilities, deferred inflows of resources, and fund balance	\$ 7,778,723		
Net position:			
Net investment in capital assets		340,685	340,685
Restricted - Debt service		531,549	531,549
Unrestricted		(101,651)	(101,651)
Total net position		\$ 770,583	\$ 770,583

Downtown Development Authority of the Charter Township of Van Buren

Statement of Activities/Governmental Fund Revenue, Expenditures, and Changes in Fund Balance Year Ended December 31, 2016

	Governmental Fund	Adjustments (Note 2)	Statement of Activities
Revenue			
Property taxes	\$ 1,249,238	\$ -	\$ 1,249,238
Local Community Stabilization share appropriation	8,421	-	8,421
Interest income	55,137	-	55,137
Total revenue	1,312,796	-	1,312,796
Expenditures			
Administrative	446,633	2,837	449,470
Infrastructure improvements and other	633,000	(87,660)	545,340
Depreciation and amortization	-	71,008	71,008
Debt principal	305,000	(305,000)	-
Debt interest	221,688	5,465	227,153
Total expenditures	1,606,321	(313,350)	1,292,971
Excess of Revenue (Under) Over Expenditures	(293,525)	313,350	19,825
Fund Balance/Net Position - Beginning of year	7,129,114	(6,378,356)	750,758
Fund Balance/Net Position - End of year	\$ 6,835,589	\$ (6,065,006)	\$ 770,583

Downtown Development Authority of the Charter Township of Van Buren

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

Note I - Summary of Significant Accounting Policies

Reporting Entity

The Downtown Development Authority of the Charter Township of Van Buren (the "DDA" or the "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 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, 2016.

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 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.

Downtown Development Authority of the Charter Township of Van Buren

Notes to Financial Statements December 31, 2016

Note I - Summary of Significant Accounting Policies (Continued)

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The 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 revenue in the year for which they are levied.

Specific Balances and Transactions

Cash and Cash Equivalents - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Restricted Assets - Restricted assets as of December 31, 2016 consist of cash and cash equivalents totaling \$1,176,856. These assets are restricted for the debt service reserve for the 2012 Tax Increment Revenue Bonds and the 2014 Tax Increment Revenue Bonds as well as unspent bond proceeds for the 2012 Tax Increment Revenue Bonds and the 2014 Tax Increment Revenue Bonds. A total of \$531,549 is for debt service reserves, \$120,710 is for unspent bond proceeds, and \$524,597 is for next year's bond payments. Fund balance has also been restricted for \$1,176,856 and net position has been restricted for \$531,549.

Capital Assets - Capital assets, which include 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 acquisition value.

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.

Downtown Development Authority of the Charter Township of Van Buren

Notes to Financial Statements December 31, 2016

Note 1 - Summary of Significant Accounting Policies (Continued)

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 lives 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.

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has only one type of item that qualifies for reporting in this category. Accordingly, the item, property taxes levied for the following year, is reported on the statement of net position as a deferred inflow of resources. As of December 31, 2016, the Authority has recorded \$857,318 for property taxes levied for tax year 2016, which will be recognized during the year ending December 31, 2017. This amount is recognized as a deferred inflow of resources at December 31, 2016.

Net Position Flow Assumption

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide 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.

Downtown Development Authority of the Charter Township of Van Buren

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

Note I - Summary of Significant Accounting Policies (Continued)

Fund Balance Flow Assumption

Sometimes the Authority will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund 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. 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 Authority'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 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, 2016

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. 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 offset the liability.

Note 3 - Budget Information

The annual budget is prepared by the DDA's executive director and approved by the DDA's board of directors. This is then forwarded to the Township's board of trustees for approval; subsequent amendments are authorized by the DDA's board of directors and approved by the Township's board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at December 31, 2016 has not been calculated. During the current year, the budget was amended in a legally permissible manner. The budget has been adopted on a line-item basis and has been prepared in accordance with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the budget as adopted by the Authority's board is included in the required supplemental information.

Downtown Development Authority of the Charter Township of Van Buren

Notes to Financial Statements December 31, 2016

Note 4 - Cash and Cash Equivalents

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

The DDA'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 DDA's deposits may not be returned to it. The DDA does not have a deposit policy for custodial credit risk. At year end, the DDA had \$3,827,812 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The DDA 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 DDA 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 DDA 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
Negotiable CDs	\$ 1,400,000	35.35 months
U.S. government agencies	2,038,000	37.19 months

Downtown Development Authority of the Charter Township of Van Buren

Notes to Financial Statements December 31, 2016

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 DDA 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	\$ 1,176,857	AI/PI/FI	S&P
Negotiable CDs	1,400,000	Not rated	N/A
U.S. government agencies	2,038,000	AA+	S&P

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

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

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

The DDA has the following recurring fair value measurements as of December 31, 2016:

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

Downtown Development Authority of the Charter Township of Van Buren

Notes to Financial Statements December 31, 2016

Note 5 - Capital Assets

Capital asset activity of the Authority was as follows:

	Balance January 1, 2016	Additions	Balance December 31, 2016
Capital assets being depreciated:			
Land improvements	\$ 1,290,835	\$ -	\$ 1,290,835
Office equipment	2,239	-	2,239
Rights-of-way	73,753	87,660	161,413
Accumulated depreciation:			
Land improvements	1,032,463	70,262	1,102,725
Office equipment	809	746	1,555
Rights-of-way	1,639	7,883	9,522
Net capital assets	<u>\$ 331,916</u>	<u>\$ 8,769</u>	<u>\$ 340,685</u>

Note 6 - Long-term Debt

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

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Downtown Development Authority:							
2012 Revenue Bond:							
Amount of issue - \$4,900,000	2.00% -	\$190,000 -					
Maturing through 2032	3.75%	\$330,000	\$ 4,305,000	\$ -	\$ (200,000)	\$ 4,105,000	\$ 200,000
2014 Revenue Bond:							
Amount of issue - \$2,600,000	2.00%-	\$105,000 -					
Maturing through 2032	4.00%	\$180,000	2,335,000	-	(105,000)	2,230,000	110,000
2014 Bond Premium			10,702	-	(630)	10,072	630
Total bonds payable			6,650,702	-	(305,630)	6,345,072	310,630
Compensated absences			4,148	2,837	-	6,985	6,985
Total governmental activities			<u>\$ 6,654,850</u>	<u>\$ 2,837</u>	<u>\$ (305,630)</u>	<u>\$ 6,352,057</u>	<u>\$ 317,615</u>

Downtown Development Authority of the Charter Township of Van Buren

Notes to Financial Statements December 31, 2016

Note 6 - Long-term Debt (Continued)

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

Years Ending December 31	Component Unit Activities		
	Principal	Interest	Total
2017	\$ 310,000	\$ 214,538	\$ 524,538
2018	315,000	207,237	522,237
2019	330,000	197,788	527,788
2020	340,000	187,887	527,887
2021	345,000	177,688	522,688
2022-2026	1,910,000	719,106	2,629,106
2027-2031	2,275,000	362,181	2,637,181
2032	510,000	19,575	529,575
Total	<u>\$ 6,335,000</u>	<u>\$ 2,086,000</u>	<u>\$ 8,421,000</u>

Future Revenue Pledged for Debt Payment - The Authority has pledged a portion of future property tax revenue to repay \$4,105,000 and \$2,230,000 in DDA bonds issued in 2012 and 2014, respectively, to finance various capital improvements. The bonds are payable solely from the incremental property taxes captured by the Authority and are projected to produce 100 percent of debt service requirements over the life of the bonds. Principal and interest remaining on the bonds total \$8,421,000, payable through 2032. For the current year, principal and interest paid and total property tax captures were \$526,058 and \$1,249,238, 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.

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, 2016

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 1,250,000	\$ 1,250,000	\$ 1,249,238	\$ (762)
Local Community Stabilization share appropriation	-	8,421	8,421	-
Interest income	35,000	36,000	55,137	19,137
Total revenue	1,285,000	1,294,421	1,312,796	18,375
Expenditures				
Administrative	501,770	509,994	446,633	63,361
Infrastructure improvements and other	1,301,200	2,278,300	633,000	1,645,300
Debt principal	415,845	305,000	305,000	-
Debt interest	221,688	221,688	221,688	-
Total expenditures	2,440,503	3,314,982	1,606,321	1,708,661
Net Change in Fund Balance	(1,155,503)	(2,020,561)	(293,525)	1,727,036
Fund Balance - Beginning of year	7,129,114	7,129,114	7,129,114	-
Fund Balance - End of year	\$ 5,973,611	\$ 5,108,553	\$ 6,835,589	\$ 1,727,036